

# Medicare Claims Processing Manual

## Chapter 9 - Rural Health Clinics/ Federally Qualified Health Centers

### Table of Contents *(Rev. 2034, 08-24-10)*

#### [Transmittals for Chapter 9](#)

#### [Crosswalk to Source Material](#)

- 10 - General Differences Between RHCs and FQHCs
  - 10.1 - Rural Health Clinics (RHCs)
  - 10.2 - Federally Qualified Health Centers (FQHCs)
  - 10.3 - Claims Processing Jurisdiction for RHCs and FQHCs
- 20 - Method of Medicare Payment for RHC and FQHC Services
  - 20.1 - Payment Rate for Independent and Provider Based RHCs and FQHCs
  - 20.2 - Calculation of the Encounter “Per Visit” Rate
  - 20.3 - Calculation of Payment
  - 20.4 - Determination of Payment
  - 20.5 - Annual Reconciliation
  - 20.6 - Maximum Payment Per Visit
    - 20.6.1 - Rural Health Clinics
    - 20.6.2 - Federally Qualified Health Centers
    - 20.6.3 - Exceptions to Maximum Payment Limit (Cap) in Encounter Payment Rate for Provider-Based RHCs
  - 20.7 - Special Rules for FQHC Networks
    - 20.7.1 - Separate Payment Limits for Individual Cost Reports
    - 20.7.2 - Consolidated Payment Limit for Networks Having Mixture of Urban and Rural Sites
    - 20.7.3 - Consolidated Payment Limit for FQHC Networks With All Urban or All Rural Sites
- 30 - Annual Reconciliation With Cost Report
  - 30.1 - Submission of Cost Report
  - 30.2 - Payment Reconciliation

- 30.3 - Notice of Program Reimbursement
- 30.4 - Recovery of Overpayments
- 30.5 - Reporting Requirements for Cost Report
  - 30.5.1 - Definitions
- 30.6 - When to Submit Cost Reports
- 30.7 - Penalty for Failure to File Cost Reports Timely
- 30.8 - Filing Consolidated Worksheets Rather Than Individual Cost Reports
- 40 - Allowable Costs
  - 40.1 - Costs Excluded from Allowable Costs
  - 40.2 - Allowable Costs Subject to Tests of Reasonableness
  - 40.3 - Screening Guidelines of RHC/FQHC Health Care Staff Productivity
  - 40.4 - All Inclusive Rate of Payment
  - 40.5 - Bad Debts
  - 40.6 - Calculation of Medicare Program Payment
  - 40.7 - Determination of Payments
- 50 - Deductible and Coinsurance
  - 50.1 - Part B Deductible
  - 50.2 - Part B Coinsurance
- 60 – Outpatient Mental Health Treatment Limitation
- 70 - Determining How Much to Charge Patient Before Billing Is Submitted for Part B Payment
- 100 - General Billing Requirements
- 110 - **FQHC Affordable Care Act (ACA) Requirements**
  - 110.1 - *Reporting of Specific HCPCS Codes for Hospital-based FQHCs*
  - 110.2 - *Billing for Supplemental Payments for FQHCs Under Contract with Medicare Advantage (MA) Plans*
  - 110.3 – Billing for Supplemental Payments for FQHCs Under Contract with Medicare Advantage (MA) Plans
- 120 - General Billing Requirements for Preventive Services
- 130 - Laboratory Services
- 140 - FI/Carrier Coordination
  - 140.1 - FI Responsibility for Notifying Carrier

- 140.2 - Special Carrier Actions Relating to RHCs/FQHCs
- 150 - Initial Preventive Physical Examination (IPPE)
- 160 - Ultrasound Screening for Abdominal Aortic Aneurysm (AAA)
- 181 - Diabetes Self-Management Training (DSMT) Services Provided by RHCs and FQHCs
- 182 - Medical Nutrition Therapy (MNT) Services
- 200 - Agreements Between CMS and RHC/FQHC
  - 200.1 - General
  - 200.2 - Duration of RHC/FQHC Agreement
  - 200.3 - Appeals by Entities With Respect to Agreements (Certification)
- 210 - Content and Terms of Agreements
  - 210.1 - Charges to Beneficiaries
  - 210.2 - Refunds to Beneficiaries
  - 210.3 - Treatment of Beneficiaries
- 220 - Termination of Agreement
  - 220.1 - Termination of Agreement by Clinic or Center
  - 220.2 - Termination by CMS
  - 220.3 - Effect of Termination
  - 220.4 - Notice to the Public
  - 220.5 - Conditions for Reinstatement of Clinic or Center Terminated by CMS

## **10 - General Differences Between RHCs and FQHCs**

**(Rev. 1, 10-01-03)**

**A3-3642, A3-3643**

### **10.1 - Rural Health Clinics (RHCs)**

**(Rev. 1, 10-01-03)**

**A3-3642B-E, B3-9200**

Rural health clinics (RHCs) are clinics that are located in areas that are designated both by the Bureau of the Census as rural and by the Secretary of DHHS as medically underserved. RHCs have been eligible for participation in the Medicare program since March 1, 1978. Services rendered by approved RHCs to Medicare beneficiaries are covered under Medicare effective with the date of the clinic's approval for participation. Covered services are described in the Medicare Benefit Policy Manual, chapter 13.

### **10.2 - Federally Qualified Health Centers (FQHCs)**

**(Rev. 771, Issued: 12-02-05, Effective: 01-03-06, Implementation: 01-03-06)**

The statutory requirements that FQHCs must meet to qualify for the Medicare benefit are in §1861(aa)(4) of the Social Security Act (the Act) and are described in Pub. 100-02, Medicare Benefit Policy Manual, chapter 13.

The FQHC services consist of services that are similar to those provided in rural health clinics (RHC) but also include preventive primary services, as described in Pub. 100-02, Medicare Benefit Policy Manual, chapter 13.

An RHC cannot be concurrently approved for Medicare as both an FQHC and an RHC.

### **10.3 - Claims Processing Jurisdiction for RHCs and FQHCs**

**(Rev. 1707; Issued: 03-27-09; Effective: 04-027-09; Implementation: 04-27-09)**

During the period of time while CMS is in the process of transitioning workload from legacy FIs and carriers to the MACs, RHCs and FQHCs will remain in their existing assignments. A legacy FI's then-current workload will be absorbed by the incoming MAC during the 12 months that follow commencement of the MAC's implementation. Enrolled RHCs and FQHCs will remain in those workloads until CMS undertakes the process of moving them to their destination MACs. An FQHC's and a RHC's destination MAC is determined by referencing Chapter 1, §20.

## **20 - Method of Medicare Payment for RHC and FQHC Services**

**(Rev. 1, 10-01-03)**

**A3-3642, A3-3643, RHC-500, RHC-504**

## **20.1 - Payment Rate for Independent and Provider Based RHCs and FQHCs**

**(Rev. 1426; Issued: 02-01-08; Effective: 01-01-08; Implementation: 02-12-08)**

Payment to independent provider-based RHCs and FQHCs for covered RHC/FQHC services furnished to Medicare patients is made by means of an all-inclusive rate for each visit. (Prior to January 1, 1998, provider based RHCs were paid on a reasonable cost basis.) The encounter rate includes covered services provided by an RHC/FQHC physician, physician assistant, nurse practitioner, clinical nurse midwife, clinical psychologist, clinical social worker or visiting nurse; and related services and supplies. The rate does not include services that are not defined as RHC/FQHC services. These rates will be updated annually via Recurring Update Notifications.

The term “visit” is defined as a face-to-face encounter between the patient and a physician, physician assistant, nurse practitioner, nurse midwife, visiting nurse, clinical psychologist, or clinical social worker during which an RHC/FQHC service is rendered. (See the Medicare Benefit Policy Manual, Chapter 13, for definitions of these personnel. See also the Medicare Benefit Policy Manual, Chapter 13, for conditions of coverage for visiting nurse services).

Encounters with more than one health professional and multiple encounters with the same health professionals which take place on the same day and at a single location constitute a single visit, except when one of the following conditions exist: (a) after the first encounter, the patient suffers illness or injury requiring additional diagnosis or treatment; (b) the patient has a medical visit and a clinical psychologist or clinical social worker visit.

## **20.2 - Calculation of the Encounter “Per Visit” Rate**

**(Rev. 1, 10-01-03)**

### **RHC-500, PM A-99-10**

Provider based and independent RHCs/FQHCs must furnish their FI with information currently collected on the Medicare cost reporting form for independent FQHC/RHCs (Form CMS-222). This form contains the minimum statistical visit data and other information necessary to enable the FI to calculate a cost-per-visit, apply FQHC/RHC productivity standards, and apply the FQHC/RHC payment cap. Providers must identify all incurred costs applicable to furnishing covered clinic/center services. This includes RHC/FQHC direct costs, any shared costs applicable to the RHC/FQHC, and the RHCs/FQHCs appropriate share of the parent provider’s overhead costs. Total RHC/FQHC costs applicable to furnishing covered RHC/FQHC services are to be included in the calculation of the RHC/FQHC cost-per-visit, using the methodology employed on the Form CMS-222 cost reporting forms and instructions.

If the RHC/FQHC is in the initial reporting period, the all-inclusive rate is determined on the basis of a budget the RHC/FQHC submits. The budget estimates the allowable cost to

be incurred by the RHC/FQHC during the reporting period and the number of visits for RHC/FQHC services expected during the reporting period. RHCs/FQHCs supply this information using Form CMS-222-92.

In determining the payment rate for new RHCs/FQHCs and for those who have submitted cost reports, the FI applies screening guidelines and the maximum payment per visit limitation as described in §20.4.

For subsequent reporting periods, the all-inclusive rate is determined, at the discretion of the FI, on the basis of a budget or the prior year's actual costs and visits with adjustments to reflect anticipated changes in expenses or utilization.

### **20.3 - Calculation of Payment** (Rev. 1, 10-01-03)

#### **RHC-500**

The interim Medicare payments are based on the all-inclusive rate per visit established by the Medicare FI. The rate is paid, subject to the Medicare deductible and coinsurance requirements, for each covered visit with a Medicare beneficiary. No deductible applies to FQHC services provided at FQHCs. Only FQHC services are exempt from the deductible.

### **20.4 - Determination of Payment** (Rev. 1, 10-01-03)

#### **RHC-500**

The payment rate is calculated, in general, by dividing the total allowable cost by the number of total visits for RHC/FQHC services.

At the end of the reporting period, RHCs/FQHCs submit a report to the FI of actual allowable costs and actual visits for RHC/FQHC services for the reporting period. Also RHCs/FQHCs submit any other information as may be required. (See §30.5.) After reviewing the report, the FI divides actual allowable costs by the number of actual visits to determine a final rate for the period. Both the final rate and the interim rate are subject to screening guidelines for evaluating the reasonableness of the clinic's productivity, a payment limit, and psychiatric services limit as explained in §40.3, §20.6, and §60.

### **20.5 - Annual Reconciliation** (Rev. 1, 10-01-03)

#### **RHC-500**

At the end of the reporting period, the FI determines the total payment due and the amount necessary to reconcile payments made during the period with the total payment due. (See §30.)

