

**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 adjusts 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 with the agency on its own initiative only when the FQHC satisfies the criteria described in (a)(i), (ii), and (iii) of this subsection.

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

(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.

(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.

(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 position statement indicating whether the FQHC asserts that its PPS rate should be increased or decreased due to a change in the scope of services.

(i) The FQHC files a completed cost report and position statement no later than 90 calendar days after receiving the instruction from the agency. If the FQHC has not received the annual audit report at the time of the agency's request, the FQHC informs the agency, in writing, that it will submit one of the following alternatives:

(A) The cost report and position statement within 90 calendar days of receiving its annual audit report; or

(B) The cost report and position statement based on the prior year's audit.

(ii) The agency reviews the FQHC's cost report and position statement 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.

(b) 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.

(c) The FQHC files for a change in scope of service rate adjustment based on the following deadlines, whichever is later:

(i) Ninety calendar days after the end of the FQHC's fiscal year, demonstrating that the change in scope occurred as documented in the medicaid cost report.

(ii) Ninety calendar days after the FQHC learned, based on its annual audit, that the cost threshold in subsection (1)(a)(ii) of this section was met during the fiscal year.

(d) Prospective change in scope.

(i) A prospective change in scope of service rate adjustment application must state each triggering event listed in subsection (1)(a)(i) of this section that supports the FQHC's application.

(ii) A prospective change in scope of service rate adjustment application must be based on one of the following:

(A) A change the FQHC plans to implement in the future. The FQHC submits 12 months of projected data and costs sufficient to establish an interim rate; or

(B) A change which occurred in the FQHC's most recent fiscal year with less than 12 months of experience to support the change reflected in the medicaid cost report. The FQHC submits a combination of historical data and projected costs sufficient to establish an interim rate.

(iii) The interim rate adjustment goes into effect after the change takes effect.

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

(v) If the change in scope occurs less than 90 calendar days after the FQHC submitted a complete application to the agency, the interim rate takes effect no later than 90 calendar days after the complete application was submitted to the agency.

(vi) If the change in scope occurs more than 90 calendar days but less than 180 calendar days after the FQHC submitted a complete application to the agency, the interim rate takes effect when the change in scope occurs.

(vii) If the FQHC fails to implement a change in service identified in its prospective change in scope of service rate adjustment application within 180 calendar days, the application is void and the FQHC may resubmit the application to the agency, in such a circumstance, (b) of this subsection does not apply.

(viii) If the change in scope is based on a triggering event that already occurred but is supported by less than 12 months of data in the filed cost report, the interim rate takes effect on the date the FQHC submitted the completed application to the agency.

(e) Retrospective change in scope.

(i) A retrospective change in scope of service rate adjustment application must state each triggering event listed in subsection (1)(a)(i) of this section that supports its application and include 12 months of data documenting the cost change caused by the triggering 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 submitted a complete application to the agency, as determined by the agency.

**(3) Supporting documentation.**

(a) To apply for a change in scope of service rate adjustment, the FQHC submits the following supporting documentation to the agency in electronic format by email to fqhcrhc@hca.wa.gov:

(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 the projected medicaid cost report and the projected medicare cost report with supplemental schedules necessary to identify the medicaid cost per visit for the 12-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 and the medicare cost report with supplemental schedules necessary to identify the medicaid cost per visit and encounter data for one of the following:

(i) The 12-month period following the implementation of the triggering event; or

(ii) The fiscal year following implementation of the proposed change in scope.

**(4) Review of the application.**

(a) Application processing.

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

(ii) Within 60 calendar days of receiving the application, the agency notifies the FQHC of any deficient documentation or request any additional information that is necessary to process the application. If the FQHC does not provide the agency with the documentation or information within 30 calendar days of the request, the agency may deny the application.

(iii) Within 90 calendar days of receiving a complete application, including any additional documentation or information that the agency might request, the agency sends the FQHC:

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

(B) A rate-setting statement if the rate change is implemented.

(iv) The FQHC may appeal the decision on the application as provided for in WAC 182-548-1650.

(b) Determining rate for change in scope.

(i) The agency sets 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 reviews the

costs to determine if they are reasonable, and set a new interim rate based on the determined cost per encounter.

(ii) The agency sets 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. The agency reviews 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 approved by the agency modifies 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 responsibility and authority for making decisions related to changes in scope.

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

(a) If the approved change in scope rate adjustment was based on a retrospective change in scope application (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 approved change in scope rate adjustment was based on a prospective change in scope application (i.e., based on less than a full year of actual encounter data), the FQHC submits the following information to the agency within 18 months of the effective date of the rate adjustment:

(i) Medicaid cost report and medicare cost report with supplemental schedules necessary to identify the medicaid cost per visit and encounter data for 12 consecutive months of experience following implementation of the change in scope;

(ii) A narrative description of the request;

(iii) A description of each cost center on the cost report that was affected by the change in scope;

(iv) The FQHC's most recent audited financial statements, if audit is required by applicable law; and

(v) Any additional documentation requested by the agency.

(c) The agency conducts the post change in scope review within 90 calendar days of receiving the cost report and encounter data from the FQHC.

(d) If necessary, the agency adjusts the encounter rate within 90 calendar 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 takes effect on the date the agency issues its adjustment. The new rate is prospective.

(f) If the FQHC fails to submit the post change in scope cost report or related encounter data, the agency provides written notice to the center or clinic within 30 calendar days.

(g) If the FQHC fails to submit required documentation within five months of the notice identified in (f) of this subsection, the agency may reinstate the prechange in scope encounter rate going forward from the date the interim rate was established. The agency may recoup any overpayment to the FQHC.

[Statutory Authority: 42 U.S.C. 1396a(bb), 42 U.S.C. 1396d (2) (A), RCW 41.05.021, and 41.05.160. WSR 22-22-049, § 182-548-1500, filed 10/27/22, effective 1/1/23. Statutory Authority: RCW 41.05.021 and 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.]