



**FEDERALLY QUALIFIED
HEALTH CENTERS (FQHCs)**
Provider Guide

October 1, 2014

Washington State
Health Care Authority

About this guide*

This publication takes effect October 1, 2014, and supersedes earlier guides to this program.

Washington Apple Health means the public health insurance programs for eligible Washington residents. Washington Apple Health is the name used in Washington State for Medicaid, the children's health insurance program (CHIP), and state-only funded health care programs. Washington Apple Health is administered by the Washington State Health Care Authority.

What has changed?

| Subject | Change | Reason for Change |
|--|------------------------------|-------------------|
| FQHC delivery enhancement payments | Section deleted | Policy update |
| Medical Coverage Group Codes | Added RAC code 1213 | Policy update |
| Encounter payments | Deleted the word “quarterly” | Policy update |

How can I get agency provider documents?

To download and print agency provider notices and provider guides, go to the agency's [Provider Publications](#) website.

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* This publication is a billing instruction.

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Resources Available

| Topic | Contact |
|---|---|
| Becoming a provider or submitting a change of address or ownership | See the agency's Resources Available web page. |
| Finding out about payments, denials, claims processing, or agency managed care organizations | |
| Electronic or paper billing | |
| Finding agency documents (e.g., provider guides, provider notices, fee schedules) | |
| Private insurance or third-party liability, other than agency managed care | |
| Whom do I contact if I have questions regarding enrolling as a medical assistance-certified FQHC? | Provider Enrollment PO Box 45562 Olympia, WA 98504-5562 Ph.: 800-562-3022, ext. 16137 Fax: 360-725-2144 providerenrollment@hca.wa.gov |
| Whom do I contact if I have a question about overall management of the program or specific payment rates? | Email: FQHCRHC@hca.wa.gov |

Definitions

This list defines terms used in this provider guide.
Refer to the agency's [Medical Assistance Glossary](#) for additional definitions.

APM index - Alternative Payment Methodology, which is a measure of input price changes experienced by Washington's federally qualified health center (FQHC) and rural health clinic (RHC) providers. The index is derived from the federal Medicare Economic Index (MEI) and Washington-specific variable measures. The APM index is used to update the APM encounter payment rates on an annual basis.

Base year – The year that is used as the benchmark in measuring an FQHC's total reasonable costs for establishing base encounter rates.

Cost report – A statement of costs and provider utilization that occurred during the time period covered by the cost report. FQHCs must complete a cost report when there is a change in scope, rebasing of the encounter rate, or when the agency sets a base rate.

Encounter rate – A cost-based, facility-specific rate for covered FQHC services, paid to an FQHC for each valid encounter it bills.

Interim rate – The rate established by the agency to pay an FQHC for covered FQHC services prior to the establishment of a permanent rate for that facility.

Medicaid certification date – The date that an FQHC can begin providing services to Medicaid clients.

Rebasing - The process of recalculating encounter rates using actual cost report data.

Program Overview

What is a federally qualified health center (FQHC)?

A federally qualified health center (FQHC) is a facility that is any of the following:

- Receiving grants under [Title 42, Chapter 6A, Subchapter II, Part D, subpart i, section 254b of the U.S. Code](#) (formerly known as Section 330 of the Public Health Services Act)
- Receiving the grants referenced above based on the recommendation of the Health Resources and Services Administration within the Public Health Service, as determined by the secretary, to meet the requirements for receiving such a grant
- A tribe or tribal organization operating outpatient health programs or facilities under the Indian Self-Determination Act and that is identified as an FQHC

An FQHC is unique only in the way it is paid for services eligible for an encounter payment, not by the scope of coverage for which it is paid.

Note: A corporation with multiple sites may be designated as a single FQHC, or each site may be designated as an individual FQHC, depending on the designation by the U.S. Department of Health & Human Services (DHHS).

Participation in the FQHC program is voluntary.

The agency allows only DHHS-designated FQHCs to participate in the FQHC program.

Participating FQHCs receive an encounter payment that includes medical services, supplies, and the overall coordination of the services provided to the agency client.

Nonparticipating DHHS-designated FQHCs receive reimbursement on a fee-for-service basis.

Note: For information about changes to other provider guides that affect FQHCs, see [PN 14-12](#).

What is the purpose of the FQHC program?

The main purpose of the FQHC program is to enhance the provision of primary care services in underserved urban and rural communities. FQHCs are “safety net” providers such as community health centers, public housing centers, outpatient health programs funded by the Indian Health Service, and programs serving migrants and the homeless.

What are the basic requirements for services provided in an FQHC?

- FQHCs must furnish all services according to applicable federal, state, and local laws.
- Unless otherwise specified, FQHC services provided are subject to the limitations and coverage requirements detailed in the [Physician-Related Services/Healthcare Professional Services Provider Guide](#) and other applicable provider guides. The agency does not extend additional coverage to clients in an FQHC beyond what is covered in other agency programs and state law.
- The FQHC must be primarily engaged in providing outpatient health services. FQHC staff must furnish those diagnostic and therapeutic services and supplies commonly furnished in a physician’s office or the entry point into the health care delivery system. These include:
 - ✓ Medical history.
 - ✓ Physical examination.
 - ✓ Assessment of health status.
 - ✓ Treatment for a variety of medical conditions.
- The FQHC must provide medical emergency procedures as a first response to common life-threatening injuries and acute illness. The FQHC must have available commonly used drugs and biologicals such as:
 - ✓ Analgesics.
 - ✓ Anesthetics (local).
 - ✓ Antibiotics.
 - ✓ Anticonvulsants.
 - ✓ Antidotes and emetics.
 - ✓ Serums and toxoids.

Who may provide services in an FQHC?

(WAC [182-548-1300](#) (3))

The following individuals may provide FQHC services:

- Physicians
- Physician assistants (PAs)
- Nurse practitioners (NPs)
- Nurse midwives or other specialized nurse practitioners
- Certified nurse midwives
- Registered nurses or licensed practical nurses
- Psychologists or clinical social workers
- Naturopathic physicians
- Additionally, providers approved to deliver Screening, brief intervention, and referral to treatment (sbirt) services, maternity support services/infant case management services (mss/icm), mental health and chemical dependency services

What are the FQHC staffing requirements?

([42 CFR](#) 491.7-8)

All of the following are staffing requirements of an FQHC:

- An FQHC must be under the medical direction of a physician.
- An FQHC must have a health care staff that includes one or more physicians.
- A physician, PA, advanced registered nurse practitioner (ARNP), midwife, clinical social worker, or clinical psychologist must be available to furnish patient care services within their scope of practice at all times the FQHC operates.
- The staff must be sufficient to provide the services essential to the operation of the FQHC.

A physician, PA, ARNP, midwife, clinical social worker, or clinical psychologist member of the staff may be the owner or employee of the FQHC, or may furnish services within their scope of practice under contract to the FQHC. The staff may also include ancillary personnel who are supervised by the professional staff.

How does the FQHC enroll as a provider?

(WAC 182-548-1200 (2))

To enroll as a provider and receive payment for services, an FQHC must:

- Receive FQHC certification for participation in the Title XVIII (Medicare) program according to [42 CFR](#) 491. Go to <http://www.cms.hhs.gov/home/medicare.asp> for information on Medicare provider enrollment.
- Submit a signed Core Provider Agreement (CPA).
- Comply with applicable federal, state, and local laws, rules, regulations, and agreements.

When enrolling a new clinic through ProviderOne, select the *Fac/Agency/Org/Inst* option from the enrollment type menu.

When adding a new site or service, indicate on the CPA that you are an FQHC.

What is the effective date of the Medicaid FQHC certification?

([WAC 182-548-1200](#) (2))

The agency uses one of two timeliness standards for determining the effective date of a Medicaid-certified FQHC:

- **Medicare's Effective Date:** The agency uses Medicare's effective date if the FQHC returns a properly completed CPA and FQHC enrollment packet **within 60 calendar days** from the date of Medicare's letter notifying the center of the Medicare certification.
- **Date the agency Receives the Core Provider Agreement:** The agency uses the date the signed CPA is received if the FQHC returns the properly completed CPA and FQHC enrollment packet **61 or more calendar days** after the date of Medicare's letter notifying the center of the Medicare certification.

Client Eligibility

How can I verify a patient's eligibility?

Providers must verify that a patient has Washington Apple Health coverage for the date of service, and that the client's benefit package covers the applicable service. This helps prevent delivering a service the agency will not pay for.

Verifying eligibility is a two-step process:

Step 1. Verify the patient's eligibility for Washington Apple Health. For detailed instructions on verifying a patient's eligibility for Washington Apple Health, see the *Client Eligibility, Benefit Packages, and Coverage Limits* section in the agency's [ProviderOne Billing and Resource Guide](#).

If the patient is eligible for Washington Apple Health, proceed to **Step 2**. If the patient is **not** eligible, see the note box below.

