

Improving Rural Health Clinic Payments

The Consolidated Appropriations Act, 2021



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Agenda

Improving Rural Health Clinic Payments | The Consolidated Appropriations Act, 2021

May 14, 2021

1

Historical RHC Rate Setting

2

Consolidated Appropriations Act – December 2020

- Freestanding RHC Impacts
- RHC in a Hospital with Less than 50 Beds

3

Strategic Thoughts

RHC Rates Prior to 4/1/2021

Rural Health Clinics attached to a rural hospital with less than 50 beds;

- Uncapped cost per visit, updated annually with the filing of the Medicare cost report

Freestanding Rural Health Clinics

- Paid the lesser of (1) Cost per visit or (2) Published per visit limit (currently \$87.52 effective 1/1/2021)

Catalyst for a Change in RHC Payment Rates

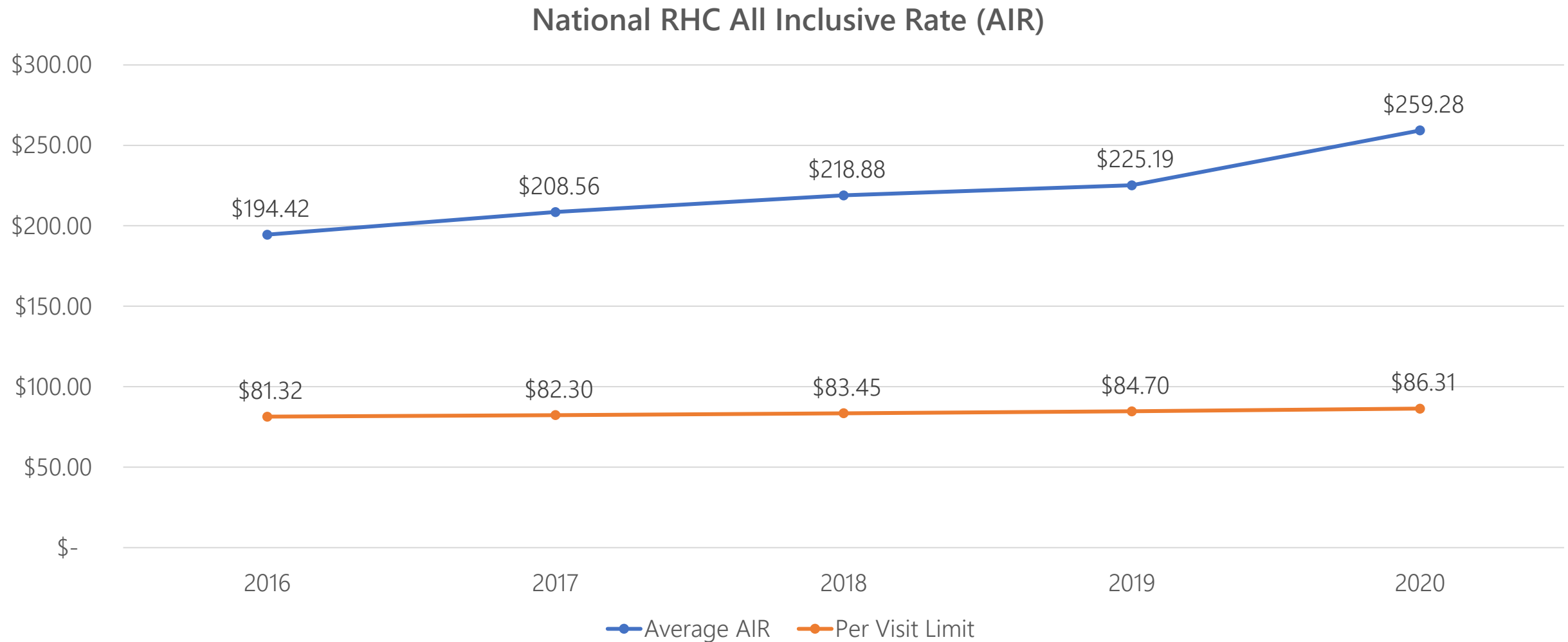
How did this payment reform come about?

