

WAC 182-548-1500 Federally qualified health centers—Change in scope of service rate adjustment. In accordance with 42 U.S.C. 1396a (bb)(3)(B), the agency will adjust its payment rate to a federally qualified health center (FQHC) to take into account any increase or decrease in the scope of the FQHC's services. The procedures and requirements for any such rate adjustment are described below.

(1) **Triggering events.**

(a) An FQHC may file a change in scope of services rate adjustment application on its own initiative only when:

(i) The cost to the FQHC of providing covered health care services to eligible clients has increased due to one or more of the following:

(A) A change in the type of health care services the FQHC provides;

(B) A change in the intensity of health care services the FQHC provides. Intensity means the total quantity of labor and materials consumed by an individual client during an average encounter has increased;

(C) A change in the duration of health care services the FQHC provides. Duration means the length of an average encounter has increased;

(D) A change in the amount of health care services the FQHC provides in an average encounter;

(E) Any change comparable to (a)(i)(A) through (D) of this subsection in which the type, intensity, duration or amount of services has decreased and the cost of an average encounter has decreased; and

(ii) The cost change equals or exceeds:

(A) An increase of one and three-quarters percent in the prospective payment system (PPS) rate per encounter over one year as measured by comparing the cost per encounter to the then current PPS rate;

(B) A decrease of two and one-half percent in the PPS rate per encounter over one year as measured by comparing the cost per encounter to the then current PPS rate; or

(C) A cumulative increase or decrease of five percent in the PPS rate per encounter as compared to the current year's cost per encounter; and

(iii) The costs reported to the agency to support the proposed change in scope rate adjustment are reasonable under OMB *Circular A-122* or successor (the *Uniform Grants Guidance*) and other applicable state and federal law.

(b) At any time, the agency may instruct the FQHC to file a Medicaid cost report with a statement of whether the FQHC asserts that its PPS rate should be increased or decreased due to a change in the scope of services (the FQHC "position statement").

(i) The FQHC must file a completed cost report and position statement no later than ninety calendar days after receiving the instruction from the agency to file same; provided, however, if the FQHC has recently completed its fiscal year at the time of the agency's request but has not received its annual audit by the time of the request, the FQHC may at its option wait and respond to the agency's request ninety days after the FQHC receives its annual audit or it may submit a cost report based on the prior year's audit.

(ii) The FQHC's cost report and position statement will be reviewed under the same criteria listed above for an application for a change in scope adjustment.

(iii) The agency will not request more than one change in scope in a calendar year.

(2) **Filing requirements.**

(a) The FQHC may apply for a prospective change in scope of service rate adjustment, a retrospective change in scope of service rate adjustment, or both, in a single application.

(i) Unless instructed to file an application by the agency, the FQHC may file no more than one change in scope of service application per calendar year; however, more than one type of change in scope may be included in a single application.

(ii) The FQHC must file for a change in scope of service rate adjustment no later than ninety days after the end of the calendar year in which the FQHC believes the change in scope occurred or in which the FQHC learned based on its annual audit that the cost threshold in subsection (1)(a)(ii) of this section was met, whichever is later.

(b) Prospective change in scope.

(i) To file a prospective change in scope of service rate adjustment application, the FQHC must submit projected costs sufficient to establish an interim rate. A prospective change is a change the FQHC plans to implement in the future. The interim rate adjustment will go into effect after the change takes effect.

(ii) The interim rate is subject to the post change in scope review and rate adjustment process defined in subsection (5) of this section.

(iii) If the change in scope occurs fewer than ninety days after the FQHC submitted a complete application to the agency, the interim rate must take effect no later than ninety days after the complete application was submitted to the agency.

(iv) The change in scope occurs more than ninety days but fewer than one hundred eighty days after the FQHC submitted a complete application to the agency, the interim rate takes effect when the change in scope occurs.

(v) If the FQHC fails to implement a change in service identified in its prospective change in scope of service rate adjustment application within one hundred eighty days, the application is void and the FQHC may resubmit the application to the agency, in which case, (a)(i) of this subsection does not apply.

(c) Retrospective change in scope.

(i) A retrospective change in scope of service rate adjustment application must state each qualifying event listed in subsection (1)(a)(i) of this section that supports its application and include twelve months of data documenting the cost change caused by the qualifying event. A retrospective change in scope is a change that took place in the past and the FQHC is seeking to adjust its rate based on that change.