Step 2. Verify service coverage under the Washington Apple Health client's benefit package. To determine if the requested service is a covered benefit under the Washington Apple Health client's benefit package, see the agency's [Health Care Coverage—Program Benefit Packages and Scope of Service Categories](#) web page.

Note: Patients who wish to apply for Washington Apple Health clients may do so in one of the following ways:

1. By visiting the Washington Healthplanfinder's website at: www.wahealthplanfinder.org.
2. By calling the Customer Support Center toll-free at: 855-WAFINDER (855-923-4633) or 855-627-9604 (TTY).
3. By mailing the application to:
Washington Healthplanfinder
PO Box 946
Olympia, WA 98507

In-person application assistance is also available. To get information about in-person application assistance available in their area, people may visit www.wahealthplanfinder.org or call the Customer Support Center.

Are managed care enrollees eligible?

(WAC [182-538-060](#), [095](#), and [182-538-063](#))

Yes. When verifying eligibility using ProviderOne, if the client is enrolled in an agency-contracted managed care plan, managed care enrollment will be displayed on the *benefit inquiry* screen in ProviderOne. All services² must be requested directly through the client's primary care provider (PCP). Clients can contact their managed care plan by calling the telephone number provided to them.

All medical services covered under a managed care plan must be obtained by the client through designated facilities or providers. The managed care plan is responsible for both of the following:

- Payment of covered services
- Payment of services referred by a provider participating with the plan to an outside provider

Note: To prevent billing denials, check the client's eligibility **prior** to scheduling services and at the **time of the service** and make sure proper authorization or referral is obtained from the plan. See the [ProviderOne Billing and Resource Guide](#) for instructions on how to verify a client's eligibility.

Are clients eligible when enrolled in primary care case management (PCCM)?

If a client has chosen to obtain care with a PCCM provider, eligibility information will be displayed on the client benefit inquiry screen in ProviderOne. PCCM clients must obtain or be referred for services via a PCCM provider. The PCCM provider is responsible for coordination of care just like the PCP would be in a plan setting.

Note: To prevent billing denials, check the client's eligibility prior to scheduling services and at the time of the service and make sure proper authorization or referral is obtained from the PCCM provider. See the agency's [ProviderOne Billing and Resource Guide](#) for instructions on how to verify a client's eligibility.

² Services excluded from this requirement include maternity support services/infant case management, dental, and chemical dependency. these services are covered fee-for-service and do not require pcg approval.

Encounters

What is an encounter?

An encounter is a face-to-face visit between a client and an FQHC provider of healthcare services who exercises independent judgment when providing healthcare services to the individual client. For a healthcare service to be defined as an encounter, it must meet specific encounter criteria as described below. All services must be documented in the client's file in order to qualify for an encounter. Encounters are limited to one per client, per day except in both the following circumstances:

- The client needs to be seen on the same day by different practitioners with different specialties.
- The client needs to be seen multiple times on the same day due to unrelated diagnoses.

What services are considered an encounter?

(WAC [182-548-1300](#))

Only certain services provided in the FQHC are considered an encounter.

The FQHC must bill the agency for these services using HCPCS code T1015 and the appropriate HCPCS or CPT code for the service provided.

The following services qualify for FQHC reimbursement:

- Physician services specified in [42 CFR 405.241](#)
- Nurse practitioner or physician assistant services specified in [42 CFR 405.2414](#)
- Clinical psychologist and clinical social worker services specified in [42 CFR 405.2450](#)
- Visiting nurse services specified in [42 CFR 405.2416](#)
- Nurse-midwife services specified in [42 CFR 405.2401](#)
- Preventive primary services specified in [42 CFR 405.2448](#)
- Naturopathic physician services as specified in the [Physician-Related Services Provider Guide](#)

Services provided by other provider types (MSS/ICM, chemical dependency and mental health) may qualify for an encounter. Refer to specific sections within this guide for additional information.

Alcohol or substance misuse counseling (SBIRT) services

The agency covers alcohol or substance misuse counseling through screening, brief intervention and referral to treatment (SBIRT) services. SBIRT services are encounter-eligible and may be billed in a variety of clinical contexts. See the [Physician-Related Services/ Health Care Professional Services Provider Guide](#) for additional information.

Surgical Procedures

Effective August 31, 2014, and retroactive to dates of service on or after January 1, 2014, surgical procedures furnished in an FQHC by an FQHC practitioner are considered FQHC services, and the FQHC is paid based on its encounter rate for the face-to-face encounter associated with the surgical procedure.

Global billing requirements do not apply to FQHCs, except that surgical procedures furnished at locations other than FQHCs may be subject to global billing requirements.

If an FQHC furnishes services to a patient who has had surgery elsewhere and is still in the global billing period, the FQHC must determine if these services have been included in the surgical global billing. FQHCs may bill for a visit during the global surgical period if the visit is for a service not included in the global billing package. If the service furnished by the FQHC was included in the global payment for the surgery, the FQHC may not also bill for the same service.

For services not included in the global surgical package, see the [Physician-Related Services/ Health Care Professional Services Provider Guide](#).

Services and supplies incidental to professional services

Services and supplies incidental to the professional services of encounter-level practitioners are included in the encounter rate paid for the professional services when the services and supplies are:

- Furnished as an incidental, although integral, part of the practitioner's professional services (e.g. professional component of a x-ray or lab).
- Of a type commonly furnished either without charge or included in the FQHC bill.
- Of a type commonly furnished in a provider's office (e.g., tongue depressors, bandages, etc.).
- Provided by FQHC employees under the direct, personal supervision of encounter-level practitioners.

- Furnished by a member of the FQHC’s staff who is an employee of the FQHC (e.g., nurse, therapist, technician, or other aide).

Incidental services and supplies described in this section that are included on the FQHC’s cost report are factored into the encounter rate and will not be paid separately.

Determining whether a service is an encounter

To determine whether a contact with a client meets the encounter definition, all the following guidelines apply:

1. **Services Requiring the Skill and Ability of an Encounter-Level Practitioner:** The service being performed must require the skill and ability of an encounter-level practitioner in order to qualify as an encounter. A service does not qualify as an encounter simply because it is performed by one of these practitioners if the service is one that is normally performed by other health care staff.

For example, if a physician performs a blood draw only or a vaccine administration only, these services are not encounters since they are normally performed by RNs. These services must be billed as fee-for-service (FFS) using the appropriate coding.

2. **Assisting:** The provider must make an independent judgment. The provider must act independently and **not assist** another provider.

Examples:

Encounter: A mid-level practitioner sees a client to monitor physiologic signs, to provide medication renewal, etc., and uses standing orders or protocols.

Not an Encounter: A mid-level practitioner assists a physician during a physical examination by taking vital signs, history, or drawing a blood sample.

3. **Concurrent Care:** Concurrent care exists when services are rendered by more than one practitioner during a period of time. (Consultations do not constitute concurrent care.) The reasonable and necessary services of each practitioner rendering concurrent care are covered if each practitioner is required to play an active role in the patient’s treatment.

For example, concurrent care may occur because of the existence of more than one medical condition requiring distinct, specialized, medical services.

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4. Each **individual** provider is limited to one type of encounter per day for each client, regardless of the services provided except in either one the following circumstances:
 - a. The client needs to be seen by different practitioners with different specialties
 - b. The client needs to be seen multiple times due to unrelated diagnoses

Note: Simply making a notation of a pre-existing condition or writing a refill prescription for the condition **is not significant enough** to warrant billing an additional encounter for the office visit.

5. **Encounter Locations** - An encounter may take place in the health center or at any other location (such as mobile vans, hospitals, clients' homes, and extended care facilities) in which project-supported activities are carried out.

Services in the FQHC

Services performed in the FQHC (excluding those listed in 7, below) are encounters and are payable only to the FQHC.

Services outside the FQHC

A service that is considered an encounter when performed **in** the FQHC is considered an encounter when performed **outside** the FQHC (e.g., in a nursing facility or in the client's home) and is payable to the FQHC. A service not considered an encounter when performed **inside** the FQHC is also not considered an encounter when performed **outside** the FQHC, regardless of the place of service.

6. **Serving Multiple Clients Simultaneously** - When an individual provider renders services to several clients simultaneously, the provider can count an encounter for each client if the provision of services is documented in **each client's** health record. This policy also applies to family therapy and family counseling sessions. **Bill services for each client on separate claim forms.**
7. **The agency determines a service to be an encounter if the following conditions are true:**
 - a. The claim is billed on a CMS-1500 claim form for physician claims or a 2006 ADA claim form (effective July 1, 2008) for dental claims.
 - b. One line-item procedure code equals T1015 (or T1015 with the HE modifier for mental health encounters for clinics contracted with their local RSN).