- Large push for site-neutral payments in Washington.
- The per visit cap on independent and hospital-based RHCs with more than 50 beds was well below cost. This led to the closing of hundreds of RHCs
 - Average cost per visit per NARHC – over \$130 per visit
 - Per visit cap - \$87.52 effective 1/1/2021

Average per visit payment for uncapped RHCs was about \$237

- Many with significantly higher rates

Historical – National Average AIR with Per Visit Limit



5-year look-back

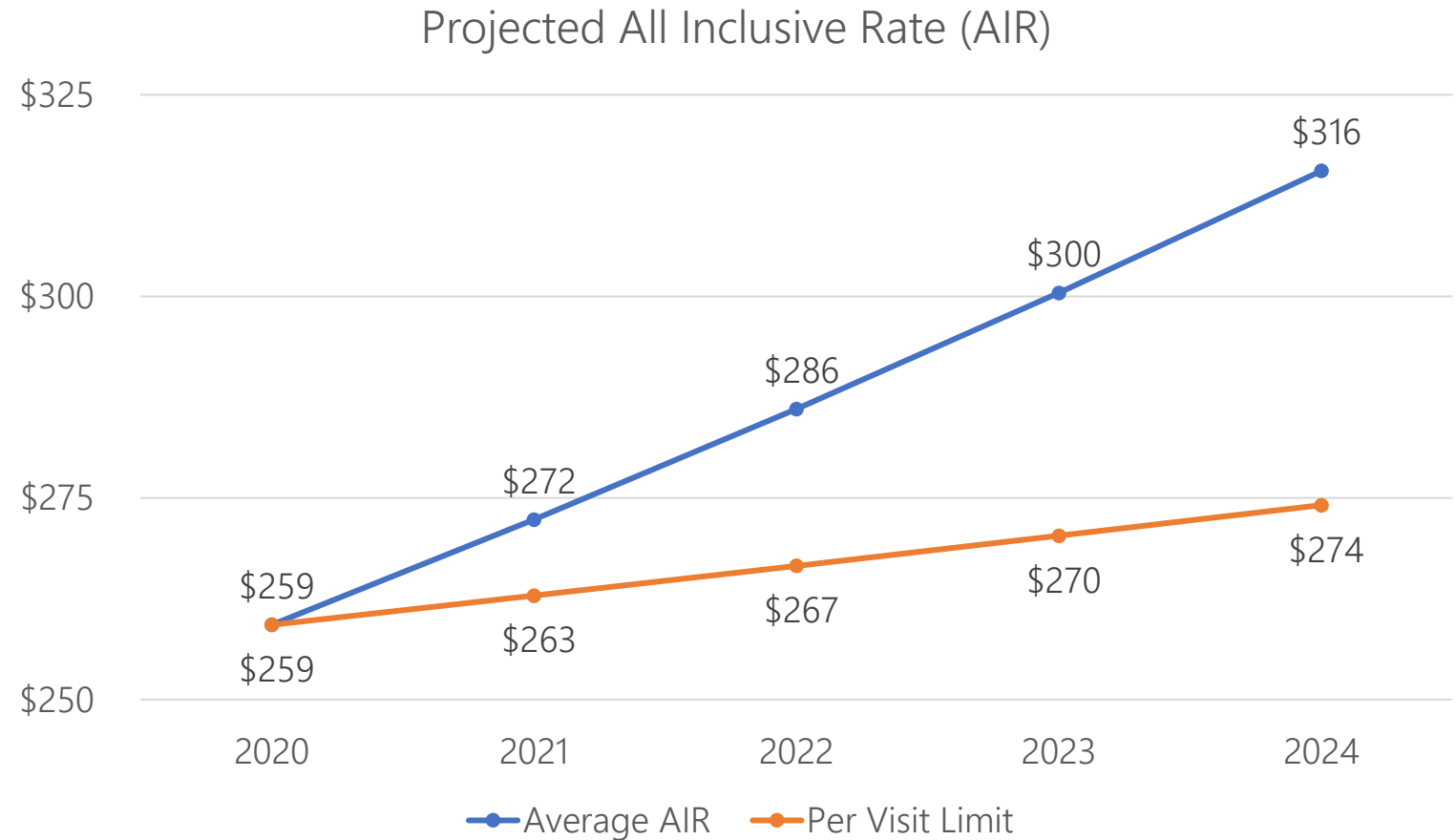
Average increase in RHC cost per visit is about 5.03%

