

SENATE BILL REPORT

SB 5758

As of February 21, 2015

Title: An act relating to federal medicaid payment reconciliations.

Brief Description: Concerning federal medicaid payment reconciliations.

Sponsors: Senators Honeyford, Becker, Hargrove, Frockt, Hatfield and Bailey.

Brief History:

Committee Activity: Ways & Means: 2/18/15.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Sandy Stith (786-7710)

Background: Under federal Medicare and Medicaid law, certain primary care clinics and medical practices may apply for designation as federally qualified health centers (FQHCs) or rural health centers (RHCs). FQHCs provide primary care services in underserved urban and rural areas and are nonprofit or public entities. RHCs are provider-based or freestanding facilities located in rural areas that are designated as shortage areas and may be for-profit, nonprofit or public entities. Both FQHCs and RHCs must be primarily engaged in providing outpatient health services and their staff must furnish those diagnostic and therapeutic services and supplies commonly furnished in a physician's office or the entry point into the health delivery system.

FQHCs and RHCs are unique in the methodology by which they are paid, not in the scope of coverage for which they are paid. FQHCs and RHCs are paid for encounters. An encounter is a face-to-face visit between a client and an FQHC or RHC provider exercising independent judgment when providing health care services to the client. For a health care service to be defined as an encounter, it must meet specific criteria. All services must be documented in the client's file in order to qualify for an encounter. Encounters are limited to one per client per day, except in the following circumstances:

- the client needs to be seen on the same day by different practitioners with different specialties; and
- the client needs to be seen multiple times on the same day due to unrelated diagnoses.

For clients enrolled in managed care plans, FQHCs and RHCs receive an enhancement payment for Title XIX – Medicaid, and Title XXI – Children's Health Insurance Program,

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clients in addition to the encounter payment received from the managed care plan. This enhancement is in compliance with federal rules to ensure that payment rates meet cost reimbursement requirements. Total payments are reconciled to ensure that managed care payments combined with the enhancement payments equal the fee-for-service encounter equivalent. If an FQHC or RHC is overpaid, the Health Care Authority (HCA) recoups the appropriate amount. If the FQHC or RHC is underpaid, HCA will pay the difference.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill: Beginning with calendar year 2014, HCA must complete annual reconciliation of enhancement payments for FQHCs and RHCs in accordance with the Medicaid State Plan for each calendar year in the following calendar year.

If the reconciliation is not complete for each calendar year in the following calendar year due to a failure of HCA to complete the reconciliation and an amount is owed to the provider, those amounts will accrue annual interest at the rate of 10 percent beginning January 1 in the year following the year in which the reconciliation should have been completed.

If the reconciliation is not complete for each calendar year in the following calendar year due to a failure of HCA to complete the reconciliation and an amount is owed by the provider for any reason, HCA must take no effort to collect those payments.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: RHCs are clinics that focus on primary care in rural areas. We have been working with HCA since 2009 on the reconciliation process since 2009. The amount HCA pays for Medicaid clients is what they deem to be fair and accurate. Years later they come back with a reconciliation and claim they may have paid the clinic incorrectly and want to take back hundreds of thousands of dollars. It was only through the help of the Legislature in 2013 that the 2009 amounts were offset. However, HCA hasn't completed 2010 and hasn't begun 2011 or later years. We urge support of this bill. It is a good law with no fiscal impact and provides incentives for HCA to complete these reconciliations according to the state's Medicaid plan. In the four years since the RHCs have been working on this process, 20 percent have gone out of business. The primary reason RHCs have gone out of business or been sold to hospitals has been HCA's administration of this program. Under current plan and law, reconciliation must be completed in the following year. This is a protection bill for rural providers.

OTHER: We agree that the process is broken. The process needs to be fixed. We are not in agreement with the language of the amendment. We don't believe this will help get the process done within the annual timeframe. We are happy to work with staff on language if the bill moves forward. We have interest in working with the parties on the process. We

have made improvements and will continue to do so. We agree that the substitute bill has inadvertent consequences. If work proceeds too quickly, it could reduce payments to providers. If payments are unable to be recouped, the act does not absolve HCA of responsibility to pay back the federal share of the payments.

Persons Testifying: PRO: DJ Wilson, Rural Health Clinic Assn. of WA; Lisa McKay, NW Pediatric Center.

OTHER: Len Mc Comb, WA State Hospital Assn.; Dennis Martin, HCA.