## **20.6 - Maximum Payment Per Visit**

**(Rev. 1, 10-01-03)**

**RHC-505**

### **20.6.1 - Rural Health Clinics**

**(Rev. 1, 10-01-03)**

**PM A-99-08, A-00-30**

Section 1833(f) of the Act established the initial payment limit for RHC services provided from April 1, 1988 through December 31, 1988, at \$46 per visit. For services furnished on or after January 1 of each subsequent year, the RHC payment limit is increased as of the first day of the year by the percentage increase in the Medicare Economic Index (MEI) applicable to primary care physician services. The MEI is defined in §1842(b)(3) and (i)(3) of the Act and 42 CFR 405.504(a)(3). The MEI percentage increase is updated annually, which yields a per visit payment limit that is also updated annually. The CMS will formally update these numbers each year through a program memorandum.

Since §1833(f) of the Act provides that each payment limit applies to services provided during a calendar year, it is possible for different payment limits to apply during one reporting period. Medicare visits to which different payment limits apply and the resulting Medicare costs must be separately identified on Form CMS-222-92.

### **20.6.2 - Federally Qualified Health Centers**

**(Rev. 1, 10-01-03)**

**RHC-500**

The FQHC payment methodology includes one urban and one rural payment limit. For services furnished on or after January 1 of each subsequent year, the FQHC payment limit is increased as of the first day of the year by the percentage increase in the Medicare Economic Index (MEI) applicable to primary care physicians services. CMS will formally review and update the payment limits annually via program memorandum.

An FQHC is designated as an urban or rural entity based on the urban and rural definitions in §1886(d)(2)(D) of the Act. If the FQHC is located within a Metropolitan Statistical Area (MSA) or New England County Metropolitan area (NECMA), then the urban limit applies. If the FQHC is not in an MSA or NECMA and cannot be classified as a large or other urban area, the rural limit applies. Rural FQHCs cannot be reclassified into an urban area (as determined by the Bureau of Census) for FQHC payment limit purposes.

Section 1833(f) of the Act provides that each RHC payment limit applies to services provided during a calendar year. Since the FQHC payment limit application is consistent with §1833(f) of the Act, it is possible for different payment limits to apply during one

reporting period. Medicare visits to which different payments limits apply and the resulting Medicare costs must be separately identified on Form CMS-222-92.

### **20.6.3 - Exceptions to Maximum Payment Limit (Cap) in Encounter Payment Rate for Provider-Based RHCs** (Rev. 1, 10-01-03)

All RHCs based in hospitals with less than 50 beds are eligible to receive an exception to the per visit payment limit.

From January 1, 1998 through June 30 2001, this exemption was limited to rural hospitals with less than 50 beds. Rural hospitals are those hospitals not located in a metropolitan statistical area as defined by 42 CFR 412.62(f)(1)(ii)(A).

This exception to the payment limit does not apply to provider-based FQHCs. Similarly, there is no exception available for independent RHCs or FQHCs.

To determine number of beds, use the definition in 42 CFR 412.105(b) to determine the number of beds for the current cost reporting period.

A hospital-based RHC can also receive an exception to the per visit payment limit if its hospital has an average daily patient census that does not exceed 40 and the hospital meets the following conditions: (a) It is a sole community hospital. (b) It is located in an 8-level or 9-level nonmetropolitan county using urban influence codes as defined by the U.S. Department of Agriculture.

### **20.7 - Special Rules for FQHC Networks** (Rev. 1, 10-01-03)

#### **RHC-505.3**

An FQHC network consists of a group of two or more FQHCs that are owned, leased, or through any other device, controlled by one organization. FQHCs that are part of networks have the option to file either a single consolidated cost report for the entire network or separate cost reports for each site within the network.

#### **20.7.1 - Separate Payment Limits for Individual Cost Reports** (Rev. 1, 10-01-03)

##### **RHC-505.3.A**

If an FQHC network chooses to file individual cost reports for each site, then they are paid the lower of their specific all-inclusive rate or their appropriate payment limit for each site. The appropriate payment limit depends on the geographic designation (either urban or rural). The home office must allocate costs that are applicable to individual sites

appropriately to each site within the network. These allocations are subject to FI review and are included in the respective encounter rates.

**20.7.2 - Consolidated Payment Limit for Networks Having Mixture of Urban and Rural Sites**  
(Rev. 1, 10-01-03)

**RHC-505.3.B**

If the network includes both urban and rural sites, the FQHCs are paid the lower of the network all-inclusive rate or a single weighted payment limit calculated for the entire network. The payment limit is weighted by the percentage of urban and rural visits as a percentage of total visits for the entire FQHC network. The urban payment limit is weighted by the percentage of visits attributed to urban sites and the rural payment limit is weighted by the percentage of visits attributed to rural sites.

A weighted calculation based on the 1991 urban limit of \$72.39 and rural limit of \$62.25 is illustrated below. This FQHC network illustration contains three urban sites and two rural sites.

| <b>FQHC Site</b>            | <b>Limit Adjusted By Percent of Total Visits</b> |
|-----------------------------|--|
| Urban Site #1               | 25% of total network visits                      |
| Urban Site #2               | 22% of total network visits                      |
| Urban Site #3               | 18% of total network visits                      |
| Total Urban Limit Component | 65% x \$72.39 = \$47.05                          |
| Rural Site #1               | 20% of total network visits                      |
| Rural Site #2               | 15% of total network visits                      |
| Total Rural Limit Component | 35% x \$62.25 = \$21.79                          |
| Weighted Limit              | \$47.05 (Urban Weight)                           |
|                             | +\$21.79 (Rural Weight)                          |
|                             | \$68.84  |

The 1991 weighted FQHC payment limit for this example is \$68.84. The entire network is paid the lower of the urban/rural network weighted payment limit or the network all-inclusive rate (total costs divided by visits) for each covered visit.

The annual adjustment is applied to the urban and rural payment limits prior to the network single weighted payment limit calculation.

### **20.7.3 - Consolidated Payment Limit for FQHC Networks With All Urban or All Rural Sites**

(Rev. 1, 10-01-03)

#### **RHC-505.3.C**

If the network includes **all urban or all rural** sites, the FQHC is paid the lower of the network all-inclusive rate or the applicable network urban/rural payment limit. The consolidated weighted payment limit calculation is applicable only to networks with a mixture of both urban and rural sites.

### **30 - Annual Reconciliation With Cost Report**

(Rev. 1, 10-01-03)

#### **RHC-506**

#### **30.1 - Submission of Cost Report**

(Rev. 1, 10-01-03)

#### **RHC-506**

On or before the last day of the fifth month following the close of RHC/FQHC reporting period, the RHC/FQHC must submit to its FI a cost report showing the actual costs incurred and the total number of visits for RHC/FQHC services the period. Using this information, the FI determines the total payment amount due for covered services furnished to Medicare beneficiaries.

#### **30.2 - Payment Reconciliation**

(Rev. 1, 10-01-03)

#### **RHC-506.1**

The FI compares the total payment due with the total payments made for services furnished during the reporting period. If the total payment due exceeds the total payments made, the RHC/FQHC has been underpaid. The underpayment is made up by a lump sum payment.

If the total payment due is less than the total payments made, the RHC/FQHC has been overpaid for services furnished to Medicare patients. Methods for recovery of overpayment are discussed in §30.4.

#### **30.3 - Notice of Program Reimbursement**

(Rev. 1, 10-01-03)

## **RHC-506.2**

When the FI determines the total reimbursement due and the amount of any overpayment or underpayment, it gives the RHC/FQHC a written notice of program reimbursement (NPR). The NPR sets out the FI's determination of the total payment due and the amount of any overpayment or underpayment. The notice also advises the RHC/FQHC appeal rights if it should disagree with the determination. See Chapter 29 for a complete discussion of claim appeals procedures

## **30.4 - Recovery of Overpayments**

**(Rev. 1, 10-01-03)**

### **RHC-506.3**

Once a determination of overpayment has been made, the amount so determined is a debt owed to the United States Government.

When the NPR is received stating the amount of the overpayment, the RHC/FQHC is required to immediately make a lump sum refund to the FI. If the RHC/FQHC is unable to make a lump sum refund, it may work out arrangements with the FI for recovery through an extended repayment schedule. Generally, the period of recovery is not to exceed 12 months from the date of the NPR. If, however, the RHC/FQHC demonstrates that repayment within the 12-month period creates a financial hardship, the period for recoupment may be extended.

## **30.5 - Reporting Requirements for Cost Report**

**(Rev. 1, 10-01-03)**

### **RHC-507**

The RHC/FQHC must maintain and provide adequate cost data based on financial and statistical records that can be verified by qualified auditors. The data must be maintained on the accrual basis of accounting. However, a government institution that operates on a cash basis of accounting may maintain data other than capital expenditure data on a cash basis.

If records are maintained on a cash basis, RHCs/FQHCs need adjust only a relatively few items from the cash basis to an accrual basis at the end of the reporting period to meet the accrual requirement. These adjustments need not be recorded in formal accounting records. It is acceptable for these adjustments to be made in supplementary records. These adjustments are necessary, for example, if expenses are prepaid, if expenses are incurred in one reporting period and paid in a later period, supplies are bought in one period for use during later periods, or capital assets are expensed instead of depreciated.

Cost information must be current, accurate and in sufficient detail to support payments made for services rendered to Medicare beneficiaries. This includes all ledgers, records and original evidences of cost (e.g., purchase requisitions, purchase orders, invoices,

vouchers, payroll vouchers) that pertain to the determination of reasonable cost. Financial and statistical records must be maintained in a consistent manner from one period to another.

### **30.5.1 - Definitions**

**(Rev. 1, 10-01-03)**

#### **RHC-507.B**

**Accrual Basis of Accounting** - Revenue and expense are identified with specific periods of time (such as a month or year) to which they apply regardless of when revenue is received or disbursement made for expenses.

**Cash Basis of Accounting** - Revenue and expense are recorded on the books of account when they are received and paid, respectively, without regard to the period to which they apply.

**Government Institution** - This is an RHC/FQHC owned and operated by a Federal, State or local government agency.

### **30.6 - When to Submit Cost Reports**

**(Rev. 1, 10-01-03)**

#### **RHC-508**

The RHC/FQHC must submit an annual report covering a 12-month period of operations based upon its reporting period. (The first and last reporting periods may be less than 12 months.) RHCs/FQHCs select any annual period for Medicare reporting purposes, but this reporting period is subject to approval by the FI. Once RHCs/FQHCs have selected a reporting period and have obtained the approval of the FI, they must adhere to the period initially selected unless a change has been authorized in writing by the FI. Such a change is made only after the FI has established that the reason for such a change is valid. For detailed explanation of Cost Reporting Periods, see Medicare Provider Reimbursement Manual (PRM) 15-II, Chapter 1, §102. For a detailed explanation of Cost Report Due Dates see PRM 15-II, Chapter 1, §104.

If RHCs/FQHCs do not furnish any covered services to Medicare beneficiaries or where RHCs/FQHCs have low utilization of covered services by Medicare beneficiaries during the entire cost reporting period, RHCs/FQHCs do not need to file a full cost report to comply with the program cost reporting requirements. For a detailed explanation of the conditions under which less than full cost report may be filed, see PRM 15-II, Chapter 1, §110. Also, see §110 for an explanation of what is to be filed to comply with the cost reporting requirements for a “No Utilization Cost Report” or a “Low Utilization Cost Report.”