- Excludes FY2020 global pandemic. If FY2020 were included this would be 7.56%

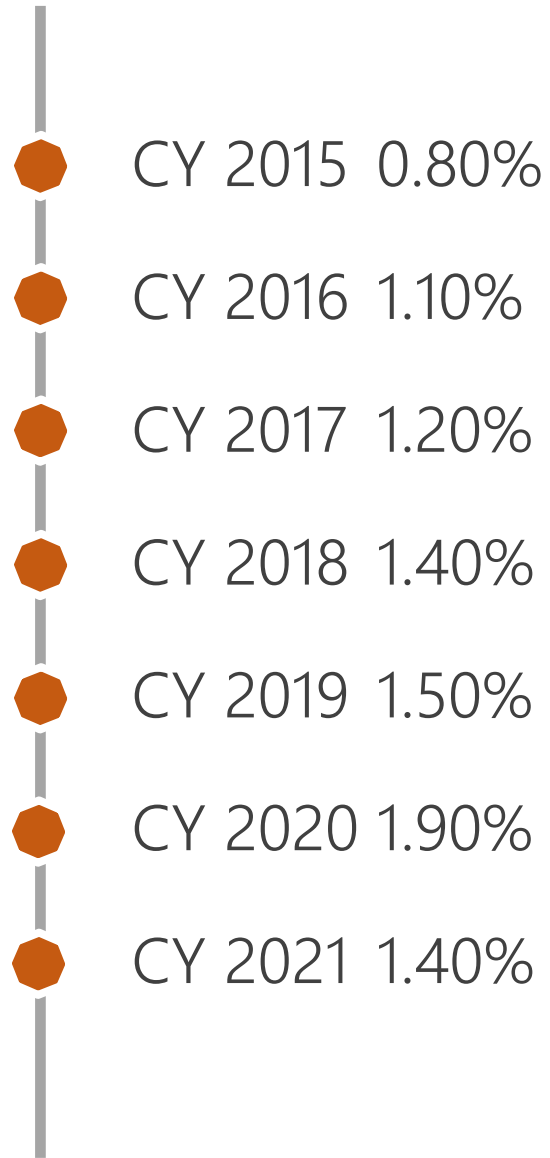
	2016	2017	2018	2019	2020
Average AIR	\$ 194.42	\$ 208.56	\$ 218.88	\$ 225.19	\$ 259.28
Per Visit Limit	\$ 81.32	\$ 82.30	\$ 83.45	\$ 84.70	\$ 86.31
Maximum AIR	\$ 694	\$ 1,087	\$ 891	\$ 1,415	\$ 3,173
Minimum AIR	\$ 40	\$ 5	\$ 66	\$ 24	\$ 70
Dollar Increase		\$ 14.13	\$ 10.33	\$ 6.31	\$ 34.09
% increase		7.27%	4.95%	2.88%	15.14%

Projected –
National Average
AIR with Facility
Specific Cap

Use average increase 5.03% to assumed MEI of 1.4%



Historical MEI



Consolidated Appropriations Act – 2021

- Updated per visit payment limits through 2028.
- The limit increases 13% from 2021 to 2022. The limit continues to increase through 2028.
- In 2028 the limit will be \$190. This will increase thereafter based on the Medicare Economic Index (MEI)
- Applicable to RHCs other than those described in 3B (in a hospital with less than 50 beds as of 12/31/2019)

14 “(2) In establishing limits under subsection (a) on
15 payment for rural health clinic services furnished on or
16 after April 1, 2021, by a rural health clinic (other than
17 a rural health clinic described in paragraph (3)(B)), the
18 Secretary shall establish such limit, for services pro-
19 vided—

