

## **Across-the-Board Provider Reimbursement Reductions**

Sometimes, states will look to reduce Medicaid expenditures simply by instituting across-the-board freezes in provider reimbursement, that is, they will refuse to increase any provider payment regardless of the payment methodology applicable to the provider. While states may have a good deal of leeway in establishing payment rates for most Medicaid providers, such discretion does not apply with regard to FQHC reimbursement. The federal statute is clear in mandating PPS reimbursement for FQHCs (or a alternative payment methodology that reimburses an FQHC no less than it would receive under PPS). It is also clear in requiring that such payment be increased yearly by the Medicare Economic Index (MEI) and by the cost incurred by the health center when it has added additional Medicaid covered services. 42 USC 1396a(bb) Application of a freeze on payment increases to health centers would put a state directly in violation of federal law.

(3) have been screened for breast and cervical cancer under the Centers for Disease Control and Prevention breast and cervical cancer early detection program established under title XV of the Public Health Service Act (42 U.S.C. 300k et seq.) in accordance with the requirements of section 300n of this title and need treatment for breast or cervical cancer; and

(4) are not otherwise covered under creditable coverage, as defined in section 300gg(c) of this title, but applied without regard to paragraph (1)(F) of such section.

**(bb) Payment for services provided by Federally-qualified health centers and rural health clinics**

**(1) In general**

Beginning with fiscal year 2001 with respect to services furnished on or after January 1, 2001, and each succeeding fiscal year, the State plan shall provide for payment for services described in section 1396d(a)(2)(C) of this title furnished by a Federally-qualified health center and services described in section 1396d(a)(2)(B) of this title furnished by a rural health clinic in accordance with the provisions of this subsection.

**(2) Fiscal year 2001**

Subject to paragraph (4), for services furnished on and after January 1, 2001, during fiscal year 2001, the State plan shall provide for payment for such services in an amount (calculated on a per visit basis) that is equal to 100 percent of the average of the costs of the center or clinic of furnishing such services during fiscal years 1999 and 2000 which are reasonable and related to the cost of furnishing such services, or based on such other tests of reasonableness as the Secretary prescribes in regulations under section 1395l(a)(3) of this title, or, in the case of services to which such regulations do not apply, the same methodology used under section 1395l(a)(3) of this title, adjusted to take into account any increase or decrease in the scope of such services furnished by the center or clinic during fiscal year 2001.

**(3) Fiscal year 2002 and succeeding fiscal years**

Subject to paragraph (4), for services furnished during fiscal year 2002 or a succeeding fiscal year, the State plan shall provide for payment for such services in an amount (calculated on a per visit basis) that is equal to the amount calculated for such services under this subsection for the preceding fiscal year—

(A) increased by the percentage increase in the MEI (as defined in section 1395u(i)(3) of this title) applicable to primary care services (as defined in section 1395u(i)(4) of this title) for that fiscal year; and

(B) adjusted to take into account any increase or decrease in the scope of such services furnished by the center or clinic during that fiscal year.

**(4) Establishment of initial year payment amount for new centers or clinics**

In any case in which an entity first qualifies as a Federally-qualified health center or rural health clinic after fiscal year 2000, the State plan shall provide for payment for services described in section 1396d(a)(2)(C) of this title furnished by the center or services described in section 1396d(a)(2)(B) of this title furnished by the clinic in the first fiscal year in which the center or clinic so qualifies in an amount (calculated on a per visit basis) that is equal to 100 percent of the costs of furnishing such services during such fiscal year based on the rates established under this subsection for the fiscal year for other such centers or clinics located in the same or adjacent area with a similar case load

or, in the absence of such a center or clinic, in accordance with the regulations and methodology referred to in paragraph (2) or based on such other tests of reasonableness as the Secretary may specify. For each fiscal year following the fiscal year in which the entity first qualifies as a Federally-qualified health center or rural health clinic, the State plan shall provide for the payment amount to be calculated in accordance with paragraph (3).

**(5) Administration in the case of managed care**

**(A) In general**

In the case of services furnished by a Federally-qualified health center or rural health clinic pursuant to a contract between the center or clinic and a managed care entity (as defined in section 1396u-2(a)(1)(B) of this title), the State plan shall provide for payment to the center or clinic by the State of a supplemental payment equal to the amount (if any) by which the amount determined under paragraphs (2), (3), and (4) of this subsection exceeds the amount of the payments provided under the contract.