**NOTE:** While some providers, particularly pediatric centers, may not provide services to Medicare beneficiaries, they should still file a complete and full cost report to ensure that the appropriate increase to their interim rate is made.

### **30.7 - Penalty for Failure to File Cost Reports Timely**

**(Rev. 1, 10-01-03)**

#### **RHC-508.C**

Failure to submit cost reports within the time frames specified previously may result in a reduction or suspension of payments.

Failure to submit cost reports may result in the treatment of all previous payments made during the current reporting period as overpayments.

### **30.8 - Filing Consolidated Worksheets Rather Than Individual Cost Reports**

**(Rev. 1, 10-01-03)**

#### **RHC-508.D**

If RHCs/FQHCs are part of the same organization with one or more RHCs/FQHCs, they may elect to file consolidated worksheets rather than individual cost reports. Under this type of reporting, each RHC/FQHC in the organization need not file individual cost reports. Rather, the group of RHCs/FQHCs may file a single report that accumulates the costs and visits for all RHCs/FQHCs in the organization. In order to qualify for consolidation reporting, all RHCs/FQHCs in the group must be owned, leased, or through any other device, controlled by one organization.

RHCs/FQHCs make the election to file consolidated worksheets in advance of the reporting period for which the consolidated report is to be used. Once having elected to use a consolidated cost report, the RHC/FQHC may not revert to individual reporting without the prior approval of the FI.

### **40 - Allowable Costs**

**(Rev. 1, 10-01-03)**

#### **RHC-501**

Allowable costs are the costs actually incurred by the RHC/FQHC that are reasonable in amount and necessary and proper to the efficient delivery of services.

The allowability of costs is governed by the applicable Medicare principles of reimbursement for provider costs as set forth in 42 CFR 413 and the PRM. These are the general Medicare principles that define allowable costs of hospitals and other facilities paid on a reasonable cost or cost related basis. The lesser of cost or charges principal does not apply to independent and provider-based RHCs and FQHCs. For a detailed explanation of the reimbursement policy concerning allowable cost see PRM 15-I.

Typical allowable costs include, to the extent reasonable:

- Compensation for the services of physicians, physician assistants, nurse practitioners, nurse midwives, clinical psychologists, and clinical social workers compensated by the RHC/FQHC;
- Compensation for the duties that a supervising physician is required to perform;
- Costs of services and supplies incident to the services of a physician, physician assistant, nurse practitioner, nurse midwife, clinical psychologist, or clinical social worker;
- Overhead costs, including RHC/FQHC administration, costs applicable to the use and maintenance of the RHC/FQHC facility, and depreciation costs;
- The costs of physician services furnished under agreements with the RHC/FQHC; and
- If the RHC/FQHC is located in an area with a shortage of home health agency (HHA) services, the cost of visiting nurse services and related supplies furnished.

#### **40.1 - Costs Excluded from Allowable Costs (Rev. 1, 10-01-03)**

##### **RHC-501.1**

Items and services not covered under the Medicare program, e.g., dental services, eyeglasses, and routine examinations are not allowable. Preventive primary physical examinations targeted to risk are allowable at FQHCs.

Items and services that are covered under Part B of Medicare, but are not included in the definition of RHC/FQHC services, e.g., routine diagnostic and laboratory services, independent laboratory services, durable medical equipment, and ambulance services are not allowable on the cost report. However, the provider of these services may bill for these items separately.

#### **40.2 - Allowable Costs Subject to Tests of Reasonableness (Rev. 1, 10-01-03)**

##### **RHC-502**

Allowable costs are limited to amounts that are reasonable. The CMS has established screening guidelines which FIs use to test the reasonableness of an RHC/FQHCs productivity and a payment limit which the per visit rate may not exceed. Costs for which screening guidelines have not been established by CMS are disallowed to the extent the FI determines they are unreasonable.

### **40.3 - Screening Guidelines of RHC/FQHC Health Care Staff Productivity** **(Rev. 1, 10-01-03)**

#### **RHC-503**

Payments for services are subject to guidelines to test the reasonableness of the productivity of the clinic/center's health care staff. These guidelines are applied to staff for RHC/FQHC services furnished both at the clinic/center's site and in other locations. They are as follows:

- At least 4,200 visits per year per full time equivalent physician employed by the clinic/center;
- At least 2,100 visits per year per full time equivalent physician assistant or nurse practitioner employed by the clinic/center; or
- If staffing levels consist of various combinations of physicians and nurse practitioners or physician assistants, a combined screening approach may be used. For example, if a clinic/center has three physicians and one nurse practitioner, calculate the screening guidelines as follows:

$$3 \times 4,200 = 12,600;$$

$$1 \times 2,100 = 2,100 \quad (12,600 + 2,100 = 14,700).$$

Another example is a clinic/center with four nonphysician practitioners ( $4 \times 2,100 = 8,400$ ).

- The number of full time equivalent employees (FTE) of each type (i.e., physician, physician assistant, or nurse practitioner) is determined by the following formula. Divide the total number of hours per year worked by all employees of that type by the greater of:
- The number of hours per year for which one employee of that type must be compensated to meet the clinic/center's definition of an FTE. (If the clinic/center is open on a full time basis, the usual definition of an FTE is 2,080 hours per year, 40 hours per week for 52 weeks); or
- 1,600 hours per year (40 hours per week for 40 weeks).

FIs may waive the productivity guideline in cases in which a clinic/center has demonstrated reasonable justification for not meeting the standard. In these cases in which an exception is granted, the FI, no longer restricted by the number of actual visits, sets the number of visits that it determines is reasonable. For example, the guideline

number is 4,200 visits, and the clinic/center has furnished only 1,000 visits. The FI does not accept the 1,000 visits as reasonable but permits 2,500 visits to be used in the calculation.

#### **40.4 - All Inclusive Rate of Payment**

**(Rev. 1, 10-01-03)**

##### **RHC-504, A3-3628**

Payments to RHCs/FQHCs for covered RHC/FQHC services furnished to Medicare beneficiaries are made on the basis of an all-inclusive rate per covered visit (except for pneumococcal and influenza vaccines and their administration, which are paid at 100 percent reasonable cost). The term “visit” is defined as a face-to-face encounter between the patient and a physician, physician assistant, nurse practitioner, nurse midwife, clinical nurse midwife, visiting nurse, clinical psychologist, or clinical social worker during which an RHC/FQHC service is rendered. (See the Medicare Benefit Policy Manual, Chapter 13, for definitions of these personnel.) Encounters with more than one health professional and multiple encounters with the same health professional which take place on the same day and at a single location constitute a single visit, except for cases in which the patient, subsequent to the first encounter, suffers an illness or injury requiring additional diagnosis or treatment or the patient has a medical visit and a mental health visit. Mental health visit means a face-to-face encounter between an RHC/FQHC patient and a clinical psychologist or clinical social worker.

#### **40.5 - Bad Debts**

**(Rev. 1, 10-01-03)**

##### **RHC-504.1A**

RHCs/FQHCs are allowed to claim bad debts in accordance with 42 CFR 413.80. For FQHCs, bad debts are limited to Medicare coinsurance amounts that remain unpaid by the Medicare beneficiary since no deductible is applied to FQHC services. RHCs may claim unpaid deductible also. The RHC/FQHC must establish that reasonable efforts were made to collect these coinsurance amounts in order to receive payment for bad debts. When either waives coinsurance or deductible (RHC) it may not claim bad debt amounts for which it assumed the beneficiary’s liability.

#### **40.6 - Calculation of Medicare Program Payment**

**(Rev. 1, 10-01-03)**

##### **RHC-500.B**

The RHC/FQHC’s interim Medicare payments are based on the all-inclusive rate per visit established by the FI. The rate is paid, subject to the Medicare deductible and coinsurance requirements, for each covered visit with a Medicare beneficiary. No deductible applies to FQHC services provided at FQHCs. Only FQHC services are exempt from the deductible.

## **40.7 - Determination of Payments**

### **RHC-500.C**

The payment rate is calculated, in general, by dividing total allowable cost by the number of total visits for RHC/FQHC services. An interim rate is determined at the beginning of the reporting period on the basis of RHC/FQHC's estimated allowable costs and estimated visits for RHC/FQHC services, as reported on the Independent Rural Health Clinic/Freestanding Federally Qualified Health Center Worksheets, Form CMS-222-92.

The facility is paid this rate the following year minus any coinsurance and/or deductible reported on the claim.

This rate may be adjusted during the reporting period at the FI's discretion.

## **50 - Deductible and Coinsurance**

**(Rev. 1, 10-01-03)**

### **RHC-504.1**

#### **50.1 - Part B Deductible**

**(Rev. 1, 10-01-03)**

### **RHC-500.B**

In each calendar year, a cash deductible must be satisfied before payment can be made under supplementary medical insurance (SMI). Currently, the cash deductible is \$100; this amount is subject to change.

Bills count toward the deductible on the basis of incurred, rather than paid, expenses. For RHC/FQHC services deductible is based on billed charges. Noncovered expenses do not count toward the deductible. Even though an individual is not eligible for the entire calendar year, i.e., his/her insurance coverage begins after the first month of the year or he/she dies before the last month of the year, he/she is still subject to the full Part B cash deductible. Medical expenses incurred in any portion of the year preceding entitlement to SMI are not credited toward the Part B deductible.

The Part B deductible does not apply to FQHC services. It does apply to non-FQHC services billed to the carrier or FI and to RHC services.

Deductible for non-RHC/FQHC services billed by the parent provider is based on rules for the host provider.

#### **50.2 - Part B Coinsurance**

**(Rev. 1, 10-01-03)**

### **RHC-500.B**

After the deductible has been satisfied, RHCs will be paid 80 percent of the all-inclusive interim encounter payment rate. The patient is responsible for a coinsurance amount of 20 percent of the charges after deduction of the deductible. Note that 20 percent of charges may not be equal to 20 percent of the encounter rate, e.g., if the charges are not equal to the encounter rate.

On claims to the carrier, e.g., independent RHC/FQHC claims for non-RHC/FQHC services, coinsurance is established based on 20 percent of the allowed amount.

On provider based RHC/FQHC claims for non-RHC/FQHC services coinsurance is based on the rules applicable to the parent provider type and the type of service.

## **60 - Outpatient Mental Health Treatment Limitation**

**(Rev. 1843, Issued: 10-30-09, Effective: 01-01-10, Implementation: 01-04-10)**

Most RHC/FQHC services for the treatment of mental, psychoneurotic, and personality disorders are subject to the outpatient mental health treatment limitation (the limitation) in Section §1833 of the Act. Certain diagnostic services and brief office visits for monitoring or changing drug prescription(s) are not subject to the limitation. For detailed information on the application of the limitation please see the General Information, Eligibility, and Entitlement Manual, Publication 100-01, chapter 3, section 30, the Medicare Benefit Policy Manual, Publication 100-02, chapter 13, sections 100.6 and 110.5, and the Medicare Claims Processing Manual, chapter 12, section 210.

