Federally Qualified Health Centers (FQHC)

Billing Guide

July 1, 2016

About this guide*

This publication takes effect July 1, 2016, and supersedes earlier guides to this program.

HCA is committed to providing equal access to our services. If you need an accommodation or require documents in another format, please call 1-800-562-3022. People who have hearing or speech disabilities, please call 711 for relay services.

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
All	Fixed broken links, clarified language, etc.	Housekeeping
Name Change	The agency is changing the name of the Provider Guides to Billing Guides	Align with the agency's new website redesign launching in August
Substance Use Disorder (SUD) Services	Made the following changes to How do I bill for encounter services? • Deleted HCPCS code T1015	No change in policy. Added "substance use disorder" to line above for HCPCS code T1015
	• Added a note that says "In addition to submitting a claim through ProviderOne, providers must bill the BHO according to their contract."	Clarification. Providers must bill the BHO according to their contract in addition to billing ProviderOne the T1015 with the appropriate procedure code
Encounter-eligible services	Removed "hospitals" from encounter locations under **Determining whether a service is an encounter.** Effective for claims with dates of services on and after July 1, 2016, services performed in an inpatient hospital setting are not encounter-eligible. Covered services will be paid as fee-for-service and should not be billed with encounter code T1015.	Aligns with CMS rules and FQHC cost report instructions

* This publication is a billing instruction.

How can I get agency provider documents?

To download and print agency Washington Apple Health billing guides, go to the agency's Provider Publications website.

How can I get agency fee schedules?

To download and print agency fee schedules, go to the agency's Rates Development Fee Schedules website.

Copyright disclosure

Current Procedural Terminology (CPT) copyright 2015 American Medical Association (AMA). All rights reserved. CPT is a registered trademark of the AMA.

Fee schedules, relative value units, conversion factors and/or related components are not assigned by the AMA, are not part of CPT, and the AMA is not recommending their use. The AMA does not directly or indirectly practice medicine or dispense medical services. The AMA assumes no liability for data contained or not contained herein.

Table of Contents

Important Changes to Apple Health Effective April 1, 2016 7

New MCO enrollment policy – earlier enrollment 7
How does this policy affect providers? 8
Behavioral Health Organization (BHO) 8
Fully Integrated Managed Care (FIMC) 8
Apple Health Core Connections (AHCC) 9
AHCC complex mental health and substance use disorder services 10

Resources Available 11

Definitions 12

Program Overview 14

What is a federally qualified health center (FQHC)? 14
What is the purpose of the FQHC program? 15
What are the basic requirements for services provided in an FQHC? 15
Who may provide services in an FQHC? 16
What are the FQHC staffing requirements? 16
How does an FQHC enroll as a provider? 17
What is the effective date of the Medicaid FQHC certification? 17
Servicing site location certification 18

Client Eligibility 19

How can I verify a patient's eligibility? 19
Are clients enrolled in an agency-contracted managed care organization (MCO) eligible? 20

Encounters 21

What is an encounter? 21
What services are considered encounters? 21
Alcohol or substance misuse counseling 22
Services and supplies incidental to professional services 22
Determining whether a service is an encounter 23
What services do not qualify as encounters? 27
What FQHC-related activities are NOT covered by the agency? 28
Categories of encounters 28
Medical/maternity/mental health encounter 28
Maternity Support Services and Infant Case Management (MSS/ICM) 29
Mental health encounter – clients meeting access to care standards for Behavioral Health Organization (BHO) services 31
Substance use disorder treatment programs 31

Reimbursement 32

Alert! This Table of Contents is automated. Click on a page number to go directly to the page.

When does the agency pay for FQHC services? 32
The reimbursement structure 32
Payment for services not eligible for an encounter 33
Managed care clients 34
Enhancement payments for managed care clients 35
Are FQHCs liable for payments received? 35
How does the agency prevent duplicative payment for pharmacy and BHO services? 36
What is a change in scope of service? 36
What are the criteria for a change in scope of service rate adjustment? 37
How is a change in scope of service rate adjustment requested? 37
What is a prospective change in scope of service? 38
What is a retrospective change in scope of service? 39
How does the agency process applications for a change in scope of service rate adjustment? 40
How does the agency set an interim rate for prospective changes in the scope of service? 40
How does the agency set an adjusted encounter rate for retrospective changes in the scope of service? 41
When does the agency conduct a post change in scope of service rate adjustment review? 42
May an FQHC appeal an agency action? 42
What are examples of events that qualify for a rate adjustment due to changes in scope of service? 43
What are examples of events that do not qualify for a rate adjustment due to changes in scope of service? 44

Reporting Requirements 45

What are allowable costs? 45
What are allowed direct health care costs? 45
What are unallowable direct health services costs? 48
What are allowable uncapped overhead costs? 50
What are allowable capped overhead costs? 51
What are unallowable overhead costs and other expenses? 53
What are the requirements for cost reports? 56
Desk reviews and audits 57
Submission requirements 58
Productivity, full-time equivalent (FTE), and treatment of on-call time 59
Productivity standards and capped overhead methodology 60
Encounters for all patients 60

Billing and Claim Forms 61

What are the general billing requirements? 61
What special rules are there for FQHCs to follow when billing? 61
How do I bill for encounter services? 62
How do I bill for maternity care? 64
How do I bill for orthodontic services performed in an FQHC? 65

Alert! This Table of Contents is automated. Click on a page number to go directly to the page.

What are the rules for telemedicine? 66
How do I bill for more than one encounter per day? 66
What procedure codes must an FQHC use? 67
Can FQHCs get paid for noncovered services? 67
How do I bill taxonomy codes? 68
Billing taxonomy electronically....68
How are CMS-1500 claim forms completed? 69
How do I complete the UB-04 claim form?....69
How do I complete the 2012 ADA claim form?....70
How do I handle crossover claims in an FQHC setting?....70
How do I handle Managed Medicare or Medicare Part C crossover claims for dental billing? 70

Important Changes to Apple Health Effective April 1, 2016

These changes are important to all providers because they may affect who will pay for services.

