

WSR 26-01-208

PERMANENT RULES

HEALTH CARE AUTHORITY

[Filed December 24, 2025, 8:08 a.m., effective January 24, 2026]

Effective Date of Rule: Thirty-one days after filing.

Purpose: The health care authority (agency) amended this chapter to clarify rules for rural health clinics (RHC) applying for a change in scope rate adjustment and an interim-rate to final-rate adjustment. The agency clarified that it is the agency's intent to align with the medicare cost report (MCR) with regard to all-inclusive rates or individual rates by RHC; specifically, that the agency follows the rate structure calculated in the MCR when setting medicaid RHC encounter rates. If RHC encounter rates are combined on the MCR, medicaid encounter rates will be combined. If the MCR has split rates for each RHC on the cost report, medicaid encounter rates will be split for each clinic. Additionally, the agency added detailed clarification to the rules regarding adding dental services to an RHC through a change in scope application.

Citation of Rules Affected by this Order: Amending WAC 182-549-1100, 182-549-1400, and 182-549-1500.

Statutory Authority for Adoption: RCW 41.05.021 and 41.05.160.

Adopted under notice filed as WSR 25-23-028 on November 12, 2025.

Number of Sections Adopted in Order to Comply with Federal Statute: New 0, Amended 0, Repealed 0; Federal Rules or Standards: New 0, Amended 0, Repealed 0; or Recently Enacted State Statutes: New 0, Amended 0, Repealed 0.

Number of Sections Adopted at the Request of a Nongovernmental Entity: New 0, Amended 0, Repealed 0.

Number of Sections Adopted on the Agency's own Initiative: New 0, Amended 3, Repealed 0.

Number of Sections Adopted in Order to Clarify, Streamline, or Reform Agency Procedures: New 0, Amended 3, Repealed 0.

Number of Sections Adopted using Negotiated Rule Making: New 0, Amended 0, Repealed 0; Pilot Rule Making: New 0, Amended 0, Repealed 0; or Other Alternative Rule Making: New 0, Amended 3, Repealed 0.

Date Adopted: December 24, 2025.

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RDS-6727.2

AMENDATORY SECTION (Amending WSR 22-22-049, filed 10/27/22, effective 1/1/23)

WAC 182-549-1100 Rural health clinics—Definitions. This section contains definitions of words and phrases that apply to this chapter. Unless defined in this chapter, the definitions found in chapter 182-500 WAC apply.

"APM index" - The agency uses the alternative payment methodology (APM) to update APM encounter payment rates on an annual basis. The APM index is a measure of input price changes experienced by Washington's federally qualified health center (FQHC) and rural health clinic

(RHC) providers. The index is derived from the federal medicare economic index (MEI).

"Base year" - The year that is used as the benchmark in measuring an RHC's total reasonable costs for establishing base encounter rates.

"Change in scope" - The process by which an RHC's rate(s) can be adjusted due to changes in type, intensity, duration, or amount of services outlined under WAC 182-549-1500.

"Cost center" - A category of service approved to be provided by the RHC under WAC 182-549-1200 and reported in the medicare cost report and supplemental documentation. The categories of services to be provided by the RHC may include medical and dental.

"Encounter" - A face-to-face or telemedicine (including audio-only telemedicine) visit between an encounter-eligible client and an RHC provider who exercises independent judgment when providing services that qualify for encounter rate reimbursement.

"Encounter-eligible client" - A client who receives benefits under Title XIX (medicaid) or Title XXI (CHIP).

"Encounter rate" - A cost-based, facility-specific rate for covered RHC services.

"Enhancements (also called managed care enhancements or supplemental payments)" - A monthly amount the agency pays to RHCs through a managed care organization (MCO) that has contracted with the RHC to provide services to clients enrolled with the MCO. The enhancement is in addition to the negotiated payment that RHCs receive from the MCO. RHCs participating in the payment method described in WAC 182-549-1450 (7) (b) do not receive enhancements.

"Fee-for-service" - A payment method the agency uses to pay providers for covered medical services provided to Washington apple health clients, which excludes services provided by the agency's contracted managed care organizations and services that qualify for an encounter payment.

"Interim rate" - The rate the agency establishes to pay an RHC for covered RHC services prior to the establishment of a permanent rate for that RHC.

