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# Federally Qualified Health Centers: Medicaid Rates

Presentation to the House Committee on Health Care

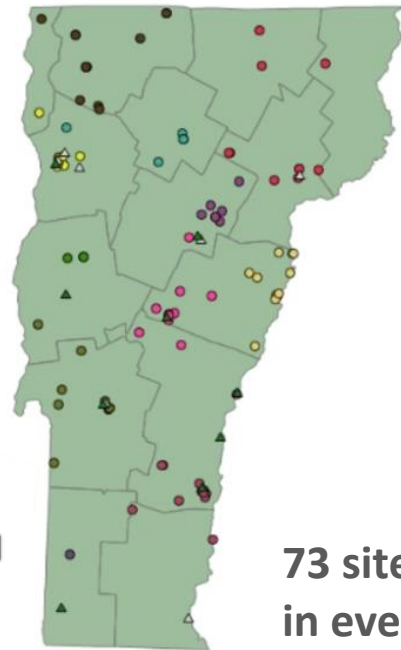
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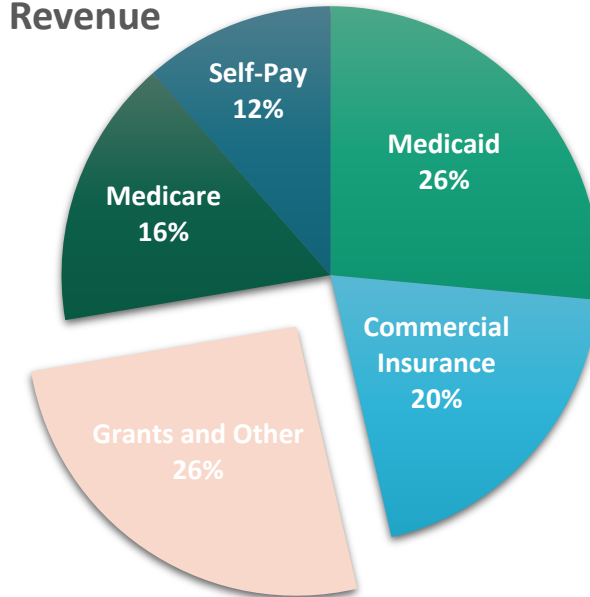
# What is a Federally Qualified Health Center (FQHC)?

- Community Health
- Gifford Health Care
- Lamoille Health Partners
- Little Rivers Health Care
- Mountain Health Center
- Northern Counties Health Care
- Northern Tier Center for Health
- North Star Health
- The Health Center
- Battenkill Valley Health Center
- Community Health Centers of Burlington
- △ Planned Parenthood of Northern New England
- ▲ Vermont Free & Referral Clinics



**73 sites, located in every county**

## FQHC Funding Sources: 74% Patient Revenue



### In 2021, FQHCs served...

- 1 in 3 Vermonters and conducted over 711,000 patient visits
- 32,500+ children
- 44,000+ older adults (35% of VT Medicare beneficiaries)
- 2,300+ persons experiencing homelessness
- 13,300+ uninsured patients (69% of VT's uninsured)
- 54,000+ VT Medicaid enrollees (47% of enrollees)



# Medicaid Funding – Set in Federal Statute

## Excerpt from CMS State Medicaid Manual:

### 6303. FEDERALLY QUALIFIED HEALTH CENTER AND OTHER AMBULATORY SERVICES PAYMENT

Pay 100 percent of the costs which are reasonable and related to the cost of furnishing Federally Qualified Health Center (FQHC) services and other ambulatory services defined in §1905(a)(2)(C) of the Social Security Act. The State payment system may utilize prospectively determined payment rates or may pay interim rates subject to reconciliation at the end of a cost reporting period. Irrespective of the type of payment method utilized, the State must determine and assure that the payments are based upon, and cover, the reasonable costs of providing services to Medicaid beneficiaries. Such costs cannot exceed the reasonable costs as determined by the applicable Medicare cost reimbursement principles set forth in 42 CFR Part 413. Other standards of reasonableness will be developed through regulation. Additional information will be provided when regulations are published in the Federal Register.

This is in accordance with §6404 of the Omnibus Budget Reconciliation Act of 1989, P.L. 101-239, which amends §1902(a)(13)(E) of the Social Security Act.