The limitation has been 62.5 percent since the inception of the Medicare Part B program and it will remain effective at this percentage amount until January 1, 2010. However, effective January 1, 2010, through January 1, 2014, the limitation will be phased out as follows:

- January 1, 2010 – December 31, 2011, the limitation percentage is 68.75%.
- January 1, 2012 – December 31, 2012, the limitation percentage is 75%.
- January 1, 2013 – December 31, 2013, the limitation percentage is 81.25%.
- January 1, 2014 – onward, the limitation percentage is 100%.

FQHC services, including services subject to the outpatient mental health treatment limitation, are not subject to the Part B deductible. RHC services, including services subject to the outpatient mental health treatment limitation, are subject to the Part B deductible. Application of the coinsurance is the same as for other RHC and FQHC services. The mental health treatment limitation amount is applied before application of the coinsurance.

## **70 - Determining How Much to Charge Patient Before Billing Is Submitted for Part B Payment**

**(Rev. 1, 10-01-03)**

**RHC-608**

The RHCs/FQHCs should ask the patient for any evidence that he/she has met the deductible, such as a Medicare Summary Notice. They may take into account any other available information of the patient's deductible status, such as its billing history records.

Where the deductible is met for RHCs collect no more than 20 percent of the charges. For RHC services where the deductible is known to be met in part, no more than the unmet deductible and 20 percent of the remaining charge may be collected. When the deductible is not met or its status is unknown, collect no more than the cash deductible and 20 percent of the balance. Once RHCs have billed the FI for services, they do not collect or accept any additional money from the patient for such services until the FI notifies the RHC of how much of the deductible has been met.

For FQHC services, the Part B deductible does not apply. Collect no more than 20 percent of the charges.

## **100 - General Billing Requirements**

*(Rev. 2034, Issued: 08-24-10, Effective: 01-01-11, Implementation: 01-03-11)*

***NOTE:** For dates of service prior to April 1, 2010 all FQHC services must be submitted on a 73X bill type. For dates of service on or after April 1, 2010 all FQHC services must be submitted on a 77X type of bill.*

General information on basic Medicare claims processing can be found in this manual in:

- Chapter 1, "General Billing Requirements," (<http://www.cms.hhs.gov/manuals/downloads/clm104c01.pdf>) for general claims processing information;
- Chapter 2, "Admission and Registration Requirements," (<http://www.cms.hhs.gov/manuals/downloads/clm104c02.pdf>) for general filing requirements applicable to all providers.

For Medicare institutional claims:

- See Chapter 25 "Completing and Processing the CMS-1450 Data Set" (<http://www.cms.hhs.gov/manuals/downloads/clm104c25.pdf>) for general requirements for completing the institutional claim data set (paper and HIPAA Version (837)).

**NOTE:** Chapter 25 lists all revenue codes available; however RHCs and FQHCs are limited to the revenue codes listed in B-Service Level Information, below.

- See the Medicare Claims Processing Manual on the CMS Web site for general Medicare institutional claims processing requirements, such as for timely filing

and payment, admission processing, Medicare Summary Notices, and required claim data elements that are applicable to RHCs and FQHCs.

- See §10.3 in this chapter for claims processing jurisdiction for RHC and FQHC claims
- Contact your fiscal intermediary (FI) for basic training and orientation material if needed.

The focus of this chapter is RHCs and FQHCs, meaning only institutional claims using TOBs 71x and 73x/77x, not any other provider or claim types. Professional claims completed by physicians and non-institutional practitioners are sent to Medicare carriers in the ASC 837P ANSI X-12 format for professional claims or on Form CMS-1500.

The RHC and FQHC benefits provide specific primary or professional medical services, to Medicare beneficiaries in underserved or specially designated areas. These benefits are equivalent to certain physician or practitioner services. Provision of these services in underserved or specially designated areas may qualify the provider to receive specific types of grants or funding. Limited services are provided under the RHC and FQHC benefits. Generally, only those services that are included in the RHC and FQHC benefits are billed on these claims.

- The RHC and FQHC benefits are defined in Pub. 100-02, Medicare Benefit Policy Manual, Chapter 13 (<http://www.cms.hhs.gov/manuals/Downloads/bp102c13.pdf>.)

The core services of the benefits are professional, meaning the hands-on delivery of care by medical professionals. Some preventive services, however, are also encompassed in primary care under the benefits, and these services may have a technical component, such as a laboratory service or use of diagnostic testing equipment. For FQHCs only: Certain mandated preventive services include a laboratory test that is included in the FQHC visit rate. (See CFR 42 405.2446 (b)(9) and 405.2448 (b) and the RHC/FQHC specific billing instructions in A and B, below.) In general, if NOT part of the RHC or FQHC benefits, technical services, (or technical components of services with both professional and technical components) are not billed on RHC/FQHC claims. All services in the RHC and FQHC benefits are reimbursed through the all-inclusive rate paid for each patient encounter or visit.

The visit rate includes: covered services provided by an RHC or FQHC physician, physician assistant, nurse practitioner, certified nurse midwife, clinical psychologist, clinical social worker or, in very limited situations, visiting nurse; and related services and supplies. The rate does not include services that are not defined as RHC or FQHC services.

The term “visit” is defined as a face-to-face encounter between the patient and a physician, physician assistant, nurse practitioner, certified nurse midwife, clinical

psychologist, clinical social worker or in very limited situations, visiting nurse, during which an RHC or FQHC service is rendered. These services are reimbursed by the Medicare Part B trust fund. RHC services are subject to the Medicare coinsurance and deductible rules. FQHC services are subject to the Medicare coinsurance rules but are exempt from the Medicare deductible rules.

### **A. Claim-Level Information**

The RHCs and FQHCs bill FIs on institutional claims, either on the ASC 837I ANSI X-12 format for institutional claims or the UB-04/Form CMS-1450, using type of bill (TOB) 71x for RHCs, and 73x/77x for FQHCs.

The following rules apply specifically to all RHC and FQHC claims:

- Bill types 71x and 73x/77x MUST be used on institutional claims for RHC and FQHC benefit services for BOTH independent and provider-based facilities.
- The third digit of TOBs 71x and 73x/77x provides additional information regarding the individual claim. When the third digits, called frequency codes, are used on RHC or FQHC claims the TOBs are:
  - 710 or 730/770 = non-payment/zero claim (a claim with only noncovered charges)
  - 711 or 731/771 = Admit through discharge (original claim)
  - 717 or 737/777 = Replacement of prior claim (adjustment)
  - 718 or 738/778 = Void/cancel prior claim (cancellation)

**NOTE:** “x” represents a digit that can vary.

- RHC and FQHC claims cannot overlap calendar years. Therefore, the statement dates, or from and through dates of the claim, must always be in the same calendar year, and periods of billing ranging over 2 calendar years must be split into 2 separate claims for the 2 different calendar years.
- RHC TOB 71x claims and FQHC TOB 73x/77x claims are defined as outpatient institutional claims under HIPAA and should follow the guidelines below:

### **B. Service-Level Information**

The types of services billed on TOBs 71x:

- Professional or primary services not subject to the Medicare outpatient mental health treatment limitation are bundled into line item(s) using revenue code 052x;
- Services subject to the Medicare outpatient mental health treatment limitation are billed under revenue code 0900 (previously 0910); and
- Telehealth originating site facility fees are billed under revenue code 0780.

*The only types of services payable on TOBs 73x/77x:*

- *Professional or primary services not subject to the Medicare outpatient mental health treatment limitation are bundled into line item(s) using revenue code 052x;*
- *An additional payment may be received for professional and primary services furnished on the same day at different times. These services should be billed using revenue code 052x and modifier 59. Modifier 59 signifies that the conditions being treated are totally unrelated and services are provided at separate times of the day, e.g., treatment for an ear infection in the morning and treatment for injury to a limb in the afternoon;*
- *Services subject to the Medicare outpatient mental health treatment limitation are billed under revenue code 0900;*
- *Telehealth originating site facility fees are billed under revenue code 0780 and HCPCS code Q3014;*
- *Diabetes Self Management Training (DSMT) billed under revenue code 052x and HCPCS code G0108 and Medical Nutrition Therapy (MNT) billed under revenue code 052x and HCPCS code 97802, 97803, or G0270; and*
- *FQHC supplemental payments are billed under revenue code 0519, effective for dates of service on or after 01/01/2006.*

***NOTE:*** *All other services will be included in the Provider's all inclusive rate.*

- For dates of service prior to July 1, 2006, the values for all four digits of revenue code 052x are:
  - 0520 = Free-Standing Clinic – to be used by all FQHCs;
  - 0521 = Rural Health Clinic – to be used by RHCs; and

- 0522 = Rural Health Home – to be used by RHCs in home settings.
- For dates of service on or after July 1, 2006, the following revenue codes should be used when billing for RHC or FQHC services, other than those services subject to the Medicare outpatient mental health treatment limitation or for the FQHC supplement payment (FQHCs only):
  - 0521 = Clinic visit by member to RHC/FQHC;
  - 0522 = Home visit by RHC/FQHC practitioner;
  - 0524 = Visit by RHC/FQHC practitioner to a member in a covered Part A stay at the SNF;
  - 0525 = Visit by RHC/FQHC practitioner to a member in a SNF (not in a covered Part A stay) or NF or ICF MR or other residential facility;
  - 0527 = RHC/FQHC Visiting Nurse Service(s) to a member’s home when in a home health shortage area; and
  - 0528 = Visit by RHC/FQHC practitioner to other non RHC/FQHC site (e.g., scene of accident)
  - *0519 = Clinic, Other Clinic (only for the FQHC supplemental payment)*
- *For dates of service on or after January 1, 2011, all except the following revenue codes may be used when billing for services provided in a FQHC: 002x-024x, 029x, 045x, 054x, 056x, 060x, 065x, 067x-072x, 080x-088x, 093x, or 096-310x. NOTE: This information is being captured for data collection and gathering purposes only.*

Revenue code 0900 (“Behavioral Health Treatments/Services, General Classification”) is used for services subject to the Medicare outpatient mental health treatment limitation on claims with dates of service on or after October 16, 2003, that are received on and after October 1, 2004; for claims received before October 1, 2004, and for all claims with dates of service before October 16, 2003, use revenue code 0910 (“Behavioral Health Treatments/Services-Extension of 0900, Reserved for National Use”, formerly “Psychiatric/ Psychological Services, General Classification”) instead.

Telehealth is not an RHC or FQHC service. As appropriate, however, the telehealth originating site facility fee is billed by the RHC or FQHC using revenue code 0780, in addition to the appropriate visit billed in revenue code 052x or 0900. For information on billing for the FQHC supplemental payment see section 110.3 of this chapter.

Revenue code 0780 (“Telemedicine, General Classification”) is used to bill for the telehealth originating site facility fee. Telehealth originating site facilities’ fees billed using revenue code 0780 are the only line items allowed on TOBs 71x that are NOT part of the RHC.