"Medicare cost report" - The cost report is a statement of costs and provider utilization (~~(that occurred during the time period covered by the cost report)~~). RHCs must complete and submit a report annually to medicare.

"Medicare economic index (MEI)" - An index published in the Federal Register used in the calculation of changes to determine allowed charges for physician services. The agency adjusts RHC encounter rates and enhancement rates by the MEI each year on January 1st.

"Mobile unit" - The objects, equipment, and supplies necessary for provision of the services furnished directly by the RHC are housed in a mobile structure.

"Permanent unit" - The objects, equipment, and supplies necessary for the provision of the services furnished directly by the RHC are housed in a permanent structure.

"Rebasing" - The process of recalculating encounter rates using actual cost report data for all rural health clinics listed in the medicare cost report.

"Rural area" - An area that is not delineated as an urbanized area by the U.S. Census Bureau.

"Rural health clinic (RHC)" - A clinic, as defined in 42 C.F.R. 405.2401(b), that is primarily engaged in providing RHC services and is:

- Located in a rural area designated as a shortage area as defined under 42 C.F.R. 491.2;
- Certified by medicare as an RHC in accordance with applicable federal requirements; and
- Not a rehabilitation agency or a facility primarily for the care and treatment of mental diseases.

"Rural health clinic (RHC) services" - Outpatient or ambulatory care of the nature typically provided in a physician's office or outpatient clinic or similar setting, including specified types of diagnostic examination, laboratory services, and emergency treatments. The specific list of services which must be made available by the clinic can be found under 42 C.F.R. Part 491.9.

AMENDATORY SECTION (Amending WSR 22-22-049, filed 10/27/22, effective 1/1/23)

WAC 182-549-1400 Rural health clinics—Reimbursement and limitations. (1) For services provided during the period beginning January 1, 2001, and ending December 31, 2008, the medicaid agency's payment methodology for rural health clinics (RHC) was a prospective payment system (PPS) as authorized by 42 U.S.C. 1396a (bb) (2) and (3).

(2) For services provided beginning January 1, 2009, RHCs have the choice to be reimbursed under the PPS or be reimbursed under an alternative payment methodology (APM), as authorized by 42 U.S.C. 1396a (bb) (6). As required by 42 U.S.C. 1396a (bb) (6), payments made under the APM are at least as much as payments that would have been made under the PPS.

(3) The agency calculates RHC PPS encounter rates for RHC core services as follows:

(a) Until an RHC submits its first audited or as filed medicare cost report to the agency, the agency pays the RHC an average encounter rate of other similar RHCs within the state, otherwise known as an interim rate. Similar RHCs are defined as either all hospital based or all free-standing RHCs.

(b) Upon the RHC's request to the agency, which must include the submission of ~~((the RHC's))~~ their first as filed or audited medicare cost report, the agency calculates the ~~((RHC's))~~ PPS rates for ~~((RHC))~~ core services for all RHCs in the medicare cost report.

(i) The agency ~~((sets))~~ rebases each RHC's encounter rate(s) by dividing 100 percent of the RHC's costs ~~((divided))~~ by the total number of RHC encounters reported in the submitted cost report. ~~((The encounter rate is effective on the date the agency receives the submitted medicare cost report from the RHC.~~

~~((e))~~ (ii) If the medicare cost report contains less than 12 months of data for the RHC(s), the agency sets an interim rate. Within 18 months of the effective date of the interim rate adjustment, the RHC must submit a medicare cost report to the agency, containing 12 months of data for the RHC(s).

(iii) The agency follows the rate structure calculated in the medicare cost report when setting medicaid RHC encounter rates. If RHC encounter rates are combined on the medicare cost report, medicaid encounter rates will be combined. If the medicare cost report has separate rates for each RHC on the cost report, medicaid encounter rates will be separate for each clinic.

(c) The agency uses the medicare cost report data and applies medicaid-specific adjustments, such as adding medicaid services not covered by medicare and allocating overhead to services not reported in the medicare cost report (e.g., dental services).

(d) The encounter rate is effective for all RHCs on the date the agency receives the submitted medicare cost report from the RHC.