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- c. Another line-item with the code of the underlying service is billed with an amount greater than zero and a date of service matching that on the T1015 line (with the exception of mental health encounters, which are billed with the T1015-HE line only). The code of the underlying service must **not** be one of the following:
- i. 36400-36425
 - ii. 36511-36515
 - iii. 38204-38215
 - iv. 70000-79999
 - v. 80000-89999
 - vi. 90281-90749
 - vii. D0210, D0220, D0230, D0240, D0270, D0272, D0273, D0274, D0321, D0330, D0460, D0501, D1206, D1208, and D1351
 - viii. All J codes
 - ix. P3000-P3001
 - x. All Q codes
 - xi. All S codes (except S9436 and S9445-S9470 (inclusive))

Services provided to clients in state-only programs and reimbursed separately by the state do not qualify for a Medicaid encounter. Clients identified in ProviderOne with one of the following medical coverage group codes are enrolled in a state-only program:

- FQHC clients identified in ProviderOne with one of the following medical coverage group codes and associated recipient aid category (RAC) code(s) do **not** qualify for the encounter rate effective January 1, 2014:

| Medical Coverage Group Codes | RAC Code |
|------------------------------|--|
| F06 | RACs 1138, 1139 only |
| F07 | RACs 1141, 1142 only |
| F99 | RAC 1040 |
| G01 | RACs 1041, 1135-1137, 1145 only |
| I01 | RAC 1050, 1051 only |
| K03 | RACs 1056,1058, 1176-1178 only |
| K95 | RACs 1060, 1064, 1179-1181 only |
| K99 | RACs 1060, 1064, 1179-1181 only |
| L04 | RACs 1077, 1078, 1081, 1082, 1158-1161, 1182-1185 only |
| L24 | RACs 1190-1195 only |
| L95 | RACs 1085, 1087, 1155, 1157, 1186, 1187 only |
| L99 | RACs 1085, 1087, 1090, 1092, 1155, 1157, 1186-1189 |
| M99 | RAC 1094 (This is the only RAC for M99) |
| P05 | RAC 1097, 1098 only |
| P06 | All RACs (1099-1100) |
| S95 | RACs 1125, 1127 |
| S99 | RACs 1125, 1127 |
| W01 | All RACs (1128, 1129, 1170, 1171) |

| Medical Coverage Group Codes | RAC Code |
|------------------------------|---|
| W02 | All RACs (1130, 1131, 1172, 1173) |
| W03 | RAC 1132 (This is the only RAC for W03) |
| N31 | RAC 1211 (replaces 1138 and 1139) |
| N33 | RAC 1212, 1213 (replaces 1141, 1142) |
| A01 | RAC 1214 (replaces 1041) |
| A01 | RAC 1215 (replaces 1137) |
| A05 | RAC 1216 (replaces 1145) |

- Services provided to clients with the following medical coverage group code and RAC code combinations **are** eligible for encounter payments effective for dates of service on or after October 1, 2009.

| Medical Coverage Group Codes | RAC Code |
|------------------------------|--|
| K03 | RAC 1057 (This is not the only RAC for K03.) |
| K95 | RAC 1062 (This is not the only RAC for K95.) |
| K99 | RAC 1062 (This is not the only RAC for K99.) |
| P04 | RAC 1096 (This is the only RAC for P04.) |
| P99 | RAC 1102 (This is the only RAC for P99.) |

What types of services do not qualify as encounters?

The following are examples of services not reimbursed as an encounter. The following services are reimbursed fee-for-service:

- Blood draws, laboratory tests, x-rays, prescriptions, and/or optical services. These are not encounters, but these procedures may be provided in addition to other medical services as part of an encounter.
- The administration of drugs and biologicals, including pneumococcal and influenza vaccines and other immunizations.
- Delivery and postpartum services provided to pregnant undocumented alien S women; global care must be unbundled. The agency does not pay for an encounter for the delivery or postpartum care.
- Health services provided to clients under state-only programs, as listed on the previous page.

Note: As client eligibility may change, bill encounter code T1015 on claims for **all** eligible services. ProviderOne will determine whether the encounter is payable when the claim is processed.

What FQHC-related activities are NOT covered by the agency?

The following circumstances are not covered by the agency and cannot be billed either as an encounter or on a fee-for-service basis:

- Participation in a community meeting or group session that is not designed to provide health services

Examples: Informational sessions for prospective users, health presentations to community groups, high school classes, PTAs, etc. or, informational presentations about available FQHC health services.

- Health services provided as part of a large-scale effort

Examples: Mass-immunization program, a screening program, or a community-wide service program (e.g., a health fair).

Categories of encounters

Encounters may be reported for each of the permitted cost centers. Those cost centers are:

- Medical/maternity
- Maternity support services/infant case management
- Dental
- Mental health
- Chemical dependency

Medical/maternity encounter

A medical/maternity encounter is a face-to-face encounter between a medical provider and a client during which services are provided for the prevention, diagnosis, treatment or rehabilitation of illness or injury, or for prenatal care or delivery. Included in this category are physician encounters and mid-level practitioner encounters.

An encounter code and any related fee-for-service code must be billed on the same claim form.

Note: The FQHC must bill a TH modifier on same line as T1015 to generate a multiple-unit encounter payment for global maternity services.

Physician Encounter: A face-to-face encounter between a physician and a client. Psychiatrist and approved Diabetes Education Program encounters are included in this category.

Mid-level Practitioner Encounter: A face-to-face encounter between a mid-level practitioner (advanced registered nurse practitioner (ARNP), certified nurse midwife, licensed midwife, woman's health care nurse practitioner, physician's assistant (PA), or psychiatric ARNP) and a client, in which the mid-level practitioner acts as an independent provider. services provided by registered nurses are not encounters.

Maternity Support Services and Infant Case Management

For an FQHC to submit encounters and include costs for MSS/ICM in cost reports, the FQHC must be approved by the Department of Health, and must meet the billing policy and eligibility requirements as specified in the current [Maternity Support Services/Infant Case Management Provider Guide](#).

An MSS encounter is a face-to-face encounter between an MSS/ICM provider and a client during which MSS/ICM services are provided.

MSS includes assessment, development, implementation and evaluation of plans of care for pregnant women and their infants for up to two months postpartum. **An encounter code and its related fee-for-service code(s) must be billed on the same claim form.**

MSS/ICM Encounter: An encounter between a member of the MSS/ICM interdisciplinary team and the client. Team members must meet specific program qualifications and may include a community health nurse, behavioral health specialist, registered dietitian, or a community health worker. Refer to the current [Maternity Support Services/Infant Case Management Provider Guide](#) for specific qualifications.

Note: Separate documentation must be in the client's file for each type of service provided by a mid-level practitioner.

The agency allows more than one maternity support services encounter, per day, per client, provided they are:

- Different types of services.
- Performed by different practitioners.
- Billed on separate claim forms.

Dental encounter

For an FQHC to submit encounters and include costs for dental in cost reports, the FQHC must be approved by the agency and must meet the billing and eligibility requirements as specified in the current [Dental- Related Services Provider Guide](#).

A dental encounter is a face-to-face encounter between a dentist or a dental hygienist and a client for the purpose of prevention, assessment, or treatment of a dental problem, including restoration. **Only one encounter is allowed per day.**

Note: A dental hygienist may bill an encounter only when providing a service independently - not jointly with a dentist. Only one encounter per day at a dental clinic is covered.

Exception: When a dental service requires multiple visits (e.g., root canals, crowns, dentures), an encounter code must be billed with the number of visits, when the dental services are complete.

When fluoride treatment and sealants are provided on the same day as an encounter-eligible service, they must be billed on the same claim. If they are not provided in conjunction with an encounter-eligible service, they may be billed for fee-for-service reimbursement.

Mental health encounter

Services provided by mental health professionals are considered eligible for an encounter payment as long as the billing code falls within the range of eligible codes outlined in this guide. Specific policy regarding billing for mental health services is found in the [Mental Health Services Provider Guide](#).

To provide mental health services that qualify under this separate cost center, the FQHC must be a licensed community mental health center and have a contract with a Regional Support Network (RSN). Included in this category are mental health professionals, as defined by [RCW 71.34.020](#). The mental health RSN program is mandatory for Apple Health clients who are enrolled in an RSN and meet the RSN Access to Care Standards.

Chemical dependency treatment programs

An FQHC treatment facility must be approved by the agency under applicable WAC and [RCW 70.96A](#). FQHCs may submit encounters and include costs in cost reports for only those services as listed in the current [Chemical Dependency Provider Guide](#).

A chemical dependency encounter is defined in WAC 182-548-1100.

Reimbursement

When does the agency pay for FQHC services?

(WAC [182-548-1300](#) (2))

The agency pays for FQHC services when they are:

- Within the scope of an eligible client's Apple Health program. Refer to WAC [182-501-0060](#) Health care coverage - Program benefits packages - Scope of service categories.
- Medically necessary as defined in WAC [182-500-0070](#) .

The reimbursement structure

The FQHC reimbursement structure is encounter-based. Facility-specific encounter rates are established for each FQHC and are paid for services eligible for an encounter payment. Services not eligible for an encounter payment are paid at the appropriate fee schedule amount.

