



*Strengthening Oklahoma's Safety Net,
One Community At A Time*

Board Bulletin

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PPS: Fair, Cost-Based Reimbursement for CHCs

Prospective Payment System (PPS) is a valued Community Health Center (CHC) program benefit but also one that is most debated in public forums. Over the years, PPS has been known as 'enhanced' reimbursement when, in actuality, should be called '**fair**' reimbursement for the vast array of CHC services provided. PPS was added under Medicare effective October 1, 1991 by an amendment to the Omnibus Reconciliation Act of 1990. Congress took this action to protect the federal CHC investment from being harmed by low reimbursement for actual services delivered. PPS is intended to ensure that all costs associated with CHC-required comprehensive services be adequately reimbursed by Medicare and Medicaid. When Medicaid reimbursement rates are low, CHCs cannot 'manage' financial risks by limiting patient panels since they must see all patients – regardless of ability to pay. As the 2010 Uniform Data System reports demonstrate, Oklahoma CHCs see those in greatest need of accessible, affordable health care including a large percentage of Medicaid enrollees. Oklahoma CHC patients by payor source were: 45.4% uninsured, 34.5% Medicaid, 7.9% Medicare and 12.2% private insurance. Oklahoma CHC patients by known income show that 64.7% were at or below 100% Federal Poverty Level (FPL) plus another 26.9% at or below 200% FPL. Grant funding is meant to offset sliding fee discounts for individuals at or below 200% FPL. With 91.6% of patients at or below 200% FPL, Oklahoma CHCs could not be sustainable without getting adequate Medicaid and Medicare reimbursement. Board members can help inform stakeholders of the purpose of PPS and its importance to CHC viability.

Fair Reimbursement for Services Delivered

Health care reform discussion focuses heavily on case management and design of support services that improve patient outcomes. When looking at PPS, it is important to know all services implemented beyond basic primary care that are necessary to achieve positive patient outcomes which include: accessible locations within the community; affordable transportation; translation services; targeted patient education; and patient tracking to ensure proper follow up. Boards must understand the breadth of services offered by their health centers and how they affect improved health outcomes when discussing PPS. Additionally, the following PPS factors must be considered to ensure that CHCs are maximizing reimbursement for long-term sustainability:

- **Scope of Project** – It is imperative that health centers are attentive to project scope as it impacts all program benefits, including PPS. Ongoing CHC grant applications require a three-part Form 5 that reports sites, services and activities and is on file in each grantee's Electronic Handbook (EHB) record. As part of proper grants management, CHCs must carefully review Form 5 to make sure it is completed correctly. For PPS purposes, Form 5 service sites and activities are critical – all of which must be included to receive PPS reimbursement. For more information on project scope, refer to the Health Resources and Services Administration (HRSA) Policy Information Notice (PIN) 2008-01 and Form 5 (A, B & C) - both can be accessed at www.bphc.hrsa.gov.
- **Cost Reporting Impact** – CHC leadership must make certain that accurate cost reports are being submitted in a timely manner to receive a fair PPS rate inclusive of all allowable costs. Having a robust health information technology program is critical for PPS and also provides the health center with data that will help determine cost centers for all services to aid in strategic planning. Health organization affiliations designed to reimburse based on quality of services rendered that result in improved patient outcomes (e.g., Accountable Care Organizations) will require health centers to have extensive cost data that documents a clear return on investment.
- **Diligence Required** – PPS rules and regulations must be monitored closely as they are known to change based on agency interpretation and budget scenarios. It is important that CHCs stay abreast of all PPS issues and be prepared to advocate for fair reimbursement using sound data to back up claims. It is imperative that all discussions and instruction related to PPS be documented to ensure fair reimbursement.

Board members, as CHC ambassadors, must be ready to defend PPS and other program benefits in light of the intense scrutiny that is accompanying federal and state budget reduction efforts. To review the entire series, visit www.okpca.org and click on the home page *Board Bulletin* link.

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