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Memorandum

To: Senator Virginia Lyons, Chair, Senate Health and Welfare Committee
From: Mary Kate Mohlman, Bi-State Primary Care Association
Date: April 12, 2024
Re: DVHA's Steps to Update FQHC Rates

Bi-State Budget Request for FQHC Rates: An additional **\$1.8 million in General Fund** (with federal match), building on the almost \$1 million already included in the Governor's proposed budget.

Need for the appropriations: The Department of Vermont Health Access is working with each FQHC on a one-time historical rate adjustment that will account for the changes and growth Vermont FQHCs have experienced over the past 23 years. This commitment is greatly appreciated by Bi-State.

Appropriations will be needed to fund these updated rates.

For more details, please see the next page.

Federal Requirements for Federally Qualified Health Center (FQHC) Payments: Federal law requires that the state Medicaid program pay FQHCs a minimum rate as calculated under the prospective payment systems (PPS) methodology or a rate calculated under an alternative payment methodology (APM), which can be any agreed upon methodology as long as the FQHC receives equal to or greater than what they would have received under a PPS rate.

DVHA's Action: On February 2, 2024, the Department of Vermont Health Access (DVHA) sent a letter notifying Vermont FQHCs of their two rate options for CY 2024. In that letter, DVHA explains that the rates that have been paid to FQHCs since 2018 do not meet PPS requirements and are therefore recategorized as an APM. This was rate option one.

To calculate the PPS, DVHA looked at the average cost of a visit for the first two years an FQHC was in operation (or the 1999/2000 fiscal period, whichever was later), and annually inflated that rate by the Medicare Economic Index. This was rate option two.

While each FQHC's APM rate was higher than their PPS rate, the PPS rate did not include any adjustments for changes in scope of services. Federal law requires that the state provide a process to allow FQHCs to adjust their PPS rates based on changes in the services they provide or the populations they serve that affects the level of resources required for an average visit. However, prior to 2017, the state did not have such a process. Therefore, the state is working with each FQHC on a one-time historical change in scope adjustment that considers changes to each FQHC going back as far as 2001.

Summary: We agree with DVHA that the previous rates did not qualify as PPS, and we agree that the process DVHA has initiated for a historical change in scope adjustment will rectify the absence of a change in scope policy prior to 2017 and make rates reflective of each FQHC's current scope of service and populations served. Once DVHA concludes their process, we agree that FQHC rates will be compliant with federal law.

Bi-State greatly appreciates DVHA's commitment to collaborating with Vermont FQHCs.