20 “(A) in 2021, after March 31, at \$100 per
21 visit;

22 “(B) in 2022, at \$113 per visit;

23 “(C) in 2023, at \$126 per visit;

24 “(D) in 2024, at \$139 per visit;

25 “(E) in 2025, at \$152 per visit;

2226

1 “(F) in 2026, at \$165 per visit;

2 “(G) in 2027, at \$178 per visit;

3 “(H) in 2028, at \$190 per visit; and

4 “(I) in a subsequent year, at the limit estab-
5 lished under this paragraph for the previous year in-
6 creased by the percentage increase in the MEI appli-
7 cable to primary care services furnished as of the
8 first day of such subsequent year.

Hospital-based RHC – Per Visit Cap

12 subparagraph (B), the Secretary shall establish such limit,
13 with respect to each such rural health clinic, for services
14 provided—

15 “(i) in 2021, after March 31, at an amount
16 equal to the greater of—

17 “(I) the per visit payment amount applica-
18 ble to such rural health clinic for rural health
19 clinic services furnished in 2020, increased by
20 the percentage increase in the MEI applicable
21 to primary care services furnished as of the
22 first day of 2021; or

23 “(II) the limit described in paragraph
24 (2)(A); and

- New per visit cap for previously uncapped RHCs
- Cap is equal to the greater of;
 - The per visit payment amount for RHC services furnished in 2020, increased by the MEI
 - The limitations in place on freestanding RHCs (\$100 effective 4/1/2021)
- Effective date is for services furnished on or after 4/1/2021

Reimbursement Opportunity #1 – 2020 Cost Per Visit Calculation (base year)

- Exception to Productivity Limits
- Verify FTEs reported
- Reporting of Telehealth Visit Counts
- Methodology to Carve out of Telehealth cost, Chronic Care Management costs, or other non-RHC costs

Reimbursement Opportunity #1 – 2020 Cost Per Visit Calculation (base year)

Worksheet M-2				
	Number of FTE Personnel	Total Visits	Minimum Productivity Standard (1)	Greater of Minimum Visits (col. 1 x col. 3) or col. 2 or col. 4
	1	2	3	4
1 Physician	1,228	0.65	4,200	2,730
2 Physician Assistant	1,664	0.67	2,100	1,407
3 Nurse Practitioner	-	-	2,100	-
4 Subtotal	<u>2,892</u>	<u>1.32</u>		<u>4,137</u>
9 Physician Services Under Agreements				-
			Total Visits	<u>4,137</u>

	RHC #1	
	Worksheet M-2	
Total Costs	10	573,494
Nonreimb. Costs	11	10,399
Cost of All Svc	12	583,893
Ratio of RHC/FQHC Svc	13	0.98
Total Facility O/H	14	-
Parent O/H Allocated	15	512,602
Total Overhead	16	512,602
O/H applicable to RHC	19	503,472
Total Allowable RHC Cost	20	<u>1,076,966</u>

	Worksheet M-3	
Total RHC Cost	1	1,076,966
Vaccines	2	21,077
Cost less Vaccines	3	1,055,889
Total Visits	4	4,137
Physician Visits Under Agreement	5	-
Total Adj. Visits	6	4,137
Rate for Prog. Covered Visits	9	\$ 255.23
Prog Covered Visits	10	925
Total Prog Cost	16	236,088

Reimbursement Opportunity #1 – 2020 Cost Per Visit Calculation (base year)

Worksheet M-2					
	Number of FTE Personnel	Total Visits	Productivity Standard (1)	Minimum Visits (col. 1 x col. 3)	Greater of col. 2 or col. 4
	1	2	3	4	5
1 Physician	1,228	0.65	1,889	1,228	
2 Physician Assistant	1,664	0.67	2,100	1,407	
3 Nurse Practitioner	-	-	2,100	-	
4 Subtotal	<u>2,892</u>	<u>1.32</u>		<u>2,635</u>	2,892
9 Physician Services Under Agreements					-
			Total Visits		<u>2,892</u>