- These line items require use of HCPCS code Q3014 in addition to the revenue code (0780) to indicate the facility fee is being billed.
- These are the only services billed on TOB 73x/77x that will be subject to the Part B deductible.
- See chapter 15, §270 of Pub. 100-02, Medicare Benefit Policy Manual, (<http://www.cms.hhs.gov/manuals/Downloads/bp102c15.pdf>) for coverage requirements and the definition of telehealth services.
- See chapter 1, §60 (<http://www.cms.hhs.gov/manuals/downloads/clm104c01.pdf>) of this manual for information on billing noncovered charges or claims to FIs;
- Line items on outpatient claims under HIPAA require reporting of a line-item service date for each iteration of each revenue code. A single date should be reported on a line item for the date the service was provided, not a range of dates. Most if not all RHC and FQHC services are provided on a single day.
  - For services that do not qualify as a billable visit, the usual charges for the services are added to those of the appropriate (generally previous) visit. RHCs/FQHCs use the date of the visit as the single date on the line item.
- Units are reported based on visits, which are paid based on the all-inclusive rate no matter how many services are delivered. Only one visit is billed per day unless the patient leaves and later returns with a different illness or impairment suffered later on the same day (and medical records should support these cases). Units for visits are to be reported under revenue codes 052x or 0900 (0910 depending on the date), as applicable.
- No type of technical services, such as a laboratory service, or technical component of a diagnostic or screening service, is ever billed on TOBs 71x or 73x/77x. Technical services specifically included in these benefits or expressly applicable to the 71x or 73x/77x TOBs in other instructions are bundled into the visit rate. Consequently they are not separately identified on the claim.

If technical services/components not part of either the RHC or FQHC benefits are performed in association with professional services or components of services billed on 71x or 73x/77x claims, how the technical services/components are billed depends on whether the RHC or FQHC is independent or provider-based:

- Technical services/components associated with professional services/components performed by independent RHCs or FQHCs are billed to Medicare carriers in the designated claim format (837P or Form CMS-1500.) See chapters 12 (<http://www.cms.hhs.gov/manuals/downloads/clm104c12.pdf>) and 26 (<http://www.cms.hhs.gov/manuals/downloads/clm104c26.pdf>) of this manual for billing instructions.
- Technical services/components associated with professional services/components performed by provider-based RHCs or FQHCs are billed by the base-provider on the TOB for the base-provider and submitted to the FI; see the applicable chapter of this manual based on the base-provider type, such as (<http://www.cms.hhs.gov/manuals/downloads/clm104c04.pdf>) for outpatient hospital services, chapter 6 (<http://www.cms.hhs.gov/manuals/downloads/clm104c06.pdf>) for inpatient SNF services chapter 7 for Outpatient SNF services, etc.

The following three sections describe other billing rules applicable to RHC and FQHC claims and services.

**110 - FQHC Affordable Care Act (ACA) Requirements**  
*(Rev. 2034, Issued: 08-24-10, Effective: 01-01-11, Implementation: 01-03-11.)*

*Section 1834 (o)(1)(B) of the Affordable Care Act (ACA) requires the collection of data necessary to develop and implement the Medicare FQHC prospective payment system which is scheduled to be implemented in 2014. Beginning with dates of service on or after January 1, 2011, when billing services on a 77X type of bill, all services provided should be listed with the appropriate revenue code and HCPCS code for each line.*

*This data reporting will be as follows:*

- *For each billable visit, FQHCs must submit the appropriate revenue code as explained in section 100, and a valid HCPCS code for all claims with DOS on or after January 1, 2011.*
- *In addition, FQHCs must submit separate service lines with revenue codes and HCPCS codes to reflect any cost associated with all FQHC covered services provided by the FQHC but not reflected on the service line submitted for the billable visit. For example, for Part B covered injectable drugs administered in an FQHC during a billable visit, the FQHC should report a separate line item with the appropriate revenue code and HCPCS codes to reflect the charge for the drug and its administration which is covered as an incident to service.*

*Pneumococcal, influenza and hepatitis B vaccine and their administration should be reported separately with the appropriate HCPCS code and revenue codes.*

**110.1 - *Reporting of Specific HCPCS Codes for Hospital-based FQHCs***  
***(Rev. 2034, Issued: 08-24-10, Effective: 01-01-11, Implementation: 01-03-11)***

**A. Claims With Dates of Service on or After April 1, 2005**

Effective April 1, 2005, hospital-based FQHCs are no longer required to report any specific HCPCS codes when billing for FQHC services.

***B. Claims with Dates of Service on or After January 1, 2011***

*Effective January 1, 2011, FQHCs are required to report specific HCPCS codes when billing for FQHC services. FQHC claims submitted with revenue lines that do not contain a valid HCPCS code will be returned to the provider.*

**110.2 - *Billing for Supplemental Payments to FQHCs Under Contract with Medicare Advantage (MA) Plans***  
***(Rev. 2034, Issued: 08-24-10, Effective: 01-01-11, Implementation: 01-03-11)***

This section provides basic instructions on calculating and billing for the supplemental payments to FQHCs under contract with MA Plans.

Title II of the Medicare Modernization Act (MMA) established the MA program. The MA program replaces the Medicare + Choice (M+C) program established under Part C of the Act. Effective for services furnished on or after January 1, 2006, during contract years beginning on or after such date, Section 237 of the MMA requires CMS to provide supplemental payments to FQHCs that contract with MA organizations to cover the difference, if any, between the payment received by the FQHC for treating MA enrollees and the payment to which the FQHC would be entitled to receive under the cost-based all-inclusive payment rate as set forth in 42 CFR, Part 405, Subpart X.

This new supplemental payment for covered FQHC services furnished to MA enrollees augments the direct payments made by the MA organization to FQHCs for all covered FQHC services. The Medicare all-inclusive payment, which continues to be made for all covered FQHC services furnished to Medicare beneficiaries participating in the original Medicare program, is based on the FQHC's unique cost-per-visit as calculated by the Medicare Fiscal Intermediary (FI) based on the Medicare cost report. FQHC's seeking payment under Section 237 of the MMA must submit to their FI copies of their contracts under each MA plan.

In order to implement this new supplemental payment provision, the FI must determine if the Medicare cost-based payments that the FQHC would be entitled to exceed the amount of payments received by the FQHC from the MA organization and, if so, pay the difference to the FQHC at least quarterly. In determining the supplemental payment, the statute also excludes in the calculation of the supplemental payments any financial incentives provided to FQHCs under their MA arrangements, such as risk pool payments, bonuses, or withholds.

The FQHC supplemental payment shall be based on a per visit calculation subject to an annual reconciliation. The supplemental payments, as required by the MMA, for FQHC covered services rendered to beneficiaries enrolled in MA plans will be calculated by determining the difference between 100 percent of the FQHC's all-inclusive cost-based per visit rate and the average per visit rate received by the FQHC from the MA organization for payment under that MA plan, less the amount the FQHC may charge to MA enrollees permitted under Federal law i.e., any beneficiary cost sharing allowed under the MA enrollee's plan.

Each eligible FQHC seeking the supplemental payment is required to submit (for the first two rate years) to the FI an estimate of the average MA payments (per visit basis) for covered FQHC services. Every eligible FQHC seeking the supplemental payment is required to submit a documented estimate of their average per visit payment for their MA enrollees, for each MA plan they contract with, and any other information as may be required to enable the FI to accurately establish an interim supplemental payment.

Expected payments from the MA organization would only be used until actual MA revenue and visits collected on the FQHC's cost report can be used to establish the amount of the supplemental payment.

Effective January 1, 2006, eligible FQHCs will report actual MA revenue and visits on their cost reports. At the end of each cost reporting period the FI shall use actual MA revenue and visit data along with the FQHC's final all-inclusive payment rate, to determine the FQHC's final actual supplemental per visit payment. Once this amount (per visit basis) is determined it will serve as the interim rate for the next full rate year. Actual aggregated supplemental payments will then be reconciled with aggregated interim supplemental payments, and any underpayment or overpayment thereon will then be accounted for in determining final Medicare FQHC program liability at cost settlement.

An FQHC is only eligible to receive this supplemental payment when FQHC services are provided during a face-to-face encounter between an MA enrollee and one or more of the following FQHC covered core practitioners: physicians, nurse practitioners, physician assistants, certified nurse midwives, clinical psychologists, or clinical social workers. The supplemental payment is made directly to each qualified FQHC through the FI. Each FQHC seeking the supplemental payment is responsible for submitting a claim for each qualifying visit to the FI on type of bill (TOB) 73x/77x with revenue code 0519 for the amount of the interim supplemental payment rate (FQHC interim all-inclusive rate – estimated average payment from the MA plan plus any beneficiary cost sharing = billed amount > 0). Do not submit revenue codes 0520 and/or 0900 on the same claim as revenue code 0519.

For services of plan years beginning on and after January 1, 2006 and before an interim supplemental rate can be determined by the FI based on cost report data, FIs shall calculate an interim supplemental payment for each MA plan the FQHC has contracted

with using the documented estimate provided by the FQHC of their average MA payment (per visit basis) under each MA plan they contract with. Once an interim supplemental rate is determined for a previous plan year based on cost report data, use that interim rate until the FI receives information that changes in service patterns that will result in a different interim rate. FIs shall calculate an interim supplemental payment rate for each MA plan the FQHC has contracted with. Reconcile all interim payments at cost settlement.

Do not apply the Medicare deductible in calculating the FQHC interim supplemental payment. Do not apply the original Medicare co-insurance (20%) to the FQHC all inclusive rate when calculating the FQHC interim supplemental payment. Any beneficiary cost sharing under the MA plan is included in the calculation of the FQHC interim supplemental payment rate.

FIs shall submit all claims to CWF for approval. CWF will verify each beneficiary's enrollment in an MA plan for the line item date of service (LIDOS) on the claim. CWF shall reject all claims for the FQHC interim supplemental payment for beneficiaries who are not MA enrollees on the same date as the LIDOS on the claim. FIs shall RTP such claims to the FQHCs. FIs shall not make payments to an FQHC for the interim supplemental payment and the all-inclusive rate for claims with the same LIDOS for the same beneficiary. The beneficiary is never liable for any part of the supplemental payment amount owed the FQHC. FIs shall accept TOB 73x/77x with revenue code 0519 and pay the interim supplemental payment rate for each qualified visit billed.

FIs shall at cost settlement determine the FQHC's final supplemental payment.

### **110.3 – Billing for Supplemental Payments to FQHCs Under Contract with Medicare Advantage (MA) Plans**

**(Rev. 794, Issued: 12-29-05; Effective: 01-01-06; Implementation: 04-03-06)**

This section provides basic instructions on calculating and billing for the supplemental payments to FQHCs under contract with MA Plans.

Title II of the Medicare Modernization Act (MMA) established the MA program. The MA program replaces the Medicare + Choice (M+C) program established under Part C of the Act. Effective for services furnished on or after January 1, 2006, during contract years beginning on or after such date, Section 237 of the MMA requires CMS to provide supplemental payments to FQHCs that contract with MA organizations to cover the difference, if any, between the payment received by the FQHC for treating MA enrollees and the payment to which the FQHC would be entitled to receive under the cost-based all-inclusive payment rate as set forth in 42 CFR, Part 405, Subpart X.