Washington Apple Health bases FQHC reimbursement on Washington's CMS-approved Title XIX Medicaid State Plan. CMS only permits reimbursement based upon reasonable costs for services defined in the State Plan or as defined in Section 1861 (aa) of the Social Security Act which lists FQHC-required core services. Reimbursement is not permitted for costs for health care or services not in the State Plan or as defined in the FQHC core services.

In Washington State, FQHCs have the choice of being reimbursed under the Prospective Payment System (PPS) as outlined in the Benefits Improvement and Protection Act of 2000 (BIPA) statutory language, or an Alternative Payment Methodology (APM).

- For information on how the agency calculates the PPS encounter rate, refer to WAC [182-548-1400](#) (3) and (4).
- For information on how the agency calculates the APM encounter rate, refer to WAC [182-548-1400](#) (5).

Payment for services eligible for an encounter

The agency pays FQHCs for services eligible for an encounter on an **encounter rate** basis rather than a FFS basis.

All FQHC services and supplies incidental to the provider’s services are included in the encounter rate payment (WAC [182-548-1400](#) (7)).

The agency limits encounters to one per client, per day, except in the following circumstances (WAC 182-1400(6)):

- The visits occur with different healthcare professionals with different specialties.
- There are separate visits with unrelated diagnoses.

Note: The service being performed must require the skill and ability of an encounter-level practitioner as described in [Cost Reporting Requirements](#) in order to qualify for an encounter payment.

The agency pays for encounters by calculating the difference between the encounter rate and the amount reimbursed to the FQHC based on the FFS method. For instance:

| | | |
|--------------|-----------------|-----------------------------------|
| Example one: | \$150.00 | Medical Encounter Rate |
| | <u>× 1</u> | # of Medical Encounters for Claim |
| | \$150.00 | Total Amount Due |
| | \$150.00 | |
| | <u>-\$75.00</u> | Fee-for-Service Paid |
| | \$75.00 | Encounter Amount Paid |

| | | |
|--------------|------------------|----------------------------------|
| Example two: | \$150.00 | |
| | <u>-\$200.00</u> | Fee-for-Service Paid |
| | -\$50.00 | Negative Encounter Amount |

Payment for services not eligible for an encounter

(WAC [182-548-1400](#) (8))

Payments for non-FQHC services provided in an FQHC are made on a FFS basis using the agency’s published fee schedules. **For information on FFS reimbursement**, refer to the appropriate [Fee Schedules](#).

Choice of rates

FQHCs may choose to have:

- An all-inclusive rate, which covers all encounter services.
- Individual rates for each of the permitted cost centers.
- A grandfathered rate structure consistent with the rate structure used for PPS rate development.

For FQHCs choosing an all-inclusive rate, this rate will be applied to each of the cost centers. For FQHCs choosing the individual rate option, the rates will be weighted and applied according to the appropriate cost centers. The cost centers are:

- Medical/Maternity (Maternity encounters are reported separately from medical encounters.) This cost center includes all medical mental health encounters for individuals not meeting the RSN Access to Care standards.
- Maternity support services/infant case management
- Dental
- Mental health. This cost center includes only costs for centers contracting with an RSN
- Chemical dependency

Managed care clients (WAC 182-548-1400)

For clients enrolled with a Managed Care Organization (MCO), covered FQHC services are paid by the MCO. Only services provided to clients enrolled in Title XIX (Medicaid) or Title XXI (CHIP) are eligible for encounter payments. Neither the agency nor the MCO pays the encounter rate for services provided to clients in state-only medical programs. Services provided to clients in state-only medical programs are considered fee-for-service regardless of the type of service performed.

Encounter Payments

For managed care clients receiving services at an FQHC, total daily reimbursement to the FQHC must equal the FQHC's specific encounter rate for qualified encounters. Guidelines for qualified encounters are the same as the fee-for-service guidelines outlined in this guide. The agency will provide each FQHC's encounter rate to the MCO. To ensure that the appropriate amounts are paid to each FQHC, the agency performs a reconciliation to compare the amount actually received by an

FQHC with the amount due to the FQHC based on its encounter rate multiplied by number of qualifying encounters. If the FQHC does not receive its encounter rate from the MCO for qualified services, the agency will notify the MCO of the difference and provide for payment sufficient to ensure compliance with 42 U.S.C. 1396a (bb)(5)(A).

When does the agency change FQHC payment rates (change in scope of service)?

(WAC [182-548-1500](#))

FQHCs reimbursed under the prospective payment system (PPS)

- For FQHCs reimbursed under the Prospective Payment System (PPS), the agency considers an FQHC change in scope of service to be a change in the type, intensity, duration, or amount of services provided by the FQHC. Changes in scope of service apply only to covered Apple Health services.

Note: A change in costs alone does not constitute a change in scope of service.

- When the agency determines that a change in scope of service has occurred after the base year, the agency adjusts the FQHC's encounter rate to reflect the change.
- FQHCs must:
 - ✓ Notify the agency's FQHC program manager in writing of any changes in scope of service **no later than 60 calendar days** after the effective date of the change (see [Resources Available](#)).
 - ✓ Provide the agency with all relevant and requested documentation pertaining to the change in scope of service.
- The agency adjusts the encounter rate to reflect the change in scope of service using one or more of the following:
 - ✓ A Medicaid comprehensive desk review of the FQHC's cost report
 - ✓ Review of a Medicare audit of the FQHC's cost report
 - ✓ Other documentation relevant to the change in scope of service
- The adjusted encounter rate will be effective on the date the change of scope of service is effective.

FQHCs reimbursed under the alternative payment methodology (APM)

- For FQHCs reimbursed under APM, the agency considers an FQHC change in scope of service to be a change in the type of services provided by the FQHC. Changes in intensity, duration, or amount of services will be addressed in the next scheduled encounter rate rebase. Changes in scope of service apply only to covered Medicaid services.

Note: A change in costs alone does not constitute a change in scope of service.

- When the agency determines that a change in scope of service has occurred after the base year, the agency adjusts the FQHC's encounter rate to reflect the change.
- FQHCs must:
 - ✓ Notify the agency's FQHC program manager in writing of any changes in scope of service **no later than 60 calendar days** after the effective date of the change (see [Resources Available](#)).
 - ✓ Provide the agency with all relevant and requested documentation pertaining to the change in scope of service.
- The agency adjusts the encounter rate to reflect the change in scope of service using one or more of the following:
 - ✓ A Medicaid comprehensive desk review of the FQHC's cost report
 - ✓ Other documentation relevant to the change in scope of service
- The adjusted encounter rate will be effective on the date the change of scope of service is effective.

Note: APM encounter rates are rebased every four years.

Note: If the costs of an FQHC service are captured on an FQHC's cost report and are included in the calculation of the encounter rate, those services must be billed as FQHC services.

Are FQHCs liable for payments received?

Each FQHC is individually liable for any payments received and must ensure that it receives payment for only those situations described in these and other applicable Apple Health provider guides. FQHC claims are subject to audit by the agency, and FQHCs are responsible to repay any overpayments.

Upon request, complete and legible documentation must be made available to the agency, clearly documenting any services for which the FQHC has received payment.

How does the agency prevent duplicative payment for pharmacy and RSN services?

The agency performs monthly recoupments for pharmacy services delivered by FQHC clinics in order to avoid duplicate payments for those clinics whose pharmacy services are already included in their encounter rate. The agency works with FQHCs to conduct a reconciliation of the past period to ensure that clinics were reimbursed appropriately.

For FQHC clinics with RSN contracts, the agency conducts monthly recoupments based on the contracted amount or the amount the clinic is paid by the RSN for clients assigned to an FQHC. Additionally, the agency works with clinics to conduct a reconciliation of the past period to ensure that clinics were reimbursed appropriately.

Cost Reporting Requirements

The following regulations and policies are the standards applicable to the FQHC cost reports used for the alternative payment methodology (APM) rebasing:

- [42 CFR](#) Section 413
- Agency policies and definitions, including all Provider Guides (billing instructions)
- Circular A-122 “Cost Principles for Nonprofit Organizations”
- Medicare Provider Reimbursement Manual (MPRM)

Note: Professional medical services that are not normally provided to Medicare beneficiaries are not included on the FQHC’s Medicare cost report and are not used for the calculation of the FQHC’s encounter rate. Therefore, they have been excluded from the agency’s list of services eligible for an encounter payment. Also, as described in [Services and Supplies Incidental to Professional Services](#), many supplies used in a provider’s office are considered incidental to the professional service and are bundled within the encounter rate.

What are allowable costs?

Allowable costs are documented costs as reported after any cost adjustment, cost disallowances, reclassifications, or reclassifications to non-allowable costs which are necessary, ordinary and related to the outpatient care of medical care clients and are not expressly declared non-allowable by applicable statutes or regulations. Costs are ordinary if they are of the nature and magnitude which prudent and cost-conscious management would pay.

What are allowed direct health care costs?