		RHC #1
Worksheet M-2		
Total Costs	10	573,494
Nonreimb. Costs	11	10,399
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Vaccines	2	21,077
Cost less Vaccines	3	1,055,889
Total Visits	4	2,892
Physician Visits Under Agreement	5	-
Total Adj. Visits	6	2,892
Rate for Prog. Covered Visits	9	\$ 365.11
Prog Covered Visits	10	925
Total Prog Cost	16	337,727

Reimbursement Opportunity #1 – 2020 Cost Per Visit Calculation (base year)

- Request a reduction to the Physician productivity standard
- Increased Medicare reimbursement in FY2020 of about \$101,000
- Increase in Base Year 2020 All Inclusive Rate (AIR) from \$252 to \$365. An increase of \$113 per visit or 45%
- This provider was about \$10 Million in net patient revenue in FY2020, clinic is about 3% of operations

Reimbursement Opportunity #2 – **Overhead Allocations**

Look for duplicate allocations of overhead within the trial balance

- Capital Costs
- Employee Benefits
- Administrative & General
- Utilities & Maintenance
- Housekeeping

Reimbursement Opportunity #2 – Overhead Allocations

Understanding how you are paid by Medicare for various costs

Example > This provider was about \$68 Million in net patient revenue; clinic is about 13% of operations

Medicare Cost Center	Cost Center Description	Impact of Adding \$1,000 of Cost To Cost Center	Cost Based Reimbursement Percentage
1.00	CAP COSTS-BLDG & FIXT	\$ 286	28.6%
2.00	CAP COSTS-MVBLE EQUIP	\$ 263	26.3%
4.00	EMPLOYEE BENEFITS DEPT	\$ 242	24.2%
5.01	ADMINISTRATIVE & GENERAL	\$ 232	23.2%
5.03	BUSINESS OFFICE & SAFETY	\$ 281	28.1%
5.04	DISCHARGE PLANNING	\$ 469	46.9%
6.00	MAINTENANCE & REPAIRS	\$ 262	26.2%
7.00	OPERATION OF PLANT	\$ 261	26.1%
8.00	LAUNDRY & LINEN SERVICE	\$ 324	32.4%
9.00	HOUSEKEEPING	\$ 261	26.1%
10.00	DIETARY	\$ 190	19.0%
11.00	CAFETERIA	\$ 272	27.2%
13.00	NURSING ADMINISTRATION	\$ 283	28.3%
14.00	CENTRAL SERVICES & SUPPLY	\$ 242	24.2%
15.00	PHARMACY	\$ 277	27.7%
16.00	MEDICAL RECORDS & LIBRARY	\$ 281	28.1%
17.00	SOCIAL SERVICE	\$ 487	48.7%
19.00	NONPHYSICIAN ANESTHETISTS	\$ 257	25.7%
30.00	ADULTS & PEDIATRICS	\$ 545	54.5%
31.00	INTENSIVE CARE UNIT	\$ 622	62.2%
88.00	RURAL HEALTH CLINIC - I	\$ 125	12.5%
90.00	CLINIC	\$ 116	11.6%
190.00	GIFT, FLOWER, COFFEE SHOP	\$ (25)	-2.5%