**(B) Payment schedule**

The supplemental payment required under subparagraph (A) shall be made pursuant to a payment schedule agreed to by the State and the Federally-qualified health center or rural health clinic, but in no case less frequently than every 4 months.

**(6) Alternative payment methodologies**

Notwithstanding any other provision of this section, the State plan may provide for payment in any fiscal year to a Federally-qualified health center for services described in section 1396d(a)(2)(C) of this title or to a rural health clinic for services described in section 1396d(a)(2)(B) of this title in an amount which is determined under an alternative payment methodology that—

(A) is agreed to by the State and the center or clinic; and

(B) results in payment to the center or clinic of an amount which is at least equal to the amount otherwise required to be paid to the center or clinic under this section.

(Aug. 14, 1935, c. 531, Title XIX, § 1902, as added July 30, 1965, Pub.L. 89-97, Title I, § 121(a), 79 Stat. 344, and amended Jan. 2, 1968, Pub.L. 90-248, Title II, §§ 210(a)(6), 223(a), 224(a), (c)(1), 227(a), 228(a), 229(a), 231, 234(a), 235(a), 236(a), 237, 238, 241(f)(1) to (4), Title III, § 302(b), 81 Stat. 896, 901 to 906, 908, 911, 917, 929; Aug. 9, 1969, Pub.L. 91-56, § 2(c), (d), 83 Stat. 99; Dec. 28, 1971, Pub.L. 92-223, § 4(b), 85 Stat. 809; Oct. 30, 1972, Pub.L. 92-603, Title II, §§ 208(a), 209(a), (b)(1), 221(c)(5), 231, 232(a), 236(b), 237(a)(2), 239(a), (b), 240, 246(a), 249(a), 255(a), 268(a), 274(a), 278(a)(18) to (20), (b)(14), 298, 299A, 299D(b), 86 Stat. 1381, 1389, 1410, 1415 to 1418, 1424, 1426, 1446, 1450, 1452 to 1454, 1460, 1462; Dec. 31, 1973, Pub.L. 93-233, §§ 13(a)(2) to (10), 18(o) to (q), (x)(1) to (4), 87 Stat. 960 to 962, 971, 972; Aug. 7, 1974, Pub.L. 93-368, § 9(a), 88 Stat. 422; July 1, 1975, Pub.L. 94-48, §§ 1, 2, 89 Stat. 247; Dec. 31, 1975, Pub.L. 94-182, Title I, § 111(a), 89 Stat. 1054; Oct. 18, 1976, Pub.L. 94-552, § 1, 90 Stat. 2540; Oct. 25, 1977, Pub.L. 95-142, §§ 2(a)(3), (b)(1), 3(c)(1), 7(b), (c), 9, 19(b)(2), 20(b), 91 Stat. 1176, 1178, 1193, 1195, 1204, 1207; Dec. 13, 1977, Pub.L. 95-210, § 2(c), 91 Stat. 1488; Nov. 1, 1978, Pub.L. 95-559, § 14(a)(1), 92 Stat. 2140; June 17, 1980, Pub.L. 96-272, Title III, § 308(c), 94 Stat. 531; Dec. 5, 1980, Pub.L. 96-499, Title IX, §§ 902(b), 903(b), 905(a), 912(b), 913(c), (d), 914(b)(1), 916(b)(1), 918(b)(1), 962(a), 965(b), 94 Stat. 2613, 2615, 2618 to 2621, 2624, 2626, 2650, 2652; Dec. 28, 1980, Pub.L. 96-611, § 5(b), 94 Stat. 3568; Aug. 13, 1981, Pub.L. 97-35, Title XXI, §§ 2105(c), 2113(m), 2171(a), (b), 2172(a), 2173(a), (b)(1), (d), 2174(a), 2175(a), (d)(1), 2178(b), 2181(a)(2), 2182, 2193(c)(9), 95 Stat. 792, 795, 807 to 809, 811, 814 to 816, 828; Sept. 3, 1982, Pub.L. 97-248, Title I, §§ 131(a), (c) [formerly (b)], 132(a), (c), 134(a), 136(d), 137(a)(3), (b)(7) to (10), (e), 146(a), 96 Stat.