Direct health care costs must be directly related to patient care and identified specifically with a particular cost center.³

All services must be furnished by providers authorized to provide Medicaid State Plan services. Services and medical supplies “incident to” professional services of health care practitioners are those commonly furnished in connection with these professional services, generally furnished in a physician or dentist’s office and ordinarily rendered without charge or included in the practice bill, such as ordinary medications and other services and medical supplies used in patient primary care services. “Incident to” services must be furnished by an FQHC employee and must be furnished under the direct, personal supervision of the health care practitioner, meaning that the health care practitioner must be physically present in the building and immediately available for consultation.

FQHC core services include those professional services provided in the office, other medical facility, the patient’s place of residence (including nursing homes) or elsewhere, but not the institutional costs of the hospital, nursing facility, etc. Core services are covered for Medicaid patients. For example, the state must cover services provided in an appropriately licensed FQHC by psychologists (either under the medical mental health benefit for individuals not meeting the regional support network (RSN) Access to Care standards or as a mental health visit for RSN-eligible children or adults who do meet the standards) because they are core services.

The following services are covered; costs for these services provided to Washington Apple Health beneficiaries may be included in the cost report:

- **Preventive services** – To the extent covered in Washington statute and administrative code
- **FQHC core services:**
 - ✓ Physician services, including costs for contracted physician services, to the extent covered in Washington statute and administrative code. Contracted physicians must be identified in the FQHC’s Core Provider Agreement. The contracted physician must be a preferred provider and receive an identification number from the Provider Enrollment Section at the agency.

³ Direct cost of minor amounts may be treated as indirect costs as described below. Because of the diverse characteristics and accounting practices of non-profit organizations, it is not possible to specify the types of cost which may be classified as direct and indirect cost in all situations. However, typical examples of indirect costs for many non-profit organizations may include depreciation or use allowances on buildings and equipment, the costs of operating and maintaining facilities, and general administration and general expenses, such as the salaries and expenses of executive officers, personnel administrators, and accounting staff.

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- ✓ Mid-Level practitioner (PAs, ARNPs and CNMs) services – to the extent covered in Washington statute and administrative code, including costs for contracted mid-level practitioner services
- ✓ Clinical psychologist services – per the medical mental health benefit for individuals not eligible for the RSN ACS or the mental health benefit for services provided through an RSN contract for individuals meeting the RSN ACS
- ✓ Licensed clinical social worker services (LCSWs) – per the medical mental health benefit for individuals not eligible for the RSN ACS or the mental health benefit for services provided through an RSN contract for individuals meeting the RSN ACS
- ✓ Visiting nurse home health services (in designated areas where there is a shortage of home health agencies) – to the extent covered in Washington statute and administrative code
- **Hospital care** – The physician/professional component performed by FQHC practitioners in outpatient, inpatient, emergency room or swing bed facilities of a hospital (i.e., physicians’ services for OB) as covered in the Washington Medicaid State Plan

Note: Institutional facility and overhead costs are excluded from FQHC cost reports and billed separately by the institution.

- **Nursing home care** – The professional component only as covered in Washington statute and administrative code
- **Other ambulatory services** – Claims as submitted using the FFS claim and instructions in the provider guide and FQHC reimbursement instructions for:
 - ✓ Blood draws.
 - ✓ Laboratory tests.
 - ✓ X-rays.
 - ✓ Pharmacy (**Note:** Pharmacy service costs that are not “referred services” or subcontracted services and are reimbursable under the Medicaid State Plan would be included under direct costs in the cost reports including 340B costs directly incurred by the FQHC. FQHCs should continue to claim pharmacy reimbursement under the FFS pharmacy program. All pharmacy costs should be included in the medical/maternity cost center of the cost report, including PharmD prescribing).
 - ✓ Optical services.

- **Other ambulatory services** – Encounters and claims submitted through separate cost centers or as part of the all-inclusive rate per instructions in [Encounters](#):

- ✓ Dental

Note: All policy references in this section to medical services include dental services as covered under Washington statute and administrative code.

- ✓ Other mental health practitioners eligible under the medical mental health benefit for individuals not meeting the RSN ACS (under the medical/maternity cost center only)

- **Diabetes self-management training services and medical nutrition therapy services** – to the extent covered in Washington statute and administrative code

- **EPSDT**

- **Paper medical record costs**, including pharmacy and dental records. Because there is new funding available for electronic medical records (EMR) under the American Recovery and Reinvestment Act (ARRA stimulus package), all funds, credits and grants to pay for EMR should be reflected on the cost report and offset against appropriate costs. Only the unreimbursed portion of EMR is allowable. EMR costs that are not capitalized, such as monthly service costs, are allowable in Allowable Direct Service Costs. Hardware, software and other EMR costs meeting MPRM CMS Publication 15-1 capitalization requirements must be capitalized and depreciated (net of credits, grants, etc.); the allowable depreciation may be included in Allowable Direct Service Costs. FQHCs will place the depreciation of electronic medical records (EMR) into Allowable Direct Service Costs to result in a similar treatment of EMR to paper records and medical equipment that allows for the non-payment of costs of EMR unrelated to Medicaid.

What are unallowable direct health services costs?

The agency pays an encounter rate only for services provided to an eligible client. Encounters for any individual other than an eligible client are not reimbursed, including any out-of-state Medicaid, Medicare, private pay or uninsured individual. Costs for services provided to Medicaid beneficiaries that are not required by the Department of Health and Human Services and/or not included in state statute or administrative code, are unallowable, including:

- **Mental health services** outside of the RSN contract for individuals meeting the RSN ACS.

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- **Women, Infants and Children (WIC) program** – the agency reimburses for nutritional assessments and/or nutritional counseling in the WIC program only when the service is part of the EPSDT program. Costs for nutritional assessment and/or nutritional counseling are allowed under the following circumstances only:
 - ✓ **Children’s initial nutritional assessment:** The WIC program requires an initial assessment. If an initial health assessment is performed by an EPSDT provider, this information may be used to complete the paperwork for the WIC assessment instead of WIC repeating the process. The agency reimburses for this service when performed as part of an EPSDT screening.
 - ✓ **Children’s second nutrition education contact:** The WIC program requires a second nutrition education contact that is reimbursed by WIC funds. If the child is determined to be at nutrition high-risk, WIC requires that a nutrition high-risk care plan be written. The nutrition high-risk care plan, if written by the certified dietitian through an EPSDT referral, may be used to meet the requirement of the WIC nutrition high-risk care plan. The agency reimburses for nutritional counseling only when it is part of an EPSDT referral.
 - ✓ **Pregnant woman assessment:** Pregnant women in the WIC program are required to have an initial assessment and a second nutrition education contact, which are reimbursed by WIC funds. If additional nutritional counseling is required and performed as part of maternity support services (MSS), the agency reimburses for the additional nutritional counseling.
- **Staff education**, except for training and staff development, required to enhance job performance for employees of the FQHC. Student loan reimbursements are considered unallowable education expenses.
- **Beneficiary outreach and outreach to potential clients**, except for the following type of activity: informing the target population of available services, such as via telephone yellow pages, brochures, and handouts. Excluded outreach costs include but are not limited to advertising, participation in health fairs, and other activities designed to increase the number of individuals served or the number of services received by individuals accessing services.
- **Assisting other health care professionals** in the provision of off-site training, such as dental screening, blood pressure checks, etc.
- **Public relations** dedicated to maintaining the image or maintaining or promoting understanding and favorable relations with any segment of the public. For example, costs of meetings, conventions, convocations, or other events related to non-Medicaid activities of the non-profit organization, including: costs of displays, demonstrations, and exhibits; costs of meeting rooms, hospitality suites, and other special facilities used in conjunction with shows and other special events; and salaries and wages of employees engaged in setting up and displaying exhibits, making demonstrations, and providing briefings; costs

of promotional items and memorabilia, including models, gifts, and souvenirs; and costs of advertising and public relations designed solely to promote the non-profit organization.

- **Community services**, such as health presentations to community groups, PTAs, etc.
- **Environmental activities** designed to protect the public from health hazards such as toxic substances, contaminated drinking water, and toxic shellfish.
- **Research**
- **Costs associated with the use of temporary health care personnel** from any nursing pool not registered with the Department of Licensing at the time of such personnel use.
- **Costs for subcontracted services** (referred services) other than subcontracted physicians and mid-level practitioners. For example: costs for laboratory, x-ray, and pharmacy subcontracts the center has for the performance of support services. The laboratory, x-ray facility or pharmacy bills the agency directly and is reimbursed directly by the agency.
- **Institutional services** such as hospital care, skilled nursing care, home health services, rehabilitative services, inpatient or outpatient mental health services that are provided on an inpatient or outpatient basis, excluding the professional component (which may be included in the cost report).
- **Services that are not directly provided by the FQHC.**
- **Services by alternative providers** not covered in the Washington Medicaid State Plan (e.g., acupuncturists).
- **Transportation costs** – Transportation costs will not be included in the cost report and the trip does not result in an encounter being billed.

What are allowable uncapped overhead costs?