This new supplemental payment for covered FQHC services furnished to MA enrollees augments the direct payments made by the MA organization to FQHCs for all covered FQHC services. The Medicare all-inclusive payment, which continues to be made for all covered FQHC services furnished to Medicare beneficiaries participating in the original

Medicare program, is based on the FQHC's unique cost-per-visit as calculated by the Medicare Fiscal Intermediary (FI) based on the Medicare cost report. FQHC's seeking payment under Section 237 of the MMA must submit to their FI copies of their contracts under each MA plan.

In order to implement this new supplemental payment provision, the FI must determine if the Medicare cost-based payments that the FQHC would be entitled to exceed the amount of payments received by the FQHC from the MA organization and, if so, pay the difference to the FQHC at least quarterly. In determining the supplemental payment, the statute also excludes in the calculation of the supplemental payments any financial incentives provided to FQHCs under their MA arrangements, such as risk pool payments, bonuses, or withholds.

The FQHC supplemental payment shall be based on a per visit calculation subject to an annual reconciliation. The supplemental payments, as required by the MMA, for FQHC covered services rendered to beneficiaries enrolled in MA plans will be calculated by determining the difference between 100 percent of the FQHC's all-inclusive cost-based per visit rate and the average per visit rate received by the FQHC from the MA organization for payment under that MA plan, less the amount the FQHC may charge to MA enrollees permitted under Federal law i.e., any beneficiary cost sharing allowed under the MA enrollee's plan.

Each eligible FQHC seeking the supplemental payment is required to submit (for the first two rate years) to the FI an estimate of the average MA payments (per visit basis) for covered FQHC services. Every eligible FQHC seeking the supplemental payment is required to submit a documented estimate of their average per visit payment for their MA enrollees, for each MA plan they contract with, and any other information as may be required to enable the FI to accurately establish an interim supplemental payment.

Expected payments from the MA organization would only be used until actual MA revenue and visits collected on the FQHC's cost report can be used to establish the amount of the supplemental payment.

Effective January 1, 2006, eligible FQHCs will report actual MA revenue and visits on their cost reports. At the end of each cost reporting period the FI shall use actual MA revenue and visit data along with the FQHC's final all-inclusive payment rate, to determine the FQHC's final actual supplemental per visit payment. Once this amount (per visit basis) is determined it will serve as the interim rate for the next full rate year. Actual aggregated supplemental payments will then be reconciled with aggregated interim supplemental payments, and any underpayment or overpayment thereon will then be accounted for in determining final Medicare FQHC program liability at cost settlement.

An FQHC is only eligible to receive this supplemental payment when FQHC services are provided during a face-to-face encounter between an MA enrollee and one or more of the following FQHC covered core practitioners: physicians, nurse practitioners, physician

assistants, certified nurse midwives, clinical psychologists, or clinical social workers. The supplemental payment is made directly to each qualified FQHC through the FI. Each FQHC seeking the supplemental payment is responsible for submitting a claim for each qualifying visit to the FI on type of bill (TOB) 73x with revenue code 0519 for the amount of the interim supplemental payment rate (FQHC interim all-inclusive rate – estimated average payment from the MA plan plus any beneficiary cost sharing = billed amount > 0). Do not submit revenue codes 0520 and/or 0900 on the same claim as revenue code 0519. Healthcare Common Procedure Coding System (HCPCS) coding is not required.

For services of plan years beginning on and after January 1, 2006 and before an interim supplemental rate can be determined by the FI based on cost report data, FIs shall calculate an interim supplemental payment for each MA plan the FQHC has contracted with using the documented estimate provided by the FQHC of their average MA payment (per visit basis) under each MA plan they contract with. Once an interim supplemental rate is determined for a previous plan year based on cost report data, use that interim rate until the FI receives information that changes in service patterns that will result in a different interim rate. FIs shall calculate an interim supplemental payment rate for each MA plan the FQHC has contracted with. Reconcile all interim payments at cost settlement.

Do not apply the Medicare deductible in calculating the FQHC interim supplemental payment. Do not apply the original Medicare co-insurance (20%) to the FQHC all inclusive rate when calculating the FQHC interim supplemental payment. Any beneficiary cost sharing under the MA plan is included in the calculation of the FQHC interim supplemental payment rate.

FIs shall submit all claims to CWF for approval. CWF will verify each beneficiary's enrollment in an MA plan for the line item date of service (LIDOS) on the claim. CWF shall reject all claims for the FQHC interim supplemental payment for beneficiaries who are not MA enrollees on the same date as the LIDOS on the claim. FIs shall RTP such claims to the FQHCs. FIs shall not make payments to an FQHC for the interim supplemental payment and the all-inclusive rate for claims with the same LIDOS for the same beneficiary. The beneficiary is never liable for any part of the supplemental payment amount owed the FQHC. FIs shall accept TOB 73x with revenue code 0519 and pay the interim supplemental payment rate for each qualified visit billed.

FIs shall at cost settlement determine the FQHC's final supplemental payment.

## **120 – General Billing Requirements for Preventive Services**

*(Rev. 2034, Issued: 08-24-10, Effective: 01-01-11, Implementation: 01-03-11)*

Professional components of preventive services are part of the overall encounter, and for TOBs 71x or 73x/77x, have always been billed on lines with the appropriate site of service revenue code in the 052x series. In addition to previous requirements for independent FQHCs exclusively, all RHCs/FQHCs had been required to report HCPCS

codes for certain preventive services subject to frequency limits. As of April 1, 2005, RHCs and FQHCs do not have to report HCPCS codes associated with preventive services subject to frequency limits on any line items billed on TOBs 71x *or* 73x/77x absent a few exceptions. The number of preventive services requiring HCPCS coding has expanded as described in the sections below.

RHCs/FQHCs do not receive any reimbursement on TOBs 71x *or* 73x/77x for technical components of services provided by clinics/centers. This is because the technical components of services are not within the scope of Medicare-covered RHC/FQHC services. The associated technical components of services furnished by the clinic/center are billed on other types of claims that are subject to strict editing to enforce statutory frequency limits.

Though most preventive services have HCPCS codes that allow separate billing of professional and technical components, mammography and prostate PSA do not. However, RHCs/FQHCs still may provide the professional component of these services since they are in the scope of the RHC/FQHC benefit. Such encounters are billed on line items using the appropriate site of service revenue code in the 052x series.

For vaccines, RHCs/FQHCs do not report charges for influenza virus or pneumococcal pneumonia vaccines on the 71x *or* 73x/77x claims. Costs for the influenza virus or pneumococcal pneumonia vaccines are included in the cost report and no line items are billed. Neither co-insurance nor deductible apply to either of these vaccines.

Hepatitis B vaccine is included in the encounter rate. No line items specifically for this service are billed on RHC/FQHC claims. The charges of the vaccine and its administration can be included in the line item for the otherwise qualifying encounter. Both co-insurance and deductible apply for Hepatitis B vaccines in RHCs. Coinsurance applies to Hepatitis B vaccines provided in FQHCs. Deductible does not apply for services provided in the FQHC. An encounter can not be billed if vaccine administration is the only service the RHC/FQHC provides.

*Effective for dates of service on or after January 1, 2011, coinsurance and deductible are being waived for all Preventive Services as enacted in section 4104 of the Affordable Care Act.*

Additional information on vaccines can be found in Chapter 1, section 10 of this manual. Additional coverage requirements for pneumococcal vaccine, hepatitis B vaccine, and influenza virus vaccine can be found in Publication 100-02, the Medicare Benefit Policy Manual, Chapter 15.

## **130 - Laboratory Services** **(Rev. 1, 10-01-03)**

**PM A-99-8**

The RHCs must furnish the following lab services to be approved as an RHC. However, these and other lab services that may be furnished are not included in the encounter rate and must be billed separately.

- Chemical examinations of urine by stick or tablet method or both;
- Hemoglobin or hematocrit;
- Blood sugar;
- Examination of stool specimens for occult blood;
- Pregnancy tests; and
- Primary culturing for transmittal to a certified laboratory (No CPT code available).

Effective January 1, 2001, independent RHCs/FQHCs bill all laboratory services to the carrier, and provider based RHCs/FQHCS bill all lab tests to the FI under the host provider's bill type. In either case payment is made under the fee schedule. HCPCS codes are required for lab services.

Refer to Chapter 16 for general billing instructions.

Refer to §40.4 for lab services included in the all-inclusive rate.

## **140 - FI/Carrier Coordination**

(Rev. 1, 10-01-03)

**B3-9204.D**

### **140.1 - FI Responsibility for Notifying Carrier**

(Rev. 1, 10-01-03)

**B3-9204.D**

Physicians associated with an RHC/FQHC may provide some services that are paid by the FI and some services that are paid by the carrier.

Within 60 days of certification of the RHC, the FI must send the carrier servicing the area in which the RHC is located, and also the RRB carrier the following information:

1. The names of all physicians associated with the clinic, their relationships with the clinic, and the address of any place other than the clinic where the physician renders services;

2. A copy of any written compensation agreement between the physician and the clinic; and

3. The names of **all** RHC physicians who must also provide coverage at the emergency room of hospitals at which they have staff privileges;

The FI will provide updates for accretions or deletions to the above information within 45 days of the occurrence.

## **140.2 - Special Carrier Actions Relating to RHCs/FQHCs** **(Rev. 1, 10-01-03)**

### **B3-9204**

The carrier, upon receipt of the notification that an independent RHC or FQHC has been approved, will contact the clinic and the associated physicians to determine if the RHC/FQHC will provide services that are covered by the program but not included in the definition of RHC/FQHC services. The carrier will instruct the RHC/FQHC and associated physician on the billing procedures for non-RHC/FQHC services.

Carriers should be aware that certain items and services furnished by clinics might be covered under the Medicare program but are not included in the definition of RHC or FQHC services. These services are listed in the Medicare Benefit Policy Manual, Chapter 13. The provider of these services should bill the carrier. Provider based RHCs/FQHCs will bill the FI. Carrier payment depends upon the usual carrier payment rules for the service, e.g., fee schedule.

The carrier also must edit claims to assure that it pays only for the non-RHC/FQHC services provided. Carriers should return inappropriate RHC/FQHC claims to the provider with a message to bill the FI.

## **150 – Initial Preventive Physical Examination (IPPE)**

***(Rev. 2034, Issued: 08-24-10, Effective: 01-01-11, Implementation: 01-03-11)***

Effective for services furnished on or after January 1, 2005, Section 611 of the Medicare Prescription Drug Improvement and Modernization Act of 2003 (MMA) provides for coverage under Part B of one initial preventive physical examination (IPPE) for new beneficiaries only, subject to certain eligibility and other limitations. For RHCs the Part B deductible for IPPE is waived for services provided on or after January 1, 2009. FQHC services are always exempt from the Part B deductible. Coinsurance is applicable. ***For RHCs and FQHCs coinsurance is waived for services provided on or after January 1, 2011.***

Payment for the professional services will be made under the all-inclusive rate. Encounters with more than one health professional and multiple encounters with the same health professionals that take place on the same day and at a single location generally

constitute a single visit. However, in rare circumstances an RHC/FQHC can receive a separate payment for an encounter in addition to the payment for the IPPE when they are performed on the same day.

