

# Arizona Health Care Cost Containment System

**Manual:** Office of Managed Care  
Policy and Procedures

**Effective Date:** 7/24/98  
**Revision Date:** 11/2002

**Subject:** FQHC Reasonable Cost Reimbursement  
Quarterly Payment Procedures

**Authorized Signature:**

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## I. Purpose

This policy outlines the procedures necessary to calculate and request from the Division of Business and Finance (DB&F) the Reasonable Cost Reimbursement payments to be paid to Federally Qualified Health Care Centers (FQHC) on a quarterly basis.

Under the Benefits Improvement and Protection Act of 2000 (BIPA), AHCCCSA is required to reimburse FQHCs the difference between the Contractor's reimbursement to the FQHC, and what the FQHC would have received under the Medicaid Prospective Payment System (PPS). AHCCCSA and its contractors are required to comply with this legislation, effective January 1, 2001. Refer to the FQHC PPS Rate Adjustment Policy for more details on annual rate adjustments.

AHCCCSA requires contractors to submit member month information for the Title XIX members assigned to FQHCs. The Office of Managed Care (OMC) will calculate the supplemental payment for each FQHC based on the number of member months reported for the quarter. A per member per month (pmpm) rate is calculated for each FQHC. AHCCCSA and the FQHCs have agreed that AHCCCSA will reimburse each FQHC at the pmpm rate for Title XIX members on a quarterly basis.

## II. Definitions

**Federally Qualified Health Care Center (FQHC)** - An entity which meets the requirements and receives a grant and funding pursuant to Section 330 of the Public Health Service Act. An FQHC includes an outpatient program or facility operated by a tribe or tribal organization under the Indian Self-Determination Act (PL 93-638) or an urban Indian organization receiving funds under Title V of the Indian Health Care Improvement Act.

**Title XIX Member** - Member eligible for Federally funded Medicaid programs under Title XIX of the Social Security Act including those eligible under 1931 provisions of the Social Security Act (previously AFDC), Sixth Omnibus Budget Reconciliation Act (SOBRA), Supplemental Security Income (SSI), SSI-related groups, Title XIX Waiver groups, Medicare Cost Sharing groups and Breast and Cervical Cancer Treatment program.

**Title XIX Waiver Group** - All MED (Medical Expense Deduction) members, and adults or childless couples at or below 100% of the Federal Poverty Level who are not categorically linked to another Title XIX program. This would also include Title XIX linked individuals whose income exceeds the limits of the categorical program.

**Contractors** - Acute care health plans, Arizona Long Term Care System Elderly and Physically Disabled Program Contractors, and Department of Economic Services/Department of Developmental Disabilities

### III. Policy

#### Annual Update of Quarterly PMPM Calculation

FQHC/RHCs that provide services under a contract with an AHCCCS Contractor will receive quarterly state supplemental payments, for the cost of furnishing such services, that are an estimate of the difference between the payments the FQHC/RHC receives from the AHCCCS Contractors and the payments the FQHC/RHC would have received under the BIPA PPS methodology.

The quarterly PPS per member per month (PMPM) rate is calculated by adjusting the current PPS rate for any scope of service changes and then inflating the adjusted PPS rate with the MEI. The inflated rate is then used to calculate the estimated settlement using the encounters and reimbursement submitted by the FQHCs for the reconciliation. This estimated settlement is then divided by the member months from the reconciliation to develop the Quarterly PPS PMPM rate. (See Attachment 1)

#### PPS Annual Reconciliation

At the end of each federal fiscal year, the total amount of supplemental and Contractor payments received by each FQHC/RHC will be reconciled against the amount that the actual number of encounters provided under the FQHC's/RHC's contract with the AHCCCS Contractors would have yielded under the PPS. In January of each year, the FQHC/RHC will be required to provide encounter and reimbursement data from the previous federal fiscal year that will be used in the reconciliation. The difference between the PPS amount calculated using the actual number of encounters and the total amount of supplemental and AHCCCS Contractor payments received by the FQHC/RHC will be paid/(recouped) to/(from) the FQHC/RHC. The reconciliation will be completed within 150 days of the federal fiscal year end. (See Attachment 1)

#### Quarterly Supplemental Payment

Contractors are required to submit member month information for Title XIX members assigned to FQHCs on a calendar quarter basis to AHCCCS OMC within 60 days of the end of the reporting quarter. Those health plans with quarters ending in months other than March, June, September or December, are required to submit the information monthly. AHCCCS will review the information for reasonableness based on historic FQHC enrollment, and calculate the payment amount. A Remittance Advice Form will be sent to the FQHCs advising them of the number of member months reported by the health plans. If there are any discrepancies between the FQHC and health plan's member month totals, refer to section V. of this policy.

