



P R O V I D E R B U L L E T I N

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**To: All Indiana Health Coverage Programs Federally
 Qualified Health Centers and Rural Health Clinics**

Subject: Payment Rate Standards

**Notice of Significant Changes in Medicaid Methods and
Standards for Setting Payment Rates for Services**

In accordance with public notice requirements of 42 CFR 447.205, the Office of Medicaid Policy and Planning (OMPP) publishes this notice of significant changes in the Medicaid reimbursement methodology for Federally Qualified Health Centers (FQHC) and Rural Health Clinics (RHC).

Effective January 1, 2002, for FQHC services and effective January 1, 2001, for RHC services, Indiana Medicaid will reimburse these services using rates determined under a prospective payment system (PPS) as mandated by *Section 702 of the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA)*.

For the period January 1, 2001, through December 31, 2001, Indiana Medicaid will pay for FQHC services using the methodologies in effect on January 1, 2001. FQHCs will continue to be reimbursed based on 100 percent of costs through December 31, 2001. Costs must be reasonable and related to the cost of furnishing such services, as described in *section 1905(a)(2)(C) of the Social Security Act*. In the event a final settlement has not been reached on the 1999 and 2000 FQHC cost reports by December 31, 2001, Indiana Medicaid can extend this alternative payment methodology for a period of no more than 180 days. If, at the end of this 180 day period, the 1999 and 2000 cost reports have still not been finalized, then an interim prospective rate equal to the most recent rate on file will be used to reimburse FQHC services until such time that the cost reports are final. This interim PPS rate will be adjusted annually by the Medicare Economic Index (MEI). RHCs, beginning January 1, 2001, will be reimbursed through an interim prospective rate.

As required by BIPA, a reconciliation will be completed for payments using the methodology in effect from January 1, 2001, through December 31, 2001 (and thereafter, if necessary) to payments that would have been made under the

prospective payment system. The reconciliation is to ensure that each FQHC or RHC received payments in an amount at least equal to what would have been required under the prospective payment system. The adoption of the prospective payment system is estimated to increase payments to FQHCs and RHCs by approximately \$633 thousand in Federal fiscal year 2002. Detailed analysis of the estimated fiscal impact is available by contacting Myers and Stauffer, 8555 North River Road, Suite 360, Indianapolis, Indiana 46240. Written comments concerning this change may be sent to Myers and Stauffer to the attention of Beverly Kelly.

Copies of this notice and the pending Medicaid state plan amendment, including a summary of the fiscal impact are now on file and open for public inspection. Interested parties should contact Beverly Kelly of Myers and Stauffer at (317) 846-9521 or 1-800-877-6927. The proposed effective date of the state plan amendment is January 1, 2001, while the proposed effective date of the adoption of the prospective payment system is January 1, 2002, for FQHCs and January 1, 2001, for RHCs.

John Hamilton
Secretary
Office of the Secretary of Family and Social Services