Reimbursement Opportunity #2 – Overhead Allocations

		WORKSHEET M-1					
		Salaries	Other	Total	Reclass	Adjustment	Total
FACILITY HEALTH CARE STAFF COSTS		S	O				
1	Physician	2,575,790	-	2,575,790	(52,273)		2,523,517
2	Physician Assistant	309,300	-	309,300	(9,019)		300,281
3	Nurse Practitioner	776,814	-	776,814	(25,124)		751,690
4	Visiting Nurse	-	-	-	-		-
5	Other Nurse	-	-	-	-		-
6	Clinical Psychologist	-	-	-	-		-
7	Clinical Social Worker	-	-	-	-		-
8	Laboratory Technician	-	-	-	-		-
9	Other Facility Health Care Staff Costs	2,030,203	206,389	2,236,592	(60,000)		2,176,592
10	Subtotal	5,692,107	206,389	5,898,496	(146,416)	-	5,752,080
COSTS UNDER AGREEMENT							
11	Physician Services Under Agreement	-	1,357,781	1,357,781	(50,801)		1,306,980
12	Physician Supervision Under Agreement	-	-	-	-		-
13	Other Costs Under Agreement	-	-	-	-		-
14	Subtotal	-	1,357,781	1,357,781	(50,801)	-	1,306,980
OTHER HEALTH CARE COSTS							
15	Medical Supplies	-	1,663,543	1,663,543			1,663,543
16	Transportation (Health Care Staff)	-	-	-			-
17	Depreciation-Medical Equipment	-	-	-			-
18	Professional Liability Insurance	-	-	-			-
19	Other Health Care Costs	-	78,470	78,470		-	78,470
21	Subtotal (sum of lines 15 through 20)	-	1,742,013	1,742,013	-	-	1,742,013
22	Total cost of Health Care Service	5,692,107	3,306,183	8,998,290	(197,217)	-	8,801,073

Reimbursement Opportunity #2 – **Overhead Allocations**

- Reclassify \$60,000 of Clinic Coordinator and Clinic Scheduler wages from RHC cost center 88 to Business Office cost center 5.03
- Update other Worksheet B Statistics such as Employee Benefits in cost center 4, FTE count in Cafeteria cost center 11
- Increased Medicare reimbursement of about \$15,000

Reimbursement Opportunity #3 – Clinic Statistics



What statistics are included on RHC line 88

- Square Footage
- Gross Wages
- FTE Count

Understanding how you are paid by Medicare for various costs

Example > This provider was about \$13.8 Million in net patient revenue. Four RHCs file consolidated on cost center 88. Clinics are about 11% of operations

Medicare Cost Center	Cost Center Description	Impact of Adding \$1,000 of Cost To Cost Center	Cost Based Reimbursement Percentage
1.00	CAP COSTS-BLDG & FIXT	458	45.8%
2.00	CAP COSTS-MVBLE EQUIP	419	41.9%
4.00	EMPLOYEE BENEFITS	450	45.0%
5.00	ADMINISTRATIVE & GENERAL	422	42.2%
7.00	OPERATION OF PLANT	396	39.6%
8.00	LAUNDRY & LINEN SERVICE	515	51.5%
9.00	HOUSEKEEPING	394	39.4%
13.00	NURSING ADMINISTRATION	705	70.5%
16.00	MEDICAL RECORDS & LIBRARY	382	38.2%
19.00	NONPHYSICIAN ANESTHETISTS	376	37.6%
30.00	ADULTS & PEDIATRICS	799	79.9%
54.00	RADIOLOGY-DIAGNOSTIC	367	36.7%
60.00	LABORATORY	375	37.5%
73.00	DRUGS CHARGED	403	40.3%
76.01	DIABETIC EDUCATION	341	34.1%
88.00	RURAL HEALTH CLINIC	199	19.9%
91.00	EMERGENCY	269	26.9%
190.07	OTHER NON REIMBURSEABLE COST CENTER	(184)	-18.4%

Reimbursement Opportunity #3 – Clinic Statistics

		CAP COSTS-BLDG & FIXT
		1.00
		SQUARE FEET
B-1 Cost Allocations Statistic Detail		
Line	Department	Current Year Statistic
1	CAP COSTS-BLDG & FIXT	-
2	CAP COSTS-MVBLE EQUIP	-
4	EMPLOYEE BENEFITS	-
5	ADMINISTRATIVE & GENERAL	317
7	OPERATION OF PLANT	153
8	LAUNDRY & LINEN SERVICE	-
9	HOUSEKEEPING	-
13	NURSING ADMINISTRATION	-
16	MEDICAL RECORDS & LIBRARY	27
19	NONPHYSICIAN ANESTHETISTS	-
30	ADULTS & PEDIATRICS	-
54	RADIOLOGY-DIAGNOSTIC	-
60	LABORATORY	362
73	DRUGS CHARGED	-
76.01	DIABETIC EDUCATION	-
88	RURAL HEALTH CLINIC	9,742
91	EMERGENCY	-
190.07	OTHER NON REIMBURSEABLE COST CENTER	-
101	TOTAL	10,601