Providers serving any Apple Health client should always check eligibility and confirm plan enrollment by asking to see the client's Services Card and/or using the ProviderOne Managed Care Benefit Information Inquiry functionality (HIPAA transaction 270). The response (HIPAA transaction 271) will provide the current managed care organization (MCO), fee-for-service, and Behavioral Health Organization (BHO) information. A Provider FAQ is available on the Washington Apple Health (Medicaid) providers webpage.

New MCO enrollment policy – earlier enrollment

Beginning April 1, 2016, Washington Apple Health (Medicaid) implemented a new managed care enrollment policy placing clients into an agency-contracted MCO **the same month** they are determined eligible for managed care as a new or renewing client. This policy eliminates a person being placed temporarily in fee-for-service while they are waiting to be enrolled in an MCO or reconnected with a prior MCO.

- **New clients** are those initially applying for benefits or those with changes in their existing eligibility program that consequently make them eligible for Apple Health Managed Care.

- **Renewing clients** are those who have been enrolled with an MCO but have had a break in enrollment and have subsequently renewed their eligibility.

Clients currently in fee-for-service or currently enrolled in an MCO are not affected by this change. Clients in fee-for-service who have a change in the program they are eligible for may be enrolled into Apple Health Managed Care depending on the program. In those cases, this enrollment policy will apply.

How does this policy affect providers?

- Providers must check eligibility and know when a client is enrolled and with which MCO. For help with enrolling, clients can refer to the Washington Healthplanfinder's **Get Help Enrolling** page.

- MCOs have retroactive authorization and notification policies in place. The provider must know the MCO's requirements and be compliant with the MCO's new policies.

Behavioral Health Organization (BHO)

The Department of Social and Health Services (DSHS) manages the contracts for behavioral health (mental health and substance use disorder (SUD)) services for nine of the Regional Service Areas (RSA) in the state, excluding Clark and Skamania counties in the Southwest Washington (SW WA) Region. BHOs will replace the Regional Support Networks (RSNs). Inpatient mental health services continue to be provided as described in the inpatient section of the Mental Health Provider guide. BHOs use the Access to Care Standards (ACS) for mental health conditions and American Society of Addiction Medicine (ASAM) criteria for SUD conditions to determine client's appropriateness for this level of care.

Fully Integrated Managed Care (FIMC)

Clark and Skamania Counties, also known as SW WA region, is the first region in Washington State to implement the FIMC system. This means that physical health services, all levels of mental health services, and drug and alcohol treatment are coordinated through one managed care plan. Neither the RSN nor the BHO will provide behavioral health services in these counties.

In Clark and Skamania Counties, clients must choose to enroll in either Community Health Plan of Washington (CHPW) or Molina Healthcare of Washington (MHW). If they do not choose, they are auto-enrolled into one of the two plans. Each plan is responsible for providing integrated services that include inpatient and outpatient behavioral health services, including all SUD services, inpatient mental health and all levels of outpatient mental health services, as well as providing its own provider credentialing, prior authorization requirements and billing requirements.

Beacon Health Options provides mental health crisis services to the entire population in Southwest Washington. This includes inpatient mental health services that fall under the Involuntary Treatment Act for individuals who are not eligible for or enrolled in Medicaid, and short-term substance use disorder (SUD) crisis services in the SW WA region. Within their available funding, Beacon has the discretion to provide outpatient or voluntary inpatient mental health services for individuals who are not eligible for Medicaid. Beacon Health Options is also

responsible for managing voluntary psychiatric inpatient hospital admissions for non-Medicaid clients.

In the SW WA region some clients are not enrolled in CHPW or Molina for FIMC, but will remain in Apple Health fee-for-service managed by the agency. These clients include:

- Dual eligible – Medicare/Medicaid
- American Indian/Alaska Native (AI/AN)
- Medically needy
- Clients who have met their spenddown
- Noncitizen pregnant women
- Individuals in Institutions for Mental Diseases (IMD)
- Long-term care residents who are currently in fee-for-service
- Clients who have coverage with another carrier

Since there is no BHO (RSN) in these counties, Medicaid fee-for-service clients receive complex behavioral health services through the Behavioral Health Services Only (BHSO) program managed by MHW and CHPW in SW WA region. These clients choose from CHPW or MHW for behavioral health services offered with the BHSO or will be auto-enrolled into one of the two plans. A BHSO fact sheet is available online.

Apple Health Core Connections (AHCC)

Coordinated Care of Washington (CCW) will provide all physical health care (medical) benefits, lower-intensity outpatient mental health benefits and care coordination for all Washington State foster care enrollees. These clients include:

- Children and youth under the age of 21 who are in foster care
- Children and youth under the age of 21 who are receiving adoption support
- Young adults age 18 to 26 years old who age out of foster care on or after their 18th birthday

American Indian/Alaska Native (AI/AN) children will **not** be auto-enrolled, but may opt into CCW. All other eligible clients will be auto-enrolled.

AHCC complex mental health and substance use disorder services

AHCC clients who **live in** Skamania or Clark County receive complex behavioral health benefits through the Behavioral Health Services Only (BHSO) program in the SW WA region. These clients will choose between CHPW or MHW for behavioral health services, or they will be auto-enrolled into one of the two plans. CHPW and MHW will use the BHO Access to Care Standards to support determining appropriate level of care, and whether the services should be provided by the BHSO program or CCW.

AHCC clients who **live outside** Skamania or Clark County will receive complex mental health and substance use disorder services from the BHO and managed by DSHS.

Contact Information for Southwest Washington

Beginning on April 1, 2016, there will not be an RSN/BHO in Clark and Skamania counties. Providers and clients must call the agency-contracted MCO for questions, or call Beacon Health Options for questions related to an individual who is not eligible for or enrolled in Medicaid.

If a provider does not know which MCO a client is enrolled in, this information can located by looking up the patient assignment in ProviderOne.