(e) RHCs receive this rate for the remainder of the calendar year during which the submitted medicare cost report became available to the agency. The agency then adjusts the encounter rate each January 1st by the ~~((percent))~~ percentage change ~~((in))~~ of the medicare economic index (MEI) as reported in the Federal Register.

(4) For RHCs in existence during calendar years 1999 and 2000, the agency set ~~((s))~~ the encounter rates prospectively using a weighted average of 100 percent of the RHC's total reasonable costs for calendar years 1999 and 2000 and adjusted for any increase or decrease in the scope of services furnished during the calendar year 2001 to establish a base encounter rate.

(a) The agency ~~((adjusts))~~ adjusted PPS base encounter rates to account for an increase or decrease in the scope of services provided during calendar year 2001 in accordance with WAC 182-549-1500.

(b) The agency ~~((determines))~~ determined PPS base encounter rates using medicare's audited cost reports, and each year's rate ~~((is))~~ was weighted by the total reported encounters. The agency ~~((does))~~ did not apply a capped amount to these base encounter rates. The formula used to calculate base encounter rates ~~((is))~~ was as follows:

$$\text{Specific RHC Base Encounter Rate} = \frac{(\text{Year 1999 Rate} \times \text{Year 1999 Encounters}) + (\text{Year 2000 Rate} \times \text{Year 2000 Encounters})}{(\text{Year 1999 Encounters} + \text{Year 2000 Encounters}) \text{ for each RHC}}$$

(c) Beginning in calendar year 2002 and any year thereafter, encounter rates are adjusted by the MEI and adjusted for any increase or decrease in the RHC's scope of services.

(5) The agency calculated RHC's APM encounter rates for services provided during the period beginning January 1, 2009, and ending April 6, 2011, as follows:

(a) The APM used the RHC base encounter rates as described in subsection (4)(b) of this section.

(b) Base rates were increased by each annual percentage, from calendar years 2002 through 2009, of the IHS Global Insight index, also called the APM index.

(c) The result was the year 2009 APM rates for each RHC that chose to be reimbursed under the APM.

(6) This subsection describes the encounter rates that the agency paid RHCs for services provided during the period beginning April 7, 2011, and ending June 30, 2011. On January 12, 2012, the federal Centers for Medicare and Medicaid Services (CMS) approved a state plan amendment (SPA) containing the methodology outlined in this section.

(a) During the period that CMS approval of the SPA was pending, the agency continued to pay RHCs at the encounter rate described in subsection (5) of this section.

(b) Each RHC had the choice of receiving either its PPS rate, as determined under the method described in subsection (3) of this section, or a rate determined under a revised APM, as described in (c) of this subsection.

(c) The revised APM used each RHC's PPS rate for the current calendar year, increased by five percent.

(d) For all payments made for services provided during the period beginning April 7, 2011, and ending June 30, 2011, the agency recouped from RHCs any amount paid in excess of the encounter rate established in this section. This process was specified in emergency rules that took effect on October 29, 2011, (WSR 11-22-047) and February 25, 2012 (WSR 12-06-002).

(7) This subsection describes the encounter rate that the agency pays RHCs for services provided on and after July 1, 2011. On January 12, 2012, CMS approved a SPA containing the methodology outlined in this section.

(a) Each RHC has the choice of receiving either its PPS rate, as determined under the method described in subsection (3) of this section, or a rate determined under a revised APM, as described in (b) of this subsection.

(b) The revised APM, known as APM-3, is as follows:

(i) For RHCs that rebased their rate effective January 1, 2010, the revised APM is their allowed cost per visit during the cost report year increased by the cumulative percentage increase in the MEI between the cost report year and January 1, 2011.

(ii) For RHCs that did not rebase their rate effective January 1, 2010, the revised APM is based on their PPS base rate from 2001 (or subsequent year for RHCs receiving their initial RHC designation after 2002) increased by the cumulative percentage increase in the IHS Global Insight index from the base year through calendar year 2008 and the cumulative increase in the MEI from calendar years 2009 through 2011. The rates are increased by the MEI effective January 1, 2012, and each January 1st thereafter.

(c) For all payments made for services provided during the period beginning July 1, 2011, and ending January 11, 2012, the agency recouped from RHCs any amount paid in excess of the encounter rate established in this section. This process was specified in emergency rules that took effect on October 29, 2011, (WSR 11-22-047) and February 25, 2012 (WSR 12-06-002).