**Note:** Any member assigned to the FQHC on the 1<sup>st</sup> day of the month should be counted as one member month. No partial member months should be reported.

The Program Compliance Auditor is responsible for completing the following procedures:

1. Within 5 business days of the quarterly package due date, complete the following steps:
  - A. Obtain copies of the submitted FQHC Reports for each of the contractors. (See Attachment 2)
  - B. Review the reports for completeness and accuracy. Compare the reports to prior submissions for reasonableness. Follow up with a phone call and if necessary, a letter regarding any missing reports, errors, inconsistencies or large variations. Any revisions should be reflected in revised contractor generated reports sent or faxed to OMC.
  - C. Transfer the members reported to s:\fin\fqhc quarterly forms\fqhc pmt file CYE02. Send each FQHC a copy of the Remittance Advice letter for them to review, sign and return. (See Attachment 3)
1. The signed Remittance Advice letter is due to AHCCCS within 5 business days from date of letter. If the letter is not returned by the due date, the quarterly payment may be delayed until the following quarter.
2. The signed Remittance Advice form should be filed in the corresponding period's file.
3. Complete the FQHC Reasonable Cost Payment Request form using the signed remittance forms. s:\fin\fqhc quarterly forms\fqhc pmt file CYE02. (See Attachment 4)
4. The Financial Consultant should review calculations on the request form and sign request.
5. Obtain signature from Financial Manager approving the request.
6. Attach the check request form to a copy of all of the FQHC Remittance Advice forms and forward to the Finance Manager of DB&F for payment. The request should be forwarded to DB&F within 5 business days of OMC receiving all required reports from the Contractors and FQHCs.
7. DB&F will mail check to FQHCs within 7 business days from receipt of request.
8. DB&F will send completed copies of the Check Request form and the check register to OMC for file records.
9. If there is a delay in the verification and/or payment process, a memo will be sent to FQHCs explaining the delay.

#### **IV. Timeliness, Accuracy and Completeness**

The submission of late, inaccurate, or otherwise incomplete reports shall constitute failure to report subject to the penalty provisions described in the contract. Standards applied for determining adequacy of required reports are as follows:

- a. Timeliness: Reports or other required data shall be received complete and accurate on or before scheduled due dates.
- b. Accuracy: Reports or other required data shall be prepared in strict conformity with appropriate authoritative sources and/or AHCCCS defined standards.
- c. Completeness: All required information shall be fully disclosed in a manner that is both responsive and pertinent to report intent with no material omissions.

## V. Adjustments to FQHC Reports

### A. Adjustment from a previous quarter:

AHCCCS will make payments to FQHCs for TXIX member months from a previous quarter. Contractors are limited to the two previous quarters for additional payments due to adjustments. All adjustments that would reduce the payment should be submitted regardless of the length of time. An explanation from the Contractor for the adjustment must be submitted along with the revised reports to AHCCCS before a payment related to a previous quarter will be made to the FQHC.

Once an adjustment request is submitted, it shall be reviewed for reasonableness and approved/denied appropriately for payment. The calculation for payment will be prepared on a separate payment request form identified as a supplemental payment. Keep a copy of the supplemental payment request and all adjustment reports for OMC's files. Obtain copy of payment request and check register from DB&F for file records.

### B. Adjustments for Discrepancies

If an FQHC has any questions about the member months reported, they must contact the Contractor directly to answer any questions or resolve any discrepancies in member month information. An FQHC can sign the Remittance Advice form and be paid for all member months except those in question. Once the discrepancy has been resolved, the Contractor must resubmit the member months for that FQHC and an adjusted remittance advice will be sent to the FQHC for their review and signature. Follow the above process for payment.

## VII. Reference

- Acute Care Request for Proposal, issued February 3, 2003, *Section D, Paragraph 34, FQHCs*
- ALTCS Contract – *Section D, Paragraph 42, FQHCs*
- FQHC Prospective Payment System Rate Adjustment Policy