To contact Molina, Community Health Plan of Washington, or Beacon Health Options, please call:

MOLINA HEALTHCARE	Molina Healthcare of Washington, Inc. 1-800-869-7165

COMMUNITY HEALTH PLAN of Washington	Community Health Plan of Washington 1-866-418-1009

Beacon Health Options	Beacon Health Options 1-855-228-6502

Resources Available

Topic	Contact
Information on becoming a provider or submitting a change of address or ownership	See the agency's Resources Available web page.
Information about payments, claims processing, denials, or agency managed care organizations	
Electronic or paper billing	
Finding agency documents (e.g., provider guides, fee schedules)	
Private insurance or third-party liability, other than agency-contracted managed care	
Submit claim denials for review	http://www.hca.wa.gov/billers-providers/contact-us
Information about ICD-10	Email: ICD10questions@hca.wa.gov
Who do I contact if I have questions about 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
Who 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 section defines terms and abbreviations, including acronyms, used in this billing guide. Refer to Chapter 182-500 WAC for a complete list of definitions for Washington Apple Health.

Alternative payment methodology (APM) index – 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 used as the benchmark in measuring an FQHC's total reasonable costs for establishing base encounter rates.

Behavioral health organization (BHO) – means a single- or multiple-county authority or other entity operating as a prepaid health plan with which the Medicaid agency or the agency's designee contracts for the delivery of community outpatient and inpatient mental health and substance use disorder services in a defined geographic area. (WAC 182-500-0015)

Cost report – A statement of costs and provider usage 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 – A face-to-face visit between a client and a qualified FQHC provider (e.g., a physician, physician assistant, or advanced registered nurse practitioner) who exercises independent judgment when providing services that qualify for an encounter rate.

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

Enhancements (also called managed care enhancements) -- A monthly amount paid by the agency to FQHCs for each client enrolled with a managed care organization (MCO). MCOs may contract with FQHCs to provide services under managed care programs. FQHCs receive enhancements from the agency in addition to the negotiated payments they receive from the MCOs for services provided to enrollees. To ensure that the appropriate amounts are paid to each FQHC, the agency performs an annual reconciliation of the enhancement payments.

Fee-for-service – A payment method the agency uses to pay providers for covered medical services provided to medical assistance clients, except those services provided under the agency's prepaid managed care organizations, or those services that qualify for an encounter rate.

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 an FQHC can begin providing services to Medicaid clients.

Mid-level practitioner –An advanced registered nurse practitioner (ARNP), a certified nurse midwife, a licensed midwife, a woman's health care nurse practitioner, a physician's assistant (PA), or a psychiatric ARNP. Services provided by registered nurses are not encounters.

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 (HRSA) 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 that elects to be designated as an FQHC (see the program overview in the *Tribal Health Program Billing Guide* for more information.)

**Refer to other requirements within this guide.*

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 Department of Health and Human Services (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.

What is the purpose of the FQHC program?

The 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, and 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 Billing Guide and other Washington Apple Health program-specific billing 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) and (RCW 18.36A.040)

The following people may provide FQHC services:

- Physicians
- Physician assistants (PAs)
- Nurse practitioners (NPs)
- Nurse midwives or other specialized nurse practitioners
- Certified nurse midwives
- Registered nurses (RNs) or licensed practical nurses (LPNs)
- Mental health professionals – for a list of qualified professionals eligible to provide mental health services, refer to the Mental Health Services Billing Guide
- Naturopathic physicians, refer to the Physician-Related Services/Health Care Professional Services Billing Guide

Note: Providers approved to deliver screening, brief intervention, and referral to treatment (SBIRT) services, maternity support services/infant case management (MSS/ICM), and substance use disorder services may also provide services in an FQHC.

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, physician's assistant (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 the practitioner's scope of practice under contract to the FQHC. The staff may also include ancillary personnel who are supervised by the professional staff.

How does an 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 C.F.R. Part 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 the provider is 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.
- **The date the agency receives the CPA:** 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.

Note: The FQHC enrollment packet includes: CPA, ownership disclosure form, debarment form, EFT form, W9, copy of business license, copy of liability insurance information, and either the Centers for Medicare and Medicaid Services (CMS) approval letter or the Health Resources and Services Administration (HRSA) approval letter. Dental, Substance Use Disorder, and Maternity Support Services sites must provide the HRSA approval letter to the agency.

Servicing site location certification

All servicing sites listed under a clinic's domain within ProviderOne must be certified by either CMS or HRSA depending on the kinds of services offered at the location. Site certification documents can be faxed to the agency using the correct cover sheet, which will then be automatically attached to the domain requesting a new servicing location. Document submission cover sheets can be located here. The correct cover sheet is the *Provider Information Update Requests* document. Because this is an established domain, select either the NPI or the ProviderOne ID option. The clinic's ProviderOne ID is the same number as the domain number. On the site approval document, note which location code this approval document pertains to.

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 clients enrolled in an agency-contracted managed care organization (MCO) eligible?

(WAC 182-538-060, 095, and 182-538-063)

Yes. Most Medicaid-eligible clients are enrolled in one of the agency's contracted managed care organizations (MCOs). For these clients, managed care enrollment will be displayed on the client benefit inquiry screen in ProviderOne. All services* must be requested directly through the client's primary care provider (PCP). Clients can contact their MCO by calling the telephone number provided to them.

All medical services covered under an agency-contracted MCO must be obtained by the client through designated facilities or providers. The MCO is responsible for the:

- Payment of covered services
- Payment of services referred by a provider participating in the MCO to an outside provider

Note: A client's enrollment can change monthly. Providers who are not contracted with the MCO must receive approval from **both** the MCO and the client's primary care provider (PCP) prior to serving a managed care client.

Send claims to the client's MCO for payment. Call the client's MCO to discuss payment prior to providing the service. Providers may bill clients only in very limited situations as described in WAC 182-502-0160.

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 agency-contracted MCO, if appropriate. See the agency's ProviderOne Billing and Resource Guide for instructions on how to verify a client's eligibility.

* Services excluded from this requirement include maternity support services/infant case management, dental, and substance use disorder. These services are covered fee-for-service and do not require PCP approval.