Overhead costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective. Overhead costs that are allocated must be clearly distinguished from other functions and identified as a benefit to a direct service. Costs that can be included in the Uncapped Overhead cost center are:

- **Space costs**, which are defined as building depreciation, mortgage interest, and facility lease costs. The FQHC is required to have a reasonable floor space allocation plan that adequately documents facility usage. At least 25% of the facility must be used for a direct cost function (i.e., medical). Depreciation in the Medicaid cost report must be consistent with that claimed on the FQHC's Medicare cost report. Guidelines may be found in the Medicare Provider Reimbursement Manual CMS publication 15-1.

- **Billing Agency costs** that are separate and distinct functions of the FQHC for the purpose of billing for medical care only. Staff must be solely dedicated to medical billing and duties must be assigned in advance.
- **Medical receptionist, program registration, and intake costs.**
- **Nonmedical supplies, telephones, Electronic Practice Management, and copy machines.**
- **Dues for personnel to professional organizations** that are directly related to the individual's scope of practice. **Limited to one professional organization per professional.**
- **Utilization and referral management costs.**
- **Credentialing.**
- **Clinical management costs.**

What are allowable capped overhead costs?

The state will impose a cap for the Capped Overhead cost center. As determined using the method outlined below, the cap will be a certain percentage of direct health care costs. The following are examples of capped overhead costs:

- **Billing agency expenses** that do not meet the definition under uncapped overhead
- **Space costs** that do not meet the definition under uncapped overhead. The FQHC will use its Medicare depreciation schedule for all items and maintain documentation of that schedule for Medicaid auditors.
- **Dues to industry organizations** – These are limited to:
 - ✓ Dues that are not grant-funded or used by organizations for lobbying activities.
 - ✓ **One industry organization per FQHC.**

Note: This includes membership in business, technical, and professional organizations.

- **Costs associated with employees** who verify FFS and managed care eligibility
- **Data processing expenses** (not including computers, software, or databases not used solely for patient care or FQHC administration purposes)

- **Finance and Audit Agency costs**
- **Human Resources Agency costs**
- **Administration and disaster recovery and preparedness costs**
- **Facility and phone costs** for out-stationed financial workers provided by Community Service Offices (CSO). Any revenues received from a CSO for facility and other costs must also be recorded as an offset to the expense in the cost report.
- **Per Circular OMB A-122, maintenance costs** incurred for necessary maintenance, repair or upkeep of buildings and equipment (including federal property, unless otherwise provided for), which neither add to the permanent value of the property nor appreciably prolong its intended life, but keep it in an efficient operating condition. Costs incurred for improvements which add to the permanent value of the buildings and equipment or appreciably prolong their intended life are treated as capital expenditures.
- **Per Circular OMB A-122, security costs** and necessary and reasonable expenses incurred for routine and homeland security to protect facilities, personnel, and work products. Such costs include, but are not limited to:
 - ✓ Wages and uniforms of personnel engaged in security activities.
 - ✓ Equipment.
 - ✓ Barriers.
 - ✓ Contractual security services.
 - ✓ Consultants.

What are unallowable overhead costs and other expenses?

Unallowable costs as noted in [42 CFR 413](#) are unallowable in the Washington cost report. Additional unallowable overhead costs and other expenses include:

- **Costs not related to patient care**
- **Indirect costs allocated to unallowable direct health service costs** – These are also unallowable per Circular OMB A-122. The costs of certain activities are unallowable as charges to federal awards (e.g., fundraising costs). However, even though these costs are unallowable for purposes of computing charges to federal awards, a share must be allocated to the organization's indirect costs if they represent activities which:
 - ✓ Include the salaries of personnel.
 - ✓ Occupy space.

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- ✓ Benefit from the organization's indirect costs.
- **Entertainment** (e.g., office parties/social functions, costs for flowers, cards for illness and/or death, retirement gifts and/or parties/social functions, meals and lodging). This includes:
 - ✓ Amusement.
 - ✓ Diversion.
 - ✓ Social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities).

These costs are unallowable and cannot be included as a part of employee benefits.

- **Board of director fees** – Travel expenses related to mileage, meal, and lodging for conferences; and registration fees for meetings not related to operating the FQHC (e.g., FQHC-sponsored annual meetings, retreats, and seminars). Allowable travel would include attending a standard Board of Directors' meeting. The reimbursement level for allowed travel is based on the lesser of actual costs or state travel regulations.
- **Federal, state, and other income taxes and excise taxes**
- **Medical Licenses** – Costs of medical personnel professional licenses
- **Donations, services, goods and space** except those allowed in Circular A-122 and the MPRM
- **Fines and penalties**
- **Bad debts**, including losses (whether actual or estimated), arising from uncollectable accounts and other claims, related collection costs, and related legal costs
- **Advertising**, except for the recruitment of personnel, procurement of goods and services, and disposal of medical equipment and medical supplies
- **Contributions to a contingency reserve** or any similar provision made for events, the occurrence of which cannot be foretold with certainty as to time, intensity, or with an assurance of their happening. The term "contingency reserve" excludes self-insurance reserves, pension funds, and reserves for normal severance pay.
- **Over-funding contributions to self-insurance funds** that do not represent payments based on current liabilities. Self-insurance is a means by which a provider undertakes the risk of protecting itself against anticipated liabilities by providing funds in an amount equal to anticipated liabilities, rather than by purchasing insurance coverage. Accrued liabilities related to contributions to a self-insurance program that are systematically made to a funding agency and that cover malpractice and comprehensive general liability, unemployment compensation, workers' compensation insurance losses or employee health benefits, must be liquidated within 75 days after the close of the cost reporting period.

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- **Legal, accounting, and professional services** incurred in connection with hearings and re-hearings, arbitrations, or judicial proceedings against the Medicaid agency. This is in addition to the unallowable costs listed for similar costs in connection with any criminal, civil or administrative proceeding in A-122.
- **Fund raising costs**
- **Amortization of goodwill**
- **Membership dues for public relations**, except for those allowed as a direct health care covered cost or overhead cost. For example, costs of membership in any civic or community organization, country club, or social or dining club or organization are unallowable.
- **Political contributions and lobbying expenses** or other prohibited activity under A-122
- **Costs allocable to the use of a vehicle or other company equipment for personal use**, as well as any personal expenses not directly related to the provision of covered services; mileage expense exceeding the current reimbursement rate set by the federal government for its employee travel; or out-of-state travel expenses not related to the provision of covered services, except out-of-state travel expenses for training courses that increase the quality of medical care or the operating efficiency of the FQHC.
- **Costs applicable to services, facilities and supplies furnished by a related organization** in excess of the lower of cost to the related organization or the price of comparable service. Circular A-122 addresses consulting directly related to services rendered
- **Vending machine expenses**
- **Charitable contributions**
- **Personnel costs for out-stationed financial workers** provided by Community Service Offices (CSO). The CSO makes the final decision on whether or not to outstation CSO staff based on an evaluation of the level of Medicaid activity and resources available. When CSO staff are out-stationed in an FQHC, a written agreement between the CSO and the FQHC spelling out the responsibilities of each is required. Any revenues received as reimbursement for CSO staff expenses must be recorded in the cost report.
- **Interpreter services.** Do not include interpreter services costs in the cost report or bill them as an encounter.
- **Restricted grants.** Grants for specific purposes are to be offset against allowable expenses including costs paid for by specific grants or contributions (e.g., supplies, salaries, equipment, etc.) This does not include grants received under Section 330 of the Public Health Services Act. When a provider receives a payment from any source prior to the submission of a claim to the agency, the amount of the payment must be shown as a credit on the claim in the appropriate field.

- **Unallowable costs** noted in [42 CFR](#) 413, Circular A-122 and the Medicare Reimbursement Manual (MPRM)

What are requirements for cost reports?

Complete the Washington Medicaid cost reports consistent with the Washington FQHC Cost Report Instructions. The cost report starts with the A-133 audited working trial balance and has cost centers:

- Medical/maternity
- Maternity support services/infant case management
- Dental
- Mental health
- Chemical dependency

APM rates for services calculated on the basis of these cost reports are FQHC-wide and apply to all sites. The FQHC must select a rate structure that is one of the following:

- An all-inclusive rate
- A separate rate for each of the five cost-centers
- A grandfathered rate structure consistent with the rate structure used for PPS rate development. Definitions of the encounters are consistent with the cost center definitions

Encounters are defined in a consistent manner with historical encounters to ensure the comparability of the APM to historic PPS encounter rates (i.e., increasing the encounters in the APM calculation would cause the APM PPS to deflate, allowing the FQHCs to claim the higher historic PPS for a larger number of encounters).

Corporations with multiple sites may be designated as a single FQHC or each site may be an individual FQHC, depending on the designation by CMS and the Public Health Service.