# FQHC Payment Model

- The 2000 Benefits Improvement and Protection Act (BIPA) established two payment options for FQHCs
  1. The prospective payment system (PPS)
    - Base Payment (avg. cost/visit) + Change in Scope + Medicare Economic Index
  2. Alternative Payment Methodology
    - Method agreed upon by state and health center
    - Must be equal to or greater than the PPS rate
- Current Vermont Medicaid encounter rate is modeled after the PPS option
  - Covers all Medicaid-covered services provided by the FQHC, including primary care, ambulatory care, and mental health services
  - Dental is covered by Medicaid rates with an annual cost-based reconciliation

# Medicaid and FQHCs Should Work Collaboratively to Meet the Requirements of Federal Law

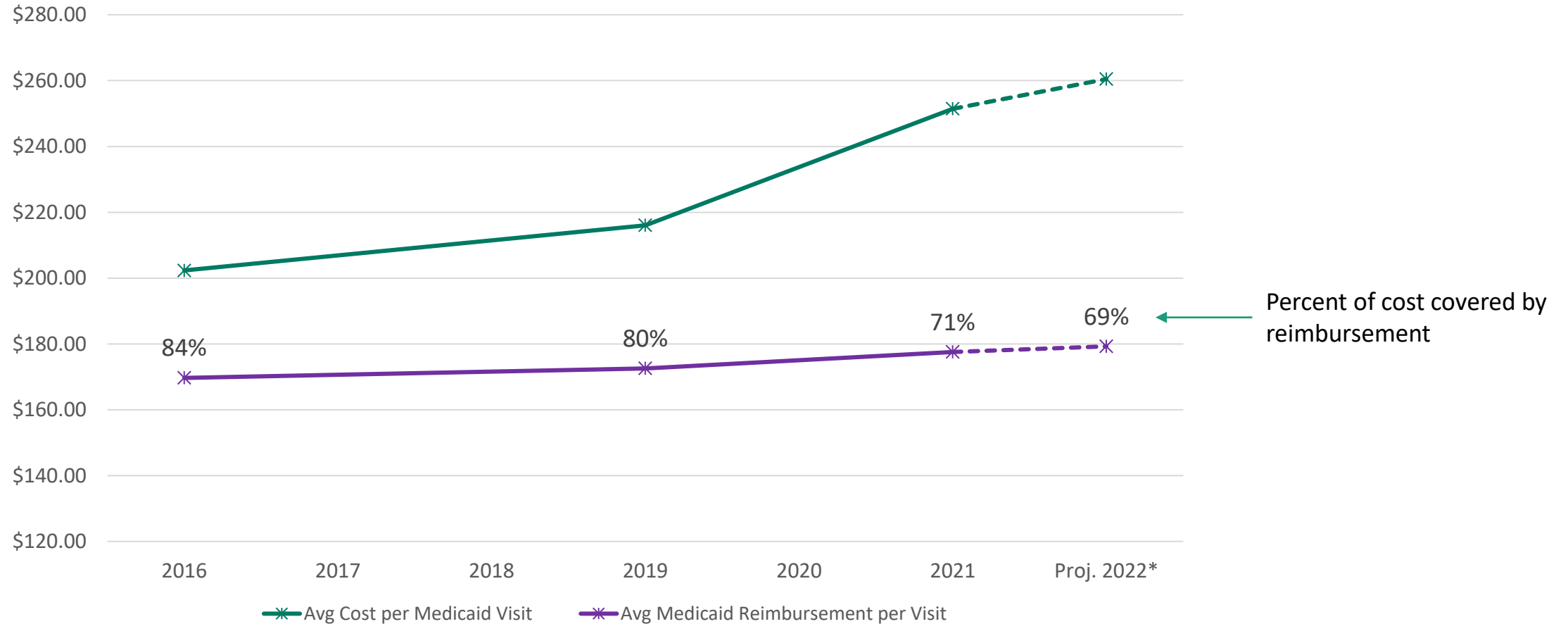
2016: Vermont determined Medicaid reimbursement was not aligned with federal law. It had inadequately considered cost changes and did not offering a change in scope process.

2022: Review of 2021 data shows reimbursement rates are not keeping up with the cost of care; health centers losing money with every Medicaid patient visit creating risks to primary care access and sustainability.

2017-18: Collaborative process updated the payment model with 2016 cost data, used MEI inflation factor, and added change in scope process.

2023: Collaboration between DVHA and Bi-State to develop FQHC Alternative Payment Methodology that better aligns reimbursement with cost going forward.