Encounters

What is an encounter?

An encounter is a face-to-face visit between a client and an FQHC provider exercising independent judgment when providing health care services to the client. 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 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 encounters?

(WAC 182-548-1300)

Only certain services provided in the FQHC are considered encounters.

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
- Mental health services specified in the Mental Health Services Billing Guide
- 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 Billing Guide

Services provided by other provider types (maternity support services, substance use disorder, and mental health) may qualify as an encounter. Refer to specific sections within this guide for additional information.

Alcohol or substance misuse counseling

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 Billing 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; however, surgical procedures furnished at locations other than FQHCs may be subject to global billing requirements.

If an FQHC provides services to a patient who has had surgery elsewhere while 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 provided 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 Billing 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 an 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 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 registered nurses. These services must be billed as fee-for-service 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.

4. Each **individual** provider is limited to one type of encounter per day for each client, regardless of the services provided, 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.

   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 other locations (such as mobile vans, 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:**

   - The claim is billed on a CMS-1500 claim form for physician claims or a 2012 ADA claim form for dental claims.

   - One line-item procedure code equals T1015 (or T1015 with the HE modifier for mental health encounters for clinics contracted with their local Behavioral Health Organization (BHO).

- 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 BHO encounters, which are billed with the T1015-HE line only). The code of the underlying service must **not** be one of the following:

  - ✓ 36400-36425
  - ✓ 36511-36515
  - ✓ 38204-38215
  - ✓ 70000-79999
  - ✓ 80000-89999
  - ✓ 90281-90749
  - ✓ A0021-A9999
  - ✓ B4034-B9999
  - ✓ D0210, D0220, D0230, D0240, D0270, D0272, D0273, D0274, D0321, D0330, D0460, D0501, D1206, D1208, and D1351
  - ✓ E0100-E8002
  - ✓ G0008-G9140
  - ✓ G9143-G9472
  - ✓ All J codes
  - ✓ K0001-K0902
  - ✓ L0112-L9900
  - ✓ P3000-P3001
  - ✓ All Q codes
  - ✓ 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) codes do **not** qualify for the encounter rate effective for dates of service on and after 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

Medical Coverage Group Codes	RAC Code
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)
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)

- Clients identified in ProviderOne with one of the following barcode (state-only) RAC codes for incapacity determination services do **not** qualify for the encounter rate effective for dates of service on and after September 1, 2015:

Barcode RAC
2000
2001
2002
2003
2004

- 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.)
N23	RAC 1209 (Replaces RAC 1096)
P04	RAC 1096 (This is the only RAC for P04.)
P99	RAC 1102 (This is the only RAC for P99.)

What services do not qualify as encounters?

The following are examples of services that are not encounter-eligible but are reimbursed fee-for-service:

- Blood draws, laboratory tests, x-rays, and prescriptions. However, these procedures may be provided in addition to other medical services as part of an encounter.
- The administration of drugs and biologicals, including pneumococcal, influenza, and other immunizations.
- Delivery and postpartum services provided to pregnant undocumented alien 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.

- **Effective for claims with dates of service on and after July 1, 2016,** services performed in an inpatient hospital setting are not encounter-eligible. Covered services will be paid as fee-for-service and must not be billed with encounter code T1015. Refer to "How do I bill for maternity care?" for billing for hospital-based maternity care.

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/mental health other than services meeting the access to care standards for Behavioral Health Organizations (BHOs)
- Maternity support services/infant case management
- Dental
- Mental health – BHO services
- Substance use disorder
- Mental health – Psychiatrist/psychologist other than access to care standards for BHO

Medical/maternity/mental health encounter

A medical/maternity/mental health encounter is a face-to-face encounter between an approved 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.
Services provided by approved professionals are considered eligible for an encounter payment as long as the billing code falls outside the range of eligible codes outlined on pages 22 and 23 of this guide. Specific policy regarding billing for medical/maternity/mental health services can be found in the appropriate Washington Apple Health program-specific billing guide.

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

Maternity Support Services and Infant Case Management (MSS/ICM)

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 Billing Guide.

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

MSS/ICM 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 codes must be billed on the same claim form.**

Members of the MSS/ICM interdisciplinary team 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 Billing 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, if 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 care in cost reports, the FQHC must be approved by the agency and must meet the billing and eligibility requirements as specified in the Dental- Related Services Billing Guide and the Orthodontic Services Billing Guide.

A dental encounter is a face-to-face encounter between a dentist, dental hygienist, or orthodontist 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 on the same day with an encounter-eligible service, they may be billed for fee-for-service reimbursement.

Mental health encounter – clients meeting access to care standards for Behavioral Health Organization (BHO) services

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 BHO. Included in this category are mental health professionals, as defined by RCW 71.34.020. The mental health BHO program is mandatory for Apple Health clients who are enrolled in a BHO and meet the BHO access to care standards.

Mental health encounter – psychiatrists and psychologists

Services provided by psychiatrists and psychologists are considered eligible for an encounter payment as long as the billing code falls outside the range of eligible codes outlined in this guide. Specific policy regarding billing for mental health services is found in the Mental Health Services Billing Guide.

Substance use disorder treatment programs

An FQHC treatment facility must be approved by the agency under applicable WACs and RCW 70.96A.

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 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 outlined in the Benefits Improvement and Protection Act of 2000 (BIPA) statutory language or under an alternative payment methodology (APM).

- For information on how the agency calculates the prospective payment system 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 fee-for-service (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 health care 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
	× 1	# of Medical Encounters for Claim
	$150.00	**Total Amount Due**
	$150.00	
	-$75.00	Fee-for-Service Paid
	$75.00	**Encounter Amount Paid**
Example two:	$150.00	
	-$200.00	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 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 prospective payment system 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/Mental Health (Maternity encounters are reported separately from medical encounters.) This cost center includes all medical/mental health encounters for people not meeting the BHO access to care standards.
- Maternity support services/infant case management
- Mental health provided by a psychiatrist or psychologist
- Dental
- Mental health for FQHCs contracting with a BHO
- Substance use disorder

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) programs 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 FFS regardless of the type of service performed.