Desk reviews and audits

- **Standards** – The following regulations are the audit standards applicable to the FQHC cost reimbursement program in order of precedent:
 - ✓ [42 CFR](#) Section 413
 - ✓ Agency policies and definitions
 - ✓ Circular A-122 “Cost Principles for Nonprofit Organizations”
 - ✓ Medicare Provider Reimbursement Manual

- **Documentation** – Documentation must be available for the auditors in the client’s medical record at the FQHC. Separate maternity and medical records must not be kept at different locations. Until a chart is established for a newborn, when a physician sees the baby, this encounter must be clearly documented in the mother’s record.
- **Exceptions** – There is no standard exception audit policy, but providers are allowed to ask for case-by-case exceptions.

Submission requirements

The agency obtains a copy of the audited Medicare cost reports from the CMS- contracted firm that audits the cost reports.

- **Rebasing** – FQHCs reimbursed under the APM have the option to rebase their encounter rate in 2010. Each FQHC that chooses to rebase in 2010 is required to submit the Medicaid FQHC cost report that corresponds with the fiscal year in the most recent audited A-133 trial balance consistent with the Cost Report Instructions. Beginning in 2013 and every four years thereafter, the encounter rates of every FQHC reimbursed under the APM will be mandatorily rebased.

At each rebasing, starting with 2013, each FQHC will submit their Medicaid cost report to the agency in a format and with content consistent with agency instructions and the agreed upon procedures (AUP). The cost report is to be based upon financial information based on an A-133 audit and specified agreed upon procedures regarding Medicaid expenditure reporting to be completed by the independent auditor. Each FQHC’s A-133 audit will include necessary review and an opinion on compliance with the AUP from an independent auditor.

- **Changes in Scope of Service** – For FQHCs reimbursed under the APM, scope changes to add services are permitted. The state establishes an interim rate for any scope changes between rebasing periods. That interim rate is established through analysis on a prospective basis. Scope changes between rebasing periods related to intensity, duration, or amount of services are not allowed as rebasing corrects for these changes.
- **New FQHCs** – When a new FQHC enrolls in the Medicaid program, the first cost report period is the most current actual 12-month period coinciding with the facility’s fiscal year end. Subsequent reporting periods will be based on the FQHC’s fiscal year end and cost reports must be submitted no later than 120 days after the end of the FQHC’s fiscal year.
- **Cost Reports**
 - ✓ For cost reports received between the first and the 15th of the month, FQHC cost reimbursement is effective the first day of that month.

- ✓ For cost reports received after the 15th of the month, the effective date of FQHC cost reimbursement is the first day of the subsequent month.
- ✓ A complete list of providers for all programs during the cost report period must be included with the cost report. The list must state each provider's specialty and his/her license number and expiration date.
- **Overpayments** - If the state determines that an FQHC received overpayments or payments in error, the FQHC must refund such payments to the agency within 30 days after receipt of the final letter. A monthly repayment schedule for up to one year may be requested. If this request is granted by the agency, an interest rate of 1% per month on the unpaid balance is assessed.
- **Underpayments** - If the agency determines that an FQHC received underpayments, the agency reimburses such payments within 30 days from the receipt of the letter.

Productivity, full-time equivalent (FTE), and treatment of on-call time

The state applies Washington-specific productivity standards for both physicians and mid-level practitioners (i.e., physician assistants, ARNPs, and CNMs). Minimum medical team productivity is calculated for services only in the medical/maternity cost center. Medical team FTEs are multiplied by the appropriate productivity standards and compared to each FQHC's encounters for those professionals. Psychiatrists are medical doctors and must meet FTE requirements if included in the medical/maternity cost center. The productivity standards apply in the manner in which they have been historically applied, and are only applied to practitioners who generate Medicaid encounters. The Washington-specific productivity standards are determined using the methodology outlined below.

To determine FTEs, the total number of hours paid (excluding payouts related to employee termination) for the year is divided by 2,080. FTEs for temporary, part-time, and contracted staff, including non-paid physician time, are to be included on the cost report prior to any determination of whether or not they are permissible, which may remove them from the Washington Medicaid encounter rate.

On-call FTEs and encounters used for determining minimum productivity for medical and maternity services are based on the specific FQHC agreement. These agreements must be documented. For the following types of on-call staff, the criteria for determining FTEs are:

- **FQHC staff who are assigned on-call as part of their normal duties and who receive no additional compensation for the on-call:** FTEs are calculated using the total hours paid. Total encounters are used in the minimum productivity calculation.

- **FQHC staff who are assigned to on-call as part of their normal duties and who receive additional compensation for on call:** FTEs are calculated using the hours paid at regular salary.
- **Contract staff who perform both regular and on-call duties:** FTEs are calculated using the hours paid for the regular duties. Only the encounters associated with the regular duties are used in the minimum productivity calculation.

Productivity standards and capped overhead methodology

The State of Washington applies productivity standards to the medical team costs and a cap to the administrative costs in the Capped Overhead cost category. The medical team includes physicians and mid-level practitioners (i.e., physician assistants, ARNPs, and CNMs). The productivity standards and administrative cap are set based on valid data submitted by FQHCs and are considered valid by the state in a manner that ensures all reasonable costs are included.

The productivity standards and administrative cap are set at amounts greater than the average FQHC costs, but do not exceed a statistically determined amount (called the outlier cut-off). This ensures that only reasonable costs are included. The productivity standards and administrative cap are developed using data from the FQHCs' Medicaid cost reports.

Reasonable costs are defined as actual FQHC costs that do not exceed the average costs of similar FQHCs by more than a statistically determined amount (the outlier cut-off). Medical team costs and capped administrative expenses beyond the outlier cut-off are non-reimbursable and are excluded from the cost reports.

Using the data, the state develops a statistical model reflecting the expected level for medical team costs and capped administrative expenses. The model then compares the costs and expenses of each FQHC to the expected levels. The model recognizes variables such as variations in population size and service scope, both of which affect medical costs and administrative expenses.

The outlier cut-off is the maximum value of a cost included in the cost report. Any costs above the cut-off are excluded. The cut-off is set at a certain number of standard deviations from the mean, depending on how the costs are distributed. If FQHC costs are more widely dispersed, the State sets the outlier cutoff at a higher absolute number than if costs are more tightly distributed. If the range of costs is more tightly distributed, the outlier cut-off is a lower number.

Under this model, there is no predetermined limit on allowable costs. If all FQHC costs fall within the expected range, they are all included. This ensures that all costs that are reasonable, and only those that are reasonable, are allowed.

Encounters for all patients

Total (on-call and regular) staff expenses must be included on the cost report. The total encounters for all patients seen by staff (both regular and on-call) must be included on the cost report and used in calculating the encounter rate.

To verify the number of patients and associated number of encounters that physicians and mid-level practitioners have seen, the FQHC must maintain records that substantiate the number of encounters for physicians and mid-levels practitioners who receive additional compensation for their on-call time and contract physicians and mid-levels during on-call time.

Billing and Claim Forms

What are the general billing requirements?

Providers must follow the agency's [ProviderOne Billing and Resource Guide](#).

What special rules are there for FQHCs to follow when billing?

- All related services performed on the same day by the same clinician or provider specialty must be billed on the same claim. This includes any services performed during an encounter- eligible visit that are not encounter- eligible. Example: Lab services performed at same visit as evaluation and management.
- An encounter- eligible service must be billed with the T1015 procedure code.
- If reprocessing a denied service or a service that was not correctly included when the original claim was billed, the paid claim must be adjusted. If the original claim is not adjusted to add these services, your additional claim may be denied.
- If a non-encounter-eligible service is billed and paid, then a separate claim needs to be submitted for the same date of service with an encounter-eligible service—adjust the paid claim and submit the services together to receive payment.

How do I bill for encounter services?

Bill the agency an encounter using the HCPCS code below:

| Service Type | HCPCS Procedure Code | Fee-for-Service (FFS) Procedure Code | Description | Billed Charges |
|--|------------------------|---|------------------------------------|----------------|
| Medical, dental, MSS, chemical dependency | T1015 | Bill corresponding fee-for-service code of the underlying service being performed | All-inclusive FQHC visit/encounter | Bill \$0.00 |
| Mental health (community mental health centers only; must be contracted with an RSN) | T1015 with modifier HE | N/A | All-inclusive FQHC visit/encounter | Bill \$0.00. |

Always list an encounter code on the same claim as its related FFS procedure code(s).

Exception: FQHCs licensed as community mental health centers by the Department of Health and contracted with an RSN must bill mental health encounters with only the T1015 encounter code and the modifier HE for clients who meet the RSN access to care standards.

- When billing the encounter code, bill \$0.00. For services eligible for encounter payments, the system will automatically pay the difference between the FQHC's encounter rate and the FFS amount paid.
- For clients in programs eligible for encounter payments, the agency denies Evaluation and Management (E&M) codes when billed without a T1015.

Exception: E&M CPT codes 99201 and 99211 can be billed without an encounter code for immunization services provided by registered nurses.

- When billing for services that do not qualify for encounter payments, do not use an encounter code on the claim form.

Note: As client eligibility may change, bill encounter code T1015 on claims for *all* eligible services. ProviderOne will determine whether the encounter is payable when the claim is processed.