- Reclassify Administrative, Maintenance, Medical Records, and Lab square footage out of clinic cost center 88
- Update other Worksheet B Statistics that use square footage as the approved statistical basis; Operation of Plant and Housekeeping
- Increased Medicare reimbursement of about \$5,000

Reimbursement Opportunity #4 – **Hiring a New Provider (MD, PA, or NP)**

- List 3-5 things to consider when onboarding a new RHC physician
 - Ramp up period for new providers
 - Medical Directorship
 - Emergency Room coverage needs
 - Alternative Roles
- Previously, those exempt from cost per visit limitation would have 20% to 35% of a new provider's cost covered by Medicare
- Reimbursement now potentially impacted by both the productivity standards as well as cost per visit limits

Reimbursement Opportunity #4 – Hiring a New Provider (MD, PA, or NP)

NEW PROVIDER ADDED WITH CONTRACT ALL IN RHC DURING RAMP UP PERIOD

	Current Staffing	Add New Provider (1 FTE at \$250,000 All to RHC)	Revised Staffing
Total RHC Cost	\$ 1,055,889	\$ 250,000	\$ 1,305,889
Physician FTEs	0.65	1.00	1.65
Physician Assistant FTEs	0.67	-	0.67
Visits	2,892	2,000	4,892
Minimum Visit Requirement	4,137	4,200	8,337
Medicare % of Visits	32%	32%	32%
Medicare Visits	925	640	1,565
Cost Per Visit	\$ 255.23	\$ 59.52	\$ 156.64
Assumed Cost Per Visit Limit	N/A	\$ 257.00	\$ 257.00
Paid Cost Per Visit	\$ 255.23	\$ 59.52	\$ 156.64
Cost Based Reimbursement From Medicare Program	\$ 236,088	\$ 38,077	\$ 245,090
		Incremental Cost Based Reimbursement	\$ 9,002

Reimbursement Opportunity #4 – Hiring a New Provider (MD, PA, or NP)

	Current Staffing	Add New Provider (1 FTE at \$250,000 Split Role)	Revised Staffing
NEW PROVIDER ADDED WITH SPLIT CONTRACT DURING RAMP UP PERIOD			
Total RHC Cost	\$ 1,055,889	\$ 125,000	\$ 1,180,889
Physician FTEs	0.65	0.50	1.15
Physician Assistant FTEs	0.67	-	0.67
Visits	2,892	2,000	4,892
Minimum Visit Requirement	4,137	2,100	6,237
Medicare % of Visits	32%	32%	32%
Medicare Visits	925	640	1,565
Cost Per Visit	\$ 255.23	\$ 59.52	\$ 189.34
Assumed Cost Per Visit Limit	N/A	\$ 257.00	\$ 257.00
Paid Cost Per Visit	\$ 255.23	\$ 59.52	\$ 189.34
Cost Based Reimbursement From Medicare Program	\$ 236,088	\$ 38,077	\$ 296,253
		Incremental Cost Based Reimbursement From RHC	\$ 60,165
Salary Attributed to ER Coverage or Administrative Roles		\$ 125,000	
Estimated CAH Cost Based Reimbursement %		45%	
		Incremental Cost Based Reimbursement From ER/Admin Roles	\$ 56,250
		Incremental Cost Based Reimbursement Total	<u>\$ 116,415</u>

Reimbursement Opportunity #5 – **Adding a New RHC**

- Cap for all providers established on or after 12/31/2020
- Operational considerations
- Medicare Utilization
- Contracts that follow Medicare
- How does your State Medicaid plan pay for RHC services
- Retail 340B Impact
- Impact may change over time with higher limits



Other Payment Topic – **Vaccines**

Influenza, pneumococcal, & COVID-19 vaccines and their administration will be paid at 100% of reasonable cost through the Medicare cost report

COVID-19 Vaccine – for 2020 & 2021 include Original Medicare and Medicare Advantage