Enhancement payments for managed care clients

For clients enrolled with an MCO, the agency pays each FQHC a supplemental payment in addition to the amounts paid by the MCO. The supplemental payments, called enhancements, are paid in amounts necessary to ensure compliance with 42 U.S.C. 1396a(bb)(5)(A). These enhancements are intended to make up the difference between the MCO payment and an FQHC's encounter rate. The payments are generated from client rosters submitted to the agency by the MCOs. The agency sends the monthly enhancement payments to MCOs to be distributed to the FQHCs.

The FQHCs receive an enhancement payment each month for each managed care client assigned to them by an MCO. To ensure that the appropriate amounts are paid to each FQHC, the agency performs an annual reconciliation of the enhancement payments. If the FQHC was overpaid, the agency will recoup the appropriate amount. If the FQHC was underpaid, the agency will pay the difference. It is the FQHC's responsibility to perform internal monthly verifications to ensure that they have received all their payments.

Based on the results of the reconciliation, the agency may adjust the enhancement rate to avoid significant overpayments or underpayments and to lessen the financial impact to the agency and the FQHC. In addition, the FQHC can request enhancement rate changes, which depend on agency final approval.

Are FQHCs liable for payments received?

Each FQHC is responsible for submitting claims for services provided to eligible clients. The claims must be submitted under the rules and billing instructions in effect at the time the service is provided.

Each FQHC is individually liable for any payments received, and must ensure that these payments are for only those situations described in this and other Washington Apple Health program-specific billing guides, and federal and state rules. FQHC claims are subject to audit by the agency, and FQHCs are responsible to repay any overpayments.

Upon request, FQHCs must give the agency complete and legible documentation that clearly verifies any services for which the FQHC has received payment.

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

The agency performs monthly recoupments for pharmacy services delivered by FQHCs in order to avoid duplicate payments for pharmacy services already included in their encounter rate.

For FQHCs with BHO contracts, the agency conducts monthly recoupments based on the contracted amount, or the amount the FQHC is paid by the BHO for clients assigned to an FQHC.

The agency works with FQHCs to conduct a reconciliation of the past period to ensure that clinics were reimbursed appropriately.

What is a change in scope of service?

[WAC 182-548-1500 and 42 U.S.C. 1396a(bb)(3)(B)]

A change in scope of service occurs when the type, intensity (the total quantity of labor and materials consumed by an individual client during an average encounter), duration (the length of an average encounter), or amount of services provided by the FQHC changes. When such changes meet the criteria described below, the FQHC may qualify for a change in scope of service rate adjustment.

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

What are the criteria for a change in scope of service rate adjustment?

The agency may authorize a change in scope of service rate adjustment when the following criteria are met:

- The change in the services provided by the FQHC meet the definition of FQHC services as defined in section 1905(a)(2)(C) of the Social Security Act.
- Changes to the type, intensity, duration, or amount of services have resulted in an increase or decrease in the FQHC's cost of providing covered health care services to eligible clients. The cost change must equal or exceed any of the following:

  - ✓ An increase of 1.75 percent in the rate per encounter over one year
  - ✓ A decrease of 2.5 percent in the rate per encounter over one year
  - ✓ A cumulative increase or decrease of 5 percent in the cost per encounter as compared to the current year's cost per encounter
  - ✓
- The costs reported to the agency to support the proposed change in scope rate adjustment are reasonable under applicable state and federal law.

How is a change in scope of service rate adjustment requested?

A change in scope of service rate adjustment may be requested by the agency or by an FQHC.

When may the agency request an application for a change in scope of service rate adjustment?

At any time, the agency may require an FQHC to file an application for a change in scope of service rate adjustment. The application must include a cost report and "position statement," which is an assertion as to whether the FQHC's prospective payment system rate should be increased or decreased due to a change in the scope of service.

- The FQHC must file a completed cost report and position statement no later than 90 calendar days after receiving the agency's request for an application.
- The agency reviews the FQHC's cost report, position statement, and application for change in scope of service rate adjustment using the criteria listed under *What are the criteria for a change in scope of service rate adjustment?*
- The agency will not request more than one change in scope of service rate adjustment application from an FQHC in a calendar year.

When may an FQHC request an application for a change in scope of service rate adjustment?

Unless the agency instructs the FQHC to file an application for a change in scope of service rate adjustment, an FQHC may file only one application per calendar year. However, more than one type of change in scope of service may be included in a single application.

An FQHC may apply for a prospective change in scope of service rate adjustment, a retrospective change in scope of service rate adjustment, or both.

An FQHC must file an application for a change in scope of service rate adjustment no later than 90 days after the end of the calendar year in which the FQHC believes the change in scope of service occurred or in which the FQHC learned the cost threshold was met, whichever is later.

What is a prospective change in scope of service?

A prospective change in scope of service is a change the FQHC plans to implement in the future. To file an application for a prospective change in scope of service rate adjustment, the FQHC must submit projected costs sufficient to establish an interim rate. If the application for a prospective change in scope of services rate adjustment is approved by the agency, an interim rate adjustment will go into effect after the change takes effect.

The interim rate is subject to a post-change in scope review and rate adjustment.

If the change in scope of service occurs fewer than 90 days after the FQHC submits a complete application to the agency, an interim rate takes effect no later than 90 days after the FQHC submits the application to the agency.

If the change in scope of service occurs more than 90 days but fewer than 180 days after the FQHC submits a complete application to the agency, the interim rate takes effect when the change in scope of service occurs.

If the FQHC fails to implement a change in service identified in its application for a prospective change in scope of service rate adjustment within 180 days, the application is void. The FQHC may resubmit the application to the agency. The agency does not consider the resubmission of a voided application as an additional application.