FQHC services provided to agency clients must be billed to the agency on a paper CMS-1500 Claim Form or electronic 837P claim form. This includes claims with:

- An Explanation of Benefits (EOB) attachment from an insurance carrier.
- A Medicare Explanation of Medicare Benefits (EOMB) denial.

Note: For audit purposes, all encounters must have the specific procedure documented in the client's chart.

Multiple units may be billed with a single encounter code only in the following situations:

- Obstetrical care, which are billed as medical encounters
- Dental care when a single service requires multiple visits (e.g., root canals, crowns, dentures)

What are the rules for telemedicine?

See the [Physician-Related Services Provider Guide](#).

How do I bill for more than one encounter per day?

Encounters are limited to one per client, per day except in either of the following circumstances:

- The client needs to be seen by different practitioners with different specialties.
- The client needs to be seen multiple times due to unrelated diagnoses.

Each encounter must be billed on a separate claim form. On each claim, to indicate that it is a separate encounter, enter "unrelated diagnosis" and the time of both visits in field 19 on the 1500 claim form or in the *Comments* field when billing electronically. Documentation for all encounters must be kept in the client's file.

What procedure codes must an FQHC use?

FQHCs **must** submit claims using the appropriate procedure codes listed in one of the following provider guides, as applicable:

- [Chemical Dependency Provider Guide](#)
- [Dental-Related Services Provider Guide](#)
- [Maternity Support Services/Infant Case Management Provider Guide](#)
- [Orthodontic Services Provider Guide](#)
- [Physician-Related Services/Healthcare Professional Services Provider Guide](#)
- [Prescription Drug Program Provider Guide](#)
- Other applicable program-specific provider guides

Claims must be submitted on the appropriate claim form:

- Medical services, maternity support services, infant case management, chemical dependency, and mental health on the CMS-1500 claim form
- Dental services on the 2006 ADA Dental Form
- Pharmacy claims through the Point-of-Sale (POS) system or on the Pharmacy Statement (525-109) claim form, HCA [13-714](#)

Can FQHCs get paid for noncovered services?

Noncovered services are not eligible for payment, including encounter payments. Specific information regarding noncovered services can be found under “What services are noncovered?” in the [Physician-Related Services provider guide](#).

How Do I Bill Taxonomy Codes?

- When billing for services eligible for an encounter payment, the agency requires FQHCs to use billing taxonomy 261QF0400X at the claim level.
- A servicing taxonomy is also required as follows:
 - ✓ Community Mental Health Centers must bill servicing taxonomy 261QM0801X or 251S00000X when billing for voluntary community health services (T1015 HE).
 - ✓ Psychologists and psychiatrists billing for mental health encounters in combination with fee-for-service (FFS) codes must bill servicing taxonomy appropriate for the service being performed by the performing/rendering provider.

Federally Qualified Health Centers

- ✓ Dental providers must bill the servicing taxonomy appropriate for the service being performed and the provider performing the service.
- ✓ Maternity support services/Infant case management provides must bill servicing taxonomy 171M00000X. Child birth education providers must bill servicing taxonomy 174400000X.
- ✓ Outpatient chemical dependency treatment providers must bill one of the following servicing taxonomies according to the service(s) provided:
 - 261QM2800X (for Opiate Substitution Services)
 - 251B00000X (for Case Management Services)
 - 324500000X (for Acute/Sub-Acute Detox services and Room and Board)
 - 261QR0405X (for remaining published services)
- ✓ Medical and maternity services require a servicing taxonomy appropriate for the service being billed by the performing/rendering provider.
 - Family Planning Clinics must bill servicing taxonomy 261QA0005X
 - Health departments must bill servicing taxonomy 251K00000X
- If the client or the service does not qualify for an FQHC encounter, you may bill regularly as a non-FQHC without T1015 on the claim.

Billing taxonomy electronically

When billing electronically:

- Billing taxonomy goes in the 2000A loop.
- Rendering taxonomy goes in the 2310B loop.
- If the rendering provider is different than that in loop 2310B, enter taxonomy in the 2420A loop.

For more information on billing taxonomy, refer to the [Health Insurance Portability and Accountability Act](#) web page.

How do I complete the CMS-1500 claim form?

The agency’s online Webinars are available to providers with instructions on how to bill professional claims and crossover claims electronically:

- [DDE Professional claim](#)
- [DDE Professional with Primary Insurance](#)
- [DDE Medicare Crossover Claim](#)

Also, see Appendix I of the agency’s [ProviderOne Billing and Resource Guide](#) for general instructions on completing the CMS-1500 claim form.

The following CMS-1500 claim form instructions relate to FQHCs:

| Field | Name | Entry | | | | | | | | | | | | | | | | | | | | | | | | |
|-------------|--|--|-------------|-----------------------|----|--------------|----|-------------------------------------|----|--------------------|----|--------------------|----|---------------------|----|----------------|--------|--------------|----|-----------------------------------|----|--------------------------------|----|--|----|-------|
| 24B | Place of Service | <p>These are the only appropriate codes for FQHCs:</p> <table border="1"> <thead> <tr> <th><u>Code</u></th> <th><u>To Be Used For</u></th> </tr> </thead> <tbody> <tr> <td>03</td> <td>School-based</td> </tr> <tr> <td>11</td> <td>Office or ambulatory surgery center</td> </tr> <tr> <td>12</td> <td>Client’s residence</td> </tr> <tr> <td>21</td> <td>Inpatient hospital</td> </tr> <tr> <td>22</td> <td>Outpatient hospital</td> </tr> <tr> <td>23</td> <td>Emergency room</td> </tr> <tr> <td>31, 32</td> <td>Nursing home</td> </tr> <tr> <td>50</td> <td>Federally Qualified Health Center</td> </tr> <tr> <td>53</td> <td>Community Mental Health Center</td> </tr> <tr> <td>57</td> <td>Non-residential Substance Abuse Treatment Facility</td> </tr> <tr> <td>99</td> <td>Other</td> </tr> </tbody> </table> | <u>Code</u> | <u>To Be Used For</u> | 03 | School-based | 11 | Office or ambulatory surgery center | 12 | Client’s residence | 21 | Inpatient hospital | 22 | Outpatient hospital | 23 | Emergency room | 31, 32 | Nursing home | 50 | Federally Qualified Health Center | 53 | Community Mental Health Center | 57 | Non-residential Substance Abuse Treatment Facility | 99 | Other |
| <u>Code</u> | <u>To Be Used For</u> | | | | | | | | | | | | | | | | | | | | | | | | | |
| 03 | School-based | | | | | | | | | | | | | | | | | | | | | | | | | |
| 11 | Office or ambulatory surgery center | | | | | | | | | | | | | | | | | | | | | | | | | |
| 12 | Client’s residence | | | | | | | | | | | | | | | | | | | | | | | | | |
| 21 | Inpatient hospital | | | | | | | | | | | | | | | | | | | | | | | | | |
| 22 | Outpatient hospital | | | | | | | | | | | | | | | | | | | | | | | | | |
| 23 | Emergency room | | | | | | | | | | | | | | | | | | | | | | | | | |
| 31, 32 | Nursing home | | | | | | | | | | | | | | | | | | | | | | | | | |
| 50 | Federally Qualified Health Center | | | | | | | | | | | | | | | | | | | | | | | | | |
| 53 | Community Mental Health Center | | | | | | | | | | | | | | | | | | | | | | | | | |
| 57 | Non-residential Substance Abuse Treatment Facility | | | | | | | | | | | | | | | | | | | | | | | | | |
| 99 | Other | | | | | | | | | | | | | | | | | | | | | | | | | |
| 24J | Rendering Provider ID# | Enter the service-specific taxonomy code (upper field) NPI (lower field) | | | | | | | | | | | | | | | | | | | | | | | | |
| 33B | Physician’s Supplier’s Billing Name, Address, Zip Code and Phone # | Enter your billing NPI and FQHC taxonomy code 261QF0400X | | | | | | | | | | | | | | | | | | | | | | | | |

Completing the UB-04 Claim Form

Detailed instructions on how to complete and bill according to the official UB-04 Data Specifications Manual is available from the National Uniform Billing Committee at: <http://www.nubc.org/index.html>.

Completing the 2006 ADA claim form

Note: Refer to the agency's [ProviderOne Billing and Resource Guide](#) for instructions on completing the 2006 ADA claim form.

Crossover Claims in FQHC setting.

See the [ProviderOne Billing and Resource Guide](#) for details on payment methodologies.

FQHCs do not receive an encounter payment when billing a Crossover claim. These claims use the same payment methodology as a non-FQHC clinic as spelled out in the *ProviderOne Billing and Resource guide*.

FQHCs are required to bill Crossover Claims in the UB04/837I claims format. If a Managed Medicare Plan (Medicare Part C plan) requires services to be billed on a CMS1500/837P and they are paid or the money is applied to the deductible, you must switch the claim information to the UB04/837I format or your claim will not process correctly. These Crossover claims must be billed to the agency using the Type of Bill 77X and the FQHC taxonomy for the Billing Provider.