# Medicaid Reimbursement Covers Less of FQHC Costs Over Time



\*Projected costs calculated with 2021 costs inflated by 2022 CPI-Medical, 4.1%; actual 2022 cost data will be available by April 2023

# Actual and Projected Medicaid Costs Compared to Reimbursement

Year	Avg. Encounter Rate	Avg. Cost Per Visit	Avg. Payment Gap per Visit	Total Visits Per Year	Total Payment Gap*
<b>2021</b>	\$176.87	\$250.19	(\$73.32)	192,632	(\$14,125,180)
<b>2022, projected</b>	\$179.27	\$260.45**	(\$81.18)	192,632‡	(\$15,638,520)

\* Total payment gap is calculated by summing the payment gaps for each FQHC.

\*\* Projected Cost per Visit = 2021 Avg cost x 2022 CPI-Medical inflation factor, 4.1%

‡ Since 2022 visit data is not currently available, weighted averages and totals were calculated with 2021 visit numbers, which likely means the total payment gap is an underestimate since 2021 FQHC visits were still under pre-pandemic levels.

# Primary Care, Whole Person Care

## Core Services

- Mental Health Services
- Substance Use Disorder Treatment
- Medical Services
- Physical Wellness
- Reproductive Services
- Vision Care
- Gender Affirming Care
- Pharmacy Services
- Oral Health Services

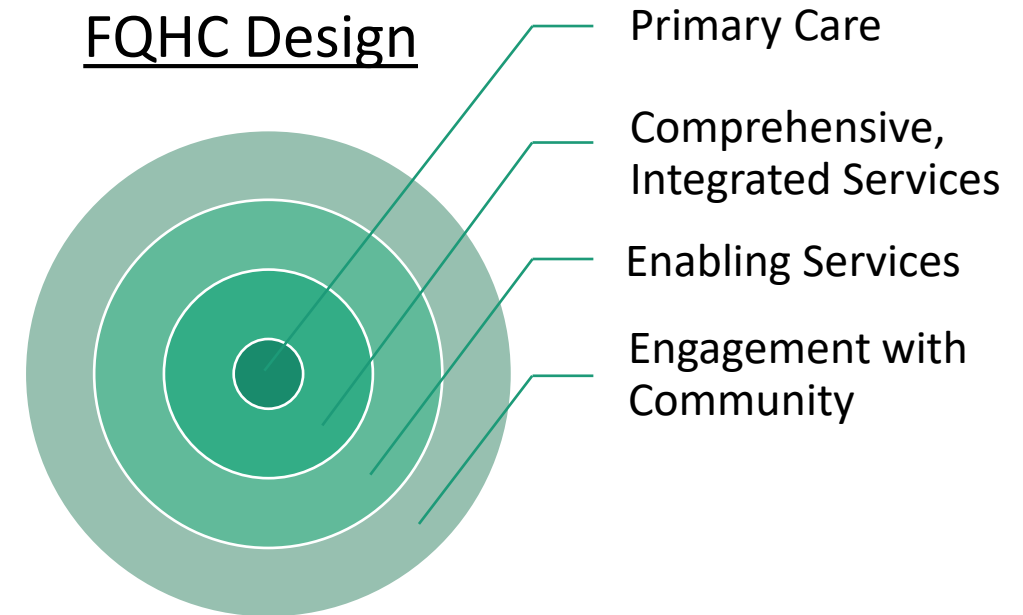
## Enabling Services

- Nutritional Food Access
- Housing Support
- Economic Empowerment
- Translation
- Transportation
- Health Education
- Safety
- Coordination with Community Partners
- School-Based Services



# Primary Care is Foundational but Crumbling

- FQHCs have used other revenue and grant sources to subsidize care for Medicaid enrollees
  - Limits health centers' ability to maintain and expand access for Vermonters
- Comprehensive primary care is foundational for State's health care goals, but funding gaps becoming insurmountable hurdle



# Resources:

- Bi-State Source Book: <https://bistatepca.org/wp-content/uploads/2023/01/2023-Vermont-Primary-Care-Sourcebook.pdf>
- DVHA FQHC and RHC Payment Manual Supplement: [https://dvha.vermont.gov/sites/dvha/files/documents/providers/Forms/FQHC\\_RHCSupplement.pdf](https://dvha.vermont.gov/sites/dvha/files/documents/providers/Forms/FQHC_RHCSupplement.pdf)
- MACPAC Issue Brief on FQHC Medicaid Payments: <https://www.macpac.gov/wp-content/uploads/2017/12/Medicaid-Payment-Policy-for-Federally-Qualified-Health-Centers.pdf>

# Questions?

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