Supporting documentation for a prospective change in scope of service rate adjustment

To apply for a change in a prospective scope of service rate adjustment, the FQHC must include the following documentation in the application:

- A narrative description of the proposed change in scope of service
- A description of each cost center on the cost report that will be affected by the change in scope of service
- The FQHC's most recent audited financial statements, if an audit is required by federal law

- The implementation date for the proposed change in scope of service
- The projected Medicaid cost report or projected Medicare cost report with supplemental schedules needed to identify the Medicaid cost per visit for the 12-month period following the implementation of the change in scope of service
- Any additional documentation requested by the agency

What is a retrospective change in scope of service?

A retrospective change in scope of service occurs when a change took place in the past and the FQHC is seeking to adjust its rate based on that change.

An application for a retrospective change in scope of service rate adjustment must state each qualifying event that supports the application and include 12 months of data documenting the cost change caused by the qualifying event. If approved, a retrospective rate adjustment takes effect on the date the FQHC filed the application with the agency.

Supporting documentation for a retrospective change in scope of service rate adjustment

To apply for a retrospective change in scope of service rate adjustment, the FQHC must include the following documentation in the application:

- A narrative description of the proposed change in scope of service
- A description of each cost center on the cost report that was affected by the change in scope of service
- The FQHC's most recent audited financial statements, if an audit is required by federal law
- The implementation date for the proposed change in scope of service
- The Medicaid cost report or Medicare cost report with the supplemental schedules necessary to identify the Medicaid cost per visit and the encounter data for the 12 months or the fiscal year following implementation of the proposed change in scope of service
- Any additional documentation requested by the agency

How does the agency process applications for a change in scope of service rate adjustment?

The agency reviews an application for a change in scope of service rate adjustment for completeness, accuracy, and compliance with program rules.

Within 60 days of receiving the application, the agency notifies the FQHC of any deficient documentation or requests any additional information that is necessary to process the application.

Within 90 days of receiving a complete application, the agency sends the FQHC:

- A decision stating whether (approval or denial) it will implement a prospective payment system rate change
- A rate-setting statement

If no action is taken within 90 days, the request is considered denied by the agency and the FQHC may appeal the decision.

How does the agency set an interim rate for prospective changes in the scope of service?

The agency sets an interim rate for prospective changes in the scope of service by adjusting the FQHC's existing rate by the projected average cost per encounter of any approved change.

The agency reviews the projected costs to determine if they are reasonable, and sets a new interim rate based on the determined cost per encounter.

How does the agency set an adjusted encounter rate for retrospective changes in the scope of service?

The agency sets an adjusted encounter rate for retrospective changes in the scope of service by changing the FQHC's existing rate by the documented average cost per encounter of the approved change.

Projected costs per encounter may be used if there is insufficient historical data to establish the rate. The agency reviews the costs to determine if they are reasonable, and sets a new rate based on the determined cost per encounter.

If the FQHC is paid under an alternative payment methodology (APM), any change in the scope of service rate adjustment requested by the FQHC will modify the prospective payment system (PPS) rate in addition to the APM.

The agency may delegate the duties related to application processing and rate setting to a third party. The agency retains final authority for making decisions related to changes in scope of service.

When does the agency conduct a post change in scope of service rate adjustment review?

The agency conducts a post change in scope of service review within 90 days of receiving the cost report and encounter data from the FQHC. If necessary, the agency will adjust the encounter rate within 90 days of the review to ensure that the rate reflects the reasonable cost of the change in scope of services.

A rate adjustment based on a post change in scope of service review will take effect on the date the agency issues its adjustment. The new rate will be prospective.

If the application for a change in scope of service rate adjustment was based on a year or more of actual encounter data, the agency **may** conduct a post change in scope of service rate adjustment review.

If the application for a change in scope of service rate adjustment was based on less than a full year of actual encounter data, the FQHC **must** submit the following information to the agency within 18 months of the effective date of the rate adjustment:

- A Medicaid cost report or Medicare cost report with the supplemental schedules necessary to identify the Medicaid cost per visit
- Encounter data for 12 consecutive months of experience following implementation of the change in scope
- Any additional documentation requested by the agency

If the FQHC fails to submit the post change in scope of service cost report or related encounter data, the agency provides written notice to the FQHC of the deficiency within 30 days.

If the FQHC fails to submit required documentation within five months of this deficiency notice, the agency may reinstate the encounter rate that was in effect before a change in the scope of service rate was granted. The rate will be effective the date the interim rate was established. Any overpayment to the FQHC may be recouped by the agency.

May an FQHC appeal an agency action?

Yes. Appeals are governed by WAC 182-502-0220, except that any rate change begins on the date the agency received the application for a change in scope of service rate adjustment.

What are examples of events that qualify for a rate adjustment due to changes in scope of service?

The following examples illustrate events that would qualify for a rate adjustment due to changes in the type, intensity, duration, or amount of service:

- Changes in the patients served, including populations with HIV/AIDS and other chronic diseases; patients who are homeless, elderly, migrant, limited in English proficiency; or other special populations

- Changes in the technology of the FQHC, including, but not limited to, electronic health records and electronic practice management systems

- Changes in the FQHC's medical, dental, or behavioral health practices, including, but not limited to, the implementation of patient-centered medical homes, opening for extended hours, or changes in prescribing patterns

- Capital expenditures associated with a modification of any of the services provided by the FQHC, including relocation, remodeling, opening a new site, or closing an existing site

- Changes in service delivery due to federal or state regulatory requirements

What are examples of events that do not qualify for a rate adjustment due to changes in scope of service?

The following examples illustrate events that would not qualify for a rate adjustment due changes in the type, intensity, duration, or amount of service:

- Addition or reduction of staff members not directly related to the change in scope of service
- An expansion or remodel of an existing FQHC that is not directly related to the change in scope of service
- Changes to salaries, benefits, or the cost of supplies not directly related to the change in scope of service
- Changes to administration, assets, or overhead expenses not directly related to the change in scope of service
- Capital expenditures for losses covered by insurance
- Changes in office hours, location, or space not directly related to the change in scope of service
- Changes in patient type and volume without changes in type, duration, or intensity of service
- Changes in equipment or supplies not directly related to the change in scope of service

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, Part 413
- Agency policies and definitions, including all Washington Apple Health billing guides
- 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 adjustments, 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.[*]

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

[*] 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.

those commonly furnished in connection with these professional services, generally furnished in a physician's or dentist's office, and ordinarily rendered without charge or included in the practice bill, such as ordinary medications, 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 people not meeting the BHO access to care standards, or as a mental health visit for BHO-eligible children or adults who do meet the standards) because they are core services.