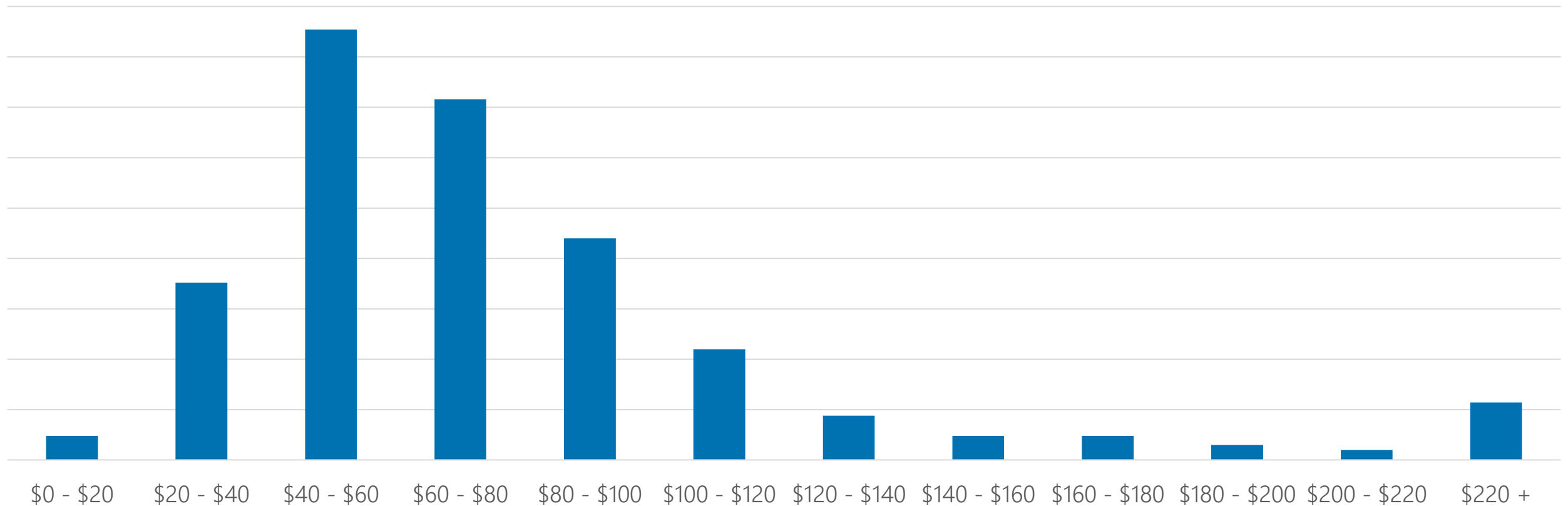
Other Payment Topic – National Pneumococcal Cost Per Injection 2019

National RHCs – 2019
Pneumococcal Cost Per Injection – Average \$289.75



Other Payment Topic – National Influenza Cost Per Injection 2019

National RHCs – 2019
Influenza Cost Per Injection – Average \$84.45







Other Payment Topic – Telehealth

- 2020 fee schedule payment \$92.03, effective 1/1/2021 this was updated to \$99.45
- Reported as 'Other than RHC service' on the Medicare cost report, not subject to cost-based reimbursement
- Advocacy groups are working to have telehealth visits counted as normal clinic RHC encounters

Other Future Strategic Thoughts to Consider

- Componentization of Cost Centers
- Capital Cost Center Identification
- Building Replacement
- Coinsurance Implications
- Physician Services Under Agreement

References

-  [The Consolidated Appropriations Act \(12/21/2020\) – Improving Rural Health Clinic Payments begins on page 4,691](#)
-  [RHC fix signed into law by the President April 14, 2021 H.R.1868 - 117th Congress \(2021-2022\): To prevent across-the-board direct spending cuts, and for other purposes. | Congress.gov | Library of Congress](#)
-  [Rural Health Clinics Center | CMS – COVID-19 Vaccines in RHCs](#)
-  [Telehealth Rates MLN Matters SE20016 \(cms.gov\)](#)

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