RHCs and FQHCs must HCPCS code for IPPE for the following reasons:

- To avoid application of deductible (on RHC claims);
- To assure payment for this service in addition to another encounter on the same day if they are both separate, unrelated, and appropriate; and
- To update the CWF record to track this once in a lifetime benefit.

Beginning with dates of service on or after January 1, 2009 if an IPPE is provided in an RHC or FQHC, the professional portion of the service is billed to the FI or Part A MAC using TOBs 71X and 73X/77X, respectively, and the appropriate site of service revenue code in the 052X revenue code series, and must include HCPCS *code* G0402. Additional information on IPPE can be found in Chapter 18, section 80 of this manual.

**NOTE:** The technical component of an EKG performed at a clinic/center is not a Medicare-covered RHC/FQHC service and is not billed by the independent RHC/FQHC. Rather, it is billed to Medicare carriers or Part B MACs on professional claims (Form CMS-1500 or 837P) under the practitioner's ID following instructions for submitting practitioner claims. Likewise, the technical component of the EKG performed at a provider-based clinic/center is not a Medicare-covered RHC/FQHC service and is not billed by the provider-based RHC\FQHC. Instead, it is billed on the applicable TOB and submitted to the FI or Part A MAC using the base provider's ID following instructions for submitting claims to the FI/Part A MAC from the base provider. For the professional component of the EKG, there is no separate payment and no separate billing of it. The IPPE is the only HCPCS *code* for which the deductible is waived under this benefit. For more information on billing for a screening EKG see chapter 18 section 80 of this manual.

## **160 – Ultrasound Screening for Abdominal Aortic Aneurysm (AAA)** ***(Rev. 2034, Issued: 08-24-10, Effective: 01-01-11, Implementation: 01-03-11)***

Section 5112 of the Deficit Reduction Act of 2005 amended the Social Security Act to provide coverage under Part B of the Medicare program for a one-time ultrasound screening for abdominal aortic aneurysms (AAA). Payment for the professional services that meet all of the program requirements will be made under the all-inclusive rate. For RHCs the Part B deductible for screening AAA is waived for dates of service on or after January 1, 2007. FQHC services are always exempt from the Part B deductible. Coinsurance is applicable. Additional information on AAA can be found in Chapter 18, section 110 of this manual.

If the screening is provided in an RHC or FQHC, the professional portion of the service is billed to the FI or Part A MAC using TOBs 71X and 73X/77X, respectively, and the appropriate site of service revenue code in the 052X revenue code series and must include HCPCS *code* G0389.

If the AAA screening is provided in an independent RHC or freestanding FQHC, the technical component of the service can be billed by the practitioner to the carrier or Part B MAC under the practitioner's ID following instructions for submitting practitioner claims.

If the screening is provided in a provider-based RHC/FQHC, the technical component of the service can be billed by the base provider to the FI or Part A MAC under the base provider's ID, following instructions for submitting claims to the FI/Part A MAC from the base provider.

## **181 - Diabetes Self-Management Training (DSMT) Services Provided by RHCs and FQHCs**

*(Rev. 2034, Issued: 08-24-10, Effective: 01-01-11, Implementation: 01-03-11)*

### **A - FQHCs**

Previously, DSMT type services rendered by qualified registered dietitians or nutrition professionals were considered incident to services under the FQHC benefit, if all relevant program requirements were met. Therefore, separate all-inclusive encounter rate payment could not be made for the provision of DSMT services. With passage of DRA, effective January 1, 2006, FQHCs are eligible for a separate payment under Part B for these services provided they meet all program requirements. See Pub. 100-04, chapter 18, section 120. Payment is made at the all-inclusive encounter rate to the FQHC. This payment can be in addition to payment for any other qualifying visit on the same date of service as the beneficiary received qualifying DSMT services.

For FQHCs to qualify for a separate visit payment for DSMT services, the services must be a one-on-one face-to-face encounter. Group sessions don't constitute a billable visit for any FQHC services. Rather, the cost of group sessions is included in the calculation of the all-inclusive FQHC visit rate. To receive separate payment for DSMT services, the DSMT services must be billed on TOB 73x/77x with HCPCS code G0108 and the appropriate site of service revenue code in the 052X revenue code series. This payment can be in addition to payment for any other qualifying visit on the same date of service that the beneficiary received qualifying DSMT services as long as the claim for DSMT services contains the appropriate coding specified above. Additional information on DSMT can be found in Chapter 18, section 120 of this manual.

**NOTE:** DSMT is not a qualifying visit on the same day that MNT is provided.

Group services (G0109) do not meet the criteria for a separate qualifying encounter. All line items billed on TOBs 73x/77x with HCPCS codes for DSMT services will be denied.

## **B - RHCs**

Separate payment to RHCs for these practitioners/services continues to be precluded as these services are not within the scope of Medicare-covered RHC benefits. Note that the provision of the services by registered dietitians or nutritional professionals, might be considered incident to services in the RHC setting, provided all applicable conditions are met. However, they do not constitute an RHC visit, in and of themselves. All line items billed on TOB 71x with HCPCS code G0108 or G0109 will be denied.

## **182 – Medical Nutrition Therapy (MNT) Services**

*(Rev. 2034, Issued: 08-24-10, Effective: 01-01-11, Implementation: 01-03-11)*

### **A - FQHCs**

Previously, MNT type services were considered incident to services under the FQHC benefit, if all relevant program requirements were met. Therefore, separate all-inclusive encounter rate payment could not be made for the provision of MNT services. With passage of DRA, effective January 1, 2006, FQHCs are eligible for a separate payment under Part B for these services provided they meet all program requirements. Payment is made at the all-inclusive encounter rate to the FQHC. This payment can be in addition to payment for any other qualifying visit on the same date of service as the beneficiary received qualifying MNT services.

For FQHCs to qualify for a separate visit payment for MNT services, the services must be a one-on-one face-to-face encounter. Group sessions don't constitute a billable visit for any FQHC services. Rather, the cost of group sessions is included in the calculation of the all-inclusive FQHC visit rate. To receive payment for MNT services, the MNT services must be billed on TOB 73/x77x with the appropriate individual MNT HCPCS code (97802, 97803, or G0270) and with the appropriate site of service revenue code in the 052X revenue code series. This payment can be in addition to payment for any other qualifying visit on the same date of service as the beneficiary received qualifying MNT services as long as the claim for MNT services contain the appropriate coding specified above.

**NOTE:** MNT is not a qualifying visit on the same day that DSMT is provided.

Additional information on MNT can be found in Chapter 4, section 300 of this manual. Group services (HCPCS *code* 97804 or G0271) do not meet the criteria for a separate qualifying encounter. All line items billed on TOB 73x/77x with HCPCS code 97804 or G0271 will be denied.

## **B - RHCs**

Separate payment to RHCs for these practitioners/services continues to be precluded as these services are not within the scope of Medicare-covered RHC benefits. All line items billed on TOB 71x with HCPCS codes for MNT services will be denied.

## **200 - Agreements Between CMS and RHC/FQHC**

**(Rev. 1, 10-01-03)**

### **RHC-310**

#### **200.1 - General**

**(Rev. 1, 10-01-03)**

##### **RHC-310**

A. CMS enters into an agreement with a rural health clinic (RHC) or federally qualified health center (FQHC) that wishes to participate in the Medicare program.

1. The RHCs - If a clinic is certified as an RHC, it receives a notice to that effect from CMS and two copies of the agreement.

2. The FQHCs - The Public Health Service (PHS) recommends to CMS those entities that meet the requirements of §§329, 330, and 340 of the PHS Act and wish to participate in Medicare as FQHCs. The entity must then seek approval from CMS by signing an agreement (i.e., an attestation statement) similar to the agreement signed by RHCs. The center receives a notice regarding approval of FQHC status from CMS and two copies of the agreement.

3. The following instructions are applicable both to RHCs and FQHCs. The RHC/FQHC must:

- Have both copies of the agreement signed by an authorized representative of the clinic or center (e.g., the director, supervising physician, or some other individual empowered to sign binding agreements on behalf of the clinic or center); and

- Return (file) both copies to the responsible CMS office or official as is specified in the instructions accompanying the agreement.

B. If CMS accepts the agreement filed by the clinic or center, it signs both copies of the agreement on behalf of the Secretary and returns one copy to the clinic or center along with a notice of acceptance and the date on which the agreement is effective.

**NOTE:** FQHC regulations were published on June 12, 1992. CMS mailed copies of the FQHC agreement (attestation statement) to entities qualified for FQHC status, including all entities approved by the PHS under §§329, 330, and 340 of the PHS Act and federally funded health centers.

The OBRA 1993 added a new program to the definition of FQHCs. An outpatient health program or facility operated by a tribe or tribal organization under the Indian Self-

Determination Act or by an urban Indian organization receiving funds under title V of the Indian Health Care Improvement Act are considered FQHCs as of October 1, 1991.

The FQHCs are required to meet all Federal requirements as of the date they select to begin furnishing services to Medicare beneficiaries.

After August 11, 1992, FQHCs, except those facilities approved under the Indian Self-Determination Act or the Indian Health Care Improvement Act, cannot submit agreements seeking to qualify to provide FQHC services for periods prior to the date of submission.

## **200.2 - Duration of RHC/FQHC Agreement (Rev. 1, 10-01-03)**

### **RHC-311**

Agreements between RHCs/FQHCs and CMS are generally for a term of one year. They may be annually renewed by mutual agreement of the RHC/FQHC and CMS. A new agreement need not be signed each year. Special circumstances may result in a term of less than one year for an initial agreement, e.g., a clinic or center may wish the agreement year to run concurrently with the RHC/FQHC's fiscal year or have some other technical considerations. If CMS refuses to renew an agreement, the RHC/FQHC may appeal as explained in §200.3.

If the RHC/FQHC wishes to terminate the agreement during the term of the agreement, see §220. If CMS terminates the agreement during the term of the agreement, see §220.2.

## **200.3 - Appeals by Entities With Respect to Agreements (Certification) (Rev. 1, 10-01-03)**

### **RHC-313**

#### **A. Appeals Regarding Failure to Certify or CMS Refusal to Enter Into or Renew an Agreement**

A clinic or center may appeal CMS's decision in accordance with the provisions of 42 CFR Part 498, if CMS makes a determination with respect to the following matters:

- Whether a clinic or center meets the appropriate conditions for approval;
- Whether a non-grantee center meets the requirements under the PHS law and the appropriate conditions for approval;
- Whether a prospective RHC/FQHC qualifies as a supplier; or
- Whether a supplier continues to meet the appropriate conditions for approval.

## **B. Filing Appeals**

A clinic or center dissatisfied with one of the above determinations may file a request for hearing with the Associate Regional Administrator, Divisions of Medicaid and State Operations/Divisions of Health Standards and Quality. The RO provides a description of the procedure to be followed and the necessary forms and other requirements for filing such an appeal.

### **210 - Content and Terms of Agreements (Rev. 1, 10-01-03)**

#### **RHC-320**

In the agreement/attestation statement signed by an RHC or FQHC, the clinic or center agrees to maintain its compliance with all of the conditions for certification/coverage in 42 CFR Part 491. If a clinic/center fails to maintain compliance with one or more of the conditions, it must promptly report this (usually within 30 days of the failure) to the responsible CMS office or official. Failure to report promptly may be a cause for termination of the clinic/center's agreement.