The following services are covered, and 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.

  - ✓ Mid-level practitioner (PAs, ARNPs and certified nurse-midwives) 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 people not eligible for the BHO access to care standards or the mental health benefit for services provided through a BHO contract for people meeting the BHO access to care standards.

  - ✓ Licensed clinical social worker services (LCSWs) – per the medical mental health benefit for people not eligible for the BHO access to care standards or the mental health benefit for services provided through a BHO contract for people meeting the BHO access to care standards.

- ✓ 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 obstetrics) 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 fee-for-service claim and instructions in the Washington Apple Health program-specific billing guides 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 fee-for-service pharmacy program. All pharmacy costs should be included in the medical/maternity cost center of the cost report, including PharmD prescribing).

- **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 people not meeting the BHO access to care standards (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

- **Early Periodic Screening, Diagnosis, and Treatment (EPSDT) Program.**
- **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 fee-for-service 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.

Costs for the services provided to Washington Apple Health beneficiaries may be included in the cost report.

What are unallowable direct health services costs?

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

- **Mental health services** provided outside of the BHO contract for people meeting the BHO access to care standards.

- **Women, Infants and Children (WIC) program** – the agency reimburses for nutritional assessments and nutritional counseling in the WIC program only when the service is part of the EPSDT program. Costs for nutritional assessment and 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** required to enhance job performance for employees of the FQHC, except for training and staff development. Student loan reimbursements are considered unallowable education expenses.

- **Beneficiary outreach and outreach to potential clients**, except for informing the target population of available services 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 people served or the number of services received by people accessing services.

- **Assisting other health care professionals** to provide 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. Examples include costs of meetings, conventions, convocations, or other events related to non-Medicaid activities of the non-profit organization, such as: 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; 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 using temporary health care personnel** from any nursing pool not registered with the Department of Licensing at the time of the personnel use.

- **Costs for subcontracted services** (referred services) other than subcontracted physicians and mid-level practitioners. Examples include: 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 are not included in the cost report and the trip does not result in a billed encounter.

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 percent 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 person'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 fee-for-service 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 a fee-for-service 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, Part 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
  - ✓ 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 includes 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.

- **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 providing 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 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 out-station 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 fee-for-service 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, Part 413, Circular A-122 and the Medicare Reimbursement Manual (MPRM)

What are the 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 the following cost centers:

- Medical/maternity
- Maternity support services/infant case management
- Dental
- Mental health
- Substance use disorder

Alternative payment methodology (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 prospective payment system 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 prospective payment system encounter rates (i.e., increasing the encounters in the APM calculation would cause the APM prospective payment system to deflate, allowing the FQHCs to claim the higher historic prospective payment system 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, Part 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 most recent audited Medicare cost reports from the CMS-contracted firm that audits the cost reports.

- **Rebasing** – FQHCs reimbursed under the APM had the option to rebase their encounter rate in 2010. Each FQHC that chose to rebase in 2010 was required to submit the Medicaid FQHC cost report that corresponded with the fiscal year in the most recent audited A-133 trial balance consistent with the Cost Report Instructions. The agency periodically rebases the FQHC encounter rates using the FQHC cost reports and other relevant data.

  At each rebasing, FQHCs submit their Medicaid cost report to the agency in a format and with content consistent with agency instructions and the agreed-upon procedures (AUPs). The cost report is to be based upon financial information from the most recent A-133 audit and specified AUPs 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** – Refer to the Change in Scope of Service section of this billing guide for more information. Retrospective changes in scope of service requests are not allowed during the periodic rebase process as rebasing adjusts 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 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 certified nurse-midwives). 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 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 certified nurse-midwives). The productivity standards and administrative cap are 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 changes 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 disbursed, 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 the 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, as well as contracted physicians and mid-level practitioners 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. These billing requirements include, but are not limited to:

- Time limits for submitting and resubmitting claims and adjustments
- When providers may bill a client
- Services provided to primary care case management (PCCM) clients
- Billing for clients eligible for both Medicare and Medicaid
- Third-party liability
- Record-keeping requirements

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

- All related services performed on the same day by the same clinician or by the same provider specialty must be billed on the same claim. This includes any services performed during an encounter-eligible visit that are not encounter-eligible. For example, lab services performed at the same visit as evaluation and management.

- An encounter-eligible service must be billed in combination with the T1015 procedure code.

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

- 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, the additional claim may be denied.

- If a non-encounter-eligible service is billed and paid prior to an encounter-eligible claim submission for the same date of 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 (FEE-FOR-SERVICE) Procedure Code	Description	Billed Charges
Medical, dental, non-BHO mental health, MSS, substance use disorder*	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 a BHO)*	T1015 with modifier HE	N/A	All-inclusive FQHC visit/encounter	Bill $0.00.

*In addition to submitting a claim through ProviderOne, providers must bill the BHO according to their contract.

- **Always** list an encounter code on the same claim as its related fee-for-service procedure code or codes.

> **Exception:** FQHCs licensed as community mental health centers by the Department of Health and contracted with a BHO must bill mental health encounters with only the T1015 encounter code and the modifier HE for clients who meet the BHO 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 fee-for-service amount paid.

- To ensure correct payment for the T1015 encounter code, all third-party payment information must be reported at the header claim level only.

- 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. (See the What services do not qualify as encounters? section in this guide.)

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 on an 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).

Note: Effective January 1, 2016, the agency will not reimburse for early (before 39 weeks of gestation) elective deliveries. See the Physician-Related Services/Health Care Professional Services Billing Guide for additional instructions.

How do I bill for maternity care?