(ii) If approved, a retrospective rate adjustment takes effect on the date the FQHC filed the application with the agency.

(3) **Supporting documentation.**

(a) To apply for a change in scope of service rate adjustment, the FQHC must include the following documentation in the application:

(i) A narrative description of the proposed change in scope;

(ii) A description of each cost center on the cost report that was or will be affected by the change in scope;

(iii) The FQHC's most recent audited financial statements, if audit is required by federal law;

(iv) The implementation date for the proposed change in scope; and

(v) Any additional documentation requested by the agency.

(b) A prospective change in scope of service rate adjustment application must also include projected medicaid cost report or projected medicare cost report with supplemental schedules necessary to identify the medicaid cost per visit for the twelve-month period following implementation of the change in scope.

(c) A retrospective change in scope of service rate adjustment application must also include the medicaid cost report or medicare cost report with supplemental schedules necessary to identify the medicaid cost per visit and encounter data for twelve months or the fiscal year following implementation of the proposed change in scope.

(4) Review of the application.

(a) Application processing.

(i) The agency must review the application for completeness, accuracy, and compliance with program rules.

(ii) Within sixty days of receiving the application, the agency must notify the FQHC of any deficient documentation or request any additional information that is necessary to process the application.

(iii) Within ninety days of receiving a complete application, the agency must send the FQHC:

(A) A decision stating whether it will implement a PPS rate change; and

(B) A rate-setting statement.

(iv) Failure to act within ninety days will mean that the change is considered denied by the agency and the FQHC may appeal the decision as provided for in subsection (6) of this section.

(b) Determining rate for change in scope.

(i) The agency must set an interim rate for prospective changes in scope by adjusting the FQHC's existing rate by the projected average cost per encounter of any approved change. The agency will review the costs to determine if they are reasonable, and set a new interim rate based on the determined cost per encounter.

(ii) The agency must set an adjusted encounter rate for retrospective changes in scope by adjusting the FQHC's existing rate by the documented average cost per encounter of the approved change. Projected costs per encounter may be used if there are insufficient historical data to establish the rate. The agency will review the costs to determine whether they are reasonable, and set a new rate based on the determined cost per encounter.

(c) If the FQHC is paid under an alternative payment methodology (APM), any change in scope of service rate adjustment requested by the FQHC will modify the PPS rate in addition to the APM.

(d) The agency may delegate the duties related to application processing and rate setting to a third party. The agency retains final authority for making decisions related to changes in scope.

(5) Post change in scope of services rate adjustment review.

(a) If the change in scope application was retrospective (i.e., based on a year or more of actual encounter data), the agency may conduct a post change in scope rate adjustment review.

(b) If the change in scope application was prospective (i.e., based on less than a full year of actual encounter data), the FQHC must submit the following information to the agency within eighteen months of the effective date of the rate adjustment:

(i) Medicaid cost report or medicare cost report with supplemental schedules necessary to identify the medicaid cost per visit and encounter data for twelve consecutive months of experience following implementation of the change in scope; and

(ii) Any additional documentation requested by the agency.

(c) The agency will conduct the post change in scope review within ninety days of receiving the cost report and encounter data from the FQHC.

(d) If necessary, the agency will adjust the encounter rate within ninety days to ensure that the rate reflects the reasonable cost of the change in scope of services.

(e) A rate adjustment based on a post change in scope review will take effect on the date the agency issues its adjustment. The new rate will be prospective.

(f) If the FQHC fails to submit the post change in scope cost report or related encounter data, the agency must provide written notice to the center or clinic of the deficiency within thirty days.

(g) If the FQHC fails to submit required documentation within five months of this deficiency notice, the agency may reinstate the prechange in scope encounter rate going forward from the date the interim rate was established. Any overpayment to the FQHC may be recouped by the agency.

(6) **Appeals.** Appeals of agency action under this section are governed by WAC 182-502-0220, except that any rate change begins on the date the agency received the change in scope of services rate adjustment application.

[Statutory Authority: RCW 41.05.021, 41.05.160. WSR 15-05-023, § 182-548-1500, filed 2/9/15, effective 3/12/15. WSR 11-14-075, recodified as § 182-548-1500, filed 6/30/11, effective 7/1/11. Statutory Authority: RCW 74.08.090, BIPA of 2000 Section 702, sections 201 and 209 of 2009-2011 budget bill, and 42 U.S.C. 1396a(bb). WSR 10-09-002, § 388-548-1500, filed 4/7/10, effective 5/8/10.]