#### **210.1 - Charges to Beneficiaries (Rev. 1, 10-01-03)**

##### **RHC-321**

In the agreement/attestation statement signed by the RHC or FQHC, the clinic or center agrees not to charge Medicare beneficiaries (or any other person acting on a beneficiary's behalf) for any RHC/FQHC service for which Medicare beneficiaries are entitled to have payment made on their behalf by the Medicare program. This includes

- Deductible (as prescribed in §50)
- Coinsurance (as prescribed in §50)
- Items or services for which the beneficiary would have been entitled to have payment made had the RHC or FQHC filed a request for payment. The amount of Medicare payment to an FQHC is unaffected by its waiver of the Part B coinsurance for those beneficiaries with incomes up to 200 percent of the poverty level in accordance with the requirements of the PHS sliding fee scale. (See the PHS "Program Expectations for Community and Migrant Health Centers.").
- The clinic or center may charge the beneficiary for items and services which are not Medicare covered services.

#### **210.2 - Refunds to Beneficiaries**

**(Rev. 1, 10-01-03)**

## **RHC-322**

### **A. Money Incorrectly Collected**

The agreement between CMS and the RHC or FQHC, the clinic/center agrees to refund as promptly as possible any money incorrectly collected from Medicare beneficiaries or from someone on their behalf.

### **B. Definition of Money Incorrectly Collected**

Money incorrectly collected means any amount for covered services that is greater than the amount for which the beneficiary was liable because of the deductible (except for FQHC services) and coinsurance requirements.

Amounts are considered to have been incorrectly collected because the clinic or center believed the beneficiary was not entitled to Medicare benefits but:

- The beneficiary was later determined to have been entitled to Medicare benefits;
- The beneficiary's entitlement period fell within the time the clinic or center's agreement with CMS was in effect; and
- Such amounts exceed the beneficiary's deductible (except for FQHC services) and coinsurance liability.

## **210.3 - Treatment of Beneficiaries**

**(Rev. 1, 10-01-03)**

## **RHC-323**

In the agreement between CMS and the RHC or FQHC, the clinic or center agrees to accept Medicare beneficiaries for care and treatment. The clinic or center cannot impose any limitations with respect to care and treatment of Medicare beneficiaries that it does not also impose on all other persons seeking care and treatment from the RHC or FQHC. If the RHC or FQHC does not furnish treatment for certain illnesses and conditions to patients who are not Medicare beneficiaries, it need not furnish such treatment to Medicare beneficiaries in order to participate in the Medicare program. It may not, however, refuse to furnish treatment for certain illnesses or conditions to Medicare beneficiaries if it furnishes such treatment to others. Failure to abide by this rule is a cause for termination of the clinic or center's agreement to participate in the Medicare program.

## **220 - Termination of Agreement**

**(Rev. 1, 10-01-03)**

## **RHC-330**

### **220.1 - Termination of Agreement by Clinic or Center**

**(Rev. 1, 10-01-03)**

#### **RHC-330**

##### **A. General Rule**

An RHC or FQHC that wishes to terminate its agreement to participate in the Medicare program may do so by:

1. Filing with CMS a written notice stating its intention to terminate its agreement; and
2. Informing CMS of the date upon which it wishes the termination to take effect.

##### **B. Effective Date**

Upon receiving the clinic or center's notice of its intention to terminate the agreement, CMS will set a date upon which the termination will take effect. This effective date may be:

- The date proposed by the clinic or center in its notice of intention to terminate the agreement; or
- A date set by CMS, which can be no later than six months after the date the clinic or center's notice of intention to terminate was received.

The effective date of termination may be less than six months following CMS's receipt of the clinic or center's notice of its intention to terminate if CMS determines that termination on that date would not:

- Unduly disrupt the furnishing of RHC/FQHC services to the community serviced by the clinic or center; or
- Otherwise interfere with the effective and efficient administration of the Medicare program.

##### **C. Voluntary Termination Without Notice of Intent**

An RHC or FQHC is considered to have voluntarily terminated its agreement if it ceases to furnish RHC or FQHC services to the community. The termination is effective after the last day of business of the clinic or center.

### **220.2 - Termination by CMS**

**(Rev. 1, 10-01-03)**

## **RHC-331**

### **A. General Rule**

The CMS may terminate an agreement with an RHC or FQHC if it finds that the clinic or center:

- No longer qualifies as a supplier; or
- Is not in substantial compliance with:
  - The provisions to the agreement;
  - The requirements of 42 CFR Part 405, Subpart X and Part 491;
  - Any other applicable Medicare regulations in 42 CFR; or
  - Any other applicable provisions of title XVIII of the Act.

### **B. Notice by CMS**

The CMS will notify the RHC or FQHC in writing of its intention to terminate the agreement at least 15 days before the effective date stated in the written notice.

### **C. Clinic or Center Appeal**

An RHC or an FQHC may request an appeal of CMS's decision to terminate the agreement in accordance with the provisions of 42 CFR Part 498.

### **D. Change of Ownership**

When an RHC or FQHC undergoes a change of ownership, the agreement with the existing clinic or center is automatically assigned to the new owner so that there is no interruption in service. However, a new agreement with updated information must subsequently be signed. Only if the clinic or center, under the change of ownership, meets the applicable requirements for approval can the agreement be executed. For FQHCs, these requirements include PHS approval.

An RHC or FQHC that plans to change ownership must give advance notice of its intention so that a new agreement can be negotiated or so that the public may be given sufficient notice in the event that the new owners do not wish to participate in the Medicare program. A clinic or center that plans to enter into a lease arrangement (in whole or in part) should also give advance notice of its intention.

A change of ownership occurs, for example, when:

- A sole proprietor transfers title and property to another party (applicable only to RHCs);
- In the case of a partnership, there is an addition, removal, or substitution of a partner;
- An incorporated RHC or FQHC merges with an incorporated entity, which is approved by the program, and the nonapproved entity is the surviving corporation. It also occurs when two or more corporate clinics or centers consolidate and the consolidation results in the creation of a new corporate entity;
- An unincorporated RHC (a sole proprietorship or partnership) becomes incorporated; or
- The lease of all or part of an entity constitutes a change of ownership of the leased portion.

### **220.3 - Effect of Termination** (Rev. 1, 10-01-03)

#### **RHC-332**

When an RHC or FQHC agreement is terminated, whether by the entity or by CMS, no payment is available to the RHC or FQHC for services it furnishes to Medicare beneficiaries on or after the effective date of the termination.

### **220.4 - Notice to the Public** (Rev. 1, 10-01-03)

#### **RHC-333**

Public notice of both the effective date and the effect of termination of an RHC or FQHC agreement is made 15 days before the effective date of the termination in at least one newspaper of general circulation in the area serviced by the clinic or center. This notice must be given by:

- The clinic or center if it has voluntarily terminated the agreement, and CMS has approved the termination and set an effective date for the termination; and
- CMS when it has terminated the agreement.

### **220.5 - Conditions for Reinstatement of Clinic or Center Terminated by CMS** (Rev. 1, 10-01-03)

## **RHC-334**

When an agreement with an RHC or FQHC has been terminated by CMS, CMS does not enter into another agreement with the clinic or center to participate in the Medicare program unless CMS:

- Finds that the reason for the termination no longer exists; and
- Is assured that the reason for termination of the prior agreement will not recur.

## Transmittals Issued for this Chapter

| <b>Rev #</b>                   | <b>Issue Date</b> | <b>Subject</b>   | <b>Impl Date</b> | <b>CR#</b> |
|--------------------------------|-------------------|--|------------------|------------|
| <a href="#"><u>R2034CP</u></a> | 08/24/2010        | Affordable Care Act (ACA) Mandated Collection of Federally Qualified Health Center (FQHC) Data and Updates to Preventive Services Provided by FQHCs  | 01/03/2011       | 7038       |
| <a href="#"><u>R2013CP</u></a> | 07/30/2010        | Affordable Care Act (ACA) Mandated Collection of Federally Qualified Health Center (FQHC) Data and Updates to Preventive Services Provided by FQHCs - Rescinded and replaced by Transmittal 2034 | 01/03/2011       | 7038       |
| <a href="#"><u>R1843CP</u></a> | 10/30/2009        | Outpatient Mental Health Treatment Limitation  | 01/04/2010       | 6686       |
| <a href="#"><u>R1719CP</u></a> | 04/24/2009        | Rural Health Clinic (RHC) and Federally Qualified Health Clinic (FQHC) Updates   | 10/05/2009       | 6445       |
| <a href="#"><u>R1707CP</u></a> | 03/27/2009        | Assignment of Initial Enrollment FQHC'S, ESRD Facilities, and RHC's  | 04/27/2009       | 6207       |
| <a href="#"><u>R1472CP</u></a> | 03/06/2008        | Update of Institutional Claims References  | 04/07/2008       | 5893       |
| <a href="#"><u>R1426CP</u></a> | 02/01/2008        | Announcement of Medicare Rural Health Clinics (RHCs) and Federally Qualified Health Centers (FQHCs) Payment Rate Increases   | 02/12/2008       | 5896       |
| <a href="#"><u>R1421CP</u></a> | 01/25/2008        | Update of Institutional Claims References - Rescinded and Replaced by Transmittal 1472   | 04/07/2008       | 5893       |
| <a href="#"><u>R1255CP</u></a> | 05/25/2007        | Guidelines for Payment of Diabetes Self-Management Training DSMT)  | 07/02/2007       | 5433       |
| <a href="#"><u>R1158CP</u></a> | 01/19/2007        | Guidelines for Payment of Diabetes Self-Management Training DSMT) – Replaced by Transmittal 1255   | 07/02/2007       | 5433       |
| <a href="#"><u>R820CP</u></a>  | 02/01/2006        | Sites of Service Revenue Codes for Rural Health Clinics and Federally Qualified Health Centers   | 07/03/2006       | 4210       |

|               |            |  |            |      |
|---------------|------------|--|------------|------|
| <u>R794CP</u> | 12/29/2005 | Announcement of Medicare Supplemental Payments to Federally Qualified Health Centers Under Contract with Medicare Advantage Plan | 04/03/2006 | 3886 |
| <u>R773CP</u> | 12/02/2005 | Announcement of the Medicare Federally Qualified Health Center Supplemental Payment  | 04/03/2006 | 3886 |
| <u>R771CP</u> | 12/02/2005 | Revisions to Pub. 100-04, Medicare Claims in Preparation for the National Provider Identifier (NPI)                              | 01/03/2006 | 4181 |
| <u>R371CP</u> | 11/19/2004 | Updated Billing Instructions for Rural Health Clinics (RHCs) and Federally Qualified Health Centers (FQHCs)                      | 04/04/2005 | 3487 |
| <u>R167CP</u> | 04/30/2004 | Discontinued Use of Revenue Code 0910  | 10/04/2004 | 3194 |
| <u>R001CP</u> | 10/01/2003 | Initial Publication of Manual  | NA         | NA   |

[Back to top of Chapter](#)