Effective for dates of service on and after July 1, 2016:

The following maternity services are eligible for an encounter payment:

- Each prenatal and postpartum maternity care visit
- A delivery performed outside a hospital setting

A delivery performed in any hospital setting does not qualify as an encounter and must be billed as fee-for-service, using the appropriate delivery-only CPT code.

Any time unbundling is necessary, antepartum-only codes and postpartum-only codes must be billed in combination with encounter code T1015 for the same date of service.

When the client is seen on multiple days for a maternity package fee-for-service code, bill using encounter code T1015 with a TH modifier. The units on the encounter line must equal the number of days that the client was seen for encounter-eligible services related to the fee-for-service code. See the Physician-Related Services/Health Care Professional Services Billing Guide for additional instructions.

If the delivery is outside the hospital, the same is true regarding multiple encounter units. However, obstetrical fee-for-service global CPT codes must be used when all maternity services to the client are provided through the FQHC. When delivery is in the hospital, unbundle and bill the appropriate delivery-only fee-for-service code on a separate claim form without an encounter.

How do I bill for orthodontic services performed in an FQHC?

When billing for orthodontic services, FQHCs are required to follow the same guidelines as non-FQHC providers. However, orthodontic codes that are considered "global" and therefore cover a specific length of time are billed at the end of the time indicated – except for the initial placement of the device, which is billed on the date of service. Because FQHCs are reimbursed by an encounter payment, they are allowed to bill up to the maximum number of encounters as shown in the chart below. The chart below illustrates comprehensive treatment timeframes and maximum units allowed during those periods.

	Comprehensive treatment (D8080)										Total encounters allowed
Months from Appliance Placement date	0	6 *	9	12	15	18	21	24	27	30	
Number of encounters allowed	0	5**	2	2	2	2	2	2	2	2	21

* The date of service on the claim is the same as the appliance placement date.
** FQHC records must document the five separate visits.

During the first six months of the appliance placement, an FQHC may bill on the date of the appliance placement for one unit and up to a total of five units. To bill for more than one unit during the first six months, the FQHC must see the client and document the encounter in the client's file. If an FQHC chooses to bill in this manner instead of waiting the full six months, the latest paid claim must be adjusted each time and another unit added to the line containing the T1015 code. If the claim is not adjusted, the claim will be denied as a duplicate billing.

The chart below is similar to the comprehensive treatment chart, but is for limited orthodontic treatment.

	Limited orthodontic treatment (D8030)					Total Encounters allowed
Months from appliance placement date	0	3*	6	9	12	
Number of encounters allowed	0	4**	2	2	2	10

* Use the appliance placement date for billing.
** Clinic records must document four separate visits.

An FQHC may bill on the date of the appliance placement for one unit and up to a total of four units during the first three months of the appliance placement. To bill for more than one unit during the first six months, the FQHC must see the client and document the encounter in the client's file. If a clinic choses to bill in this manner instead of waiting the full three months, the latest paid claim must be adjusted each time, and another unit added to the line containing the T1015 code. If the claim is not adjusted, the claim will be denied as a duplicate billing.

What are the rules for telemedicine?

See the Physician-Related Services/Healthcare Professional Services Medicaid Billing Guide.

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

Each individual provider is limited to one type of encounter per day for each client, regardless of the services provided except in 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 CMS-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 Washington Apple Health program-specific billing guides, as applicable:

- Dental-Related Services Billing Guide
- Maternity Support Services/Infant Case Management Billing Guide
- Orthodontic Services Billing Guide
- Physician-Related Services/Healthcare Professional Services Billing Guide
- Prescription Drug Program Billing Guide
- Other applicable program-specific provider billing guides

Claims must be submitted on the appropriate claim form:

- Medical services, maternity support services, infant case management, substance use disorder, and mental health on the CMS-1500 claim form
- Dental services on the 2012 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 Billing 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 codes must bill servicing taxonomy appropriate for the service performed by the performing/rendering provider.

  - ✓ Dental providers must bill the servicing taxonomy appropriate for the service performed and the provider performing the service.

  - ✓ Maternity Support Services/Infant Case Management provides must bill servicing taxonomy 171M00000X. Childbirth education providers must bill servicing taxonomy 174400000X.

  - ✓ Outpatient substance use disorder treatment providers must bill servicing taxonomy 261QR0405X when billing for substance use disorder services.

  - ✓ Medical and maternity services require a servicing taxonomy appropriate for the service 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, FQHCs 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.

How are CMS-1500 claim forms completed?

Instructions on how to bill professional claims and crossover claims electronically can be found on the Medicaid Providers Training page under Medicaid 101. 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	These are the only appropriate codes for FQHCs: **Code** — **To Be Used For** 03 — School-based 11 — Office or ambulatory surgery center 12 — Client's residence 19 — Off-campus outpatient hospital* 21 — Inpatient hospital* 22 — On-campus 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

*Services performed in this place of service are not encounter- eligible. Do not bill encounter code T1015 for this place of service

How do I complete 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.

How do I complete the 2012 ADA claim form?

Refer to the agency's ProviderOne Billing and Resource Guide for instructions on completing the 2012 ADA claim form.

How do I handle crossover claims in an FQHC setting?

See the ProviderOne Billing and Resource Guide for details on payment methods.

FQHCs do not receive an encounter payment when billing a crossover claim. The payment methodology for these claims is spelled out in the *ProviderOne Billing and Resource Guide*.

> **Note:** FQHC crossover claims will not exceed the co-insurance amount. They do not follow the same methodology as other claims.

FQHCs are required to bill crossover claims in the UB04/837I claims format. If Managed Medicare or Medicare Part C require services to be billed on a CMS1500/837P and they are paid or the money is applied to the deductible, FQHCs must switch the claim information to the UB04/837I format or the 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.

How do I handle Managed Medicare or Medicare Part C crossover claims for dental billing?

Managed Medicare and Medicare Part C plans increasingly offer dental services as a covered service. If the Part C plan makes a payment, FQHCs will bill the agency in the 837D format or on the ADA 2012 form. To ensure the claim goes to Coordination of Benefits for proper pricing, indicate on the claim in the claim note field that this is a Managed Medicare or Medicare Part C service.