(d) For RHCs that choose to be paid under the revised APM, the agency periodically rebases the encounter rates using the RHC cost reports and other relevant data. Rebasing is done only for RHCs that are reimbursed under the APM.

(e) The agency makes sure that the payments made under the APM are at least equal to the payments that would be made under the PPS.

(8) This subsection describes the payment methodology that the agency uses to pay participating RHCs for services provided beginning July 1, 2017, and ending December 31, 2022.

(a) Each RHC may receive payments under the APM described in subsection (7) of this section, or receive payments under the revised APM described in this subsection.

(b) The revised APM, known as APM-4, is as follows:

(i) The revised APM establishes a budget-neutral, baseline per member per month (PMPM) rate for each RHC. The PMPM rate accounts for enhancement payments in accordance with the definition of enhancements in WAC 182-548-1100. For the purposes of this section, "budget-neutral" means the cost of the revised APM to the agency will not exceed what would have otherwise been spent not including the revised APM on a per member per year basis.

(ii) The agency pays the RHC a PMPM payment each month for each managed care client assigned to them by an MCO.

(iii) The agency pays the RHC a PMPM payment each month in addition to the amounts the MCO pays the RHC.

(iv) The agency may prospectively adjust the RHC's PMPM rate for any of the following reasons:

(A) Quality and access metrics performance.

(B) RHC encounter rate changes.

(v) In accordance with 42 U.S.C. 1396a (bb)(5)(A), the agency performs an annual reconciliation.

(A) If the RHC was underpaid, the agency pays the difference, and the PMPM rate may be subject to prospective adjustment under (b)(iv) of this subsection.

(B) If the RHC was overpaid, the PMPM rate may be subject to prospective adjustment under (b)(iv) of this subsection.

AMENDATORY SECTION (Amending WSR 22-22-049, filed 10/27/22, effective 1/1/23)

WAC 182-549-1500 Rural health clinics—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 rural health clinic (RHC) to take into account any increase or decrease in the scope of the RHC's services. The procedures and requirements for any such rate adjustments are described below.

(1) **Triggering events.**

(a) An RHC may file a change in scope of services rate adjustment application with the agency on its own initiative only when the RHC satisfies the criteria described in (a)(i), (ii), ~~((and))~~ (iii), and (iv) of this subsection.

(i) When the cost to the RHC 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 RHC provides;

(B) A change in the intensity of health care services the RHC 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 RHC provides. Duration means the length of an average encounter has increased;

(D) A change in the amount of health care services the RHC 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 and accurate under state and federal law.

(iv) An approved change in scope includes rate adjustments using the overhead and visit allocation methodology as reported for all RHCs listed in the medicare cost report. The medicaid rate may also include the allocation of overhead to medicaid eligible services not reported in the medicare cost report (e.g., dental services), as directed by the agency.

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

(i) The RHC files a completed medicare cost report and position statement no later than 90 calendar days after receiving the instruction from the agency to file an application;

(ii) The agency reviews the ((RHC's)) RHC(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 RHC 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 RHC 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 RHC 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 RHC's fiscal year, demonstrating that the change in scope occurred.

(ii) Ninety calendar days after the RHC learned the cost threshold in subsection (1)(a)(ii) of this section was met.

(d) Prospective change in scope.

(i) A prospective change in scope of service rate adjustment application states each triggering event listed in subsection (1)(a)(i) of this section that supports the RHC'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 RHC plans to implement in the future. The RHC submits 12 months of projected data and costs sufficient to establish an interim rate; or

(B) A change with less than 12 months of experience to support the change reflected in the medicare cost report. The RHC 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 RHC 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 RHC submitted a complete application to the agency, the interim rate takes effect when the change in scope occurs.

(vii) If the RHC 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 RHC 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 RHC submitted the completed application to the agency.

(e) Retrospective change in scope.

(i) A retrospective change in scope of service rate adjustment application states each triggering event listed in subsection

(1)(a)(i) of this section that supports its application and includes 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 RHC is seeking to adjust its rate(s) based on that change.

(ii) If approved, a retrospective rate adjustment takes effect on the date the RHC 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 RHC submits the following supporting documentation for all RHCs in the medicare cost report to the agency in electronic format by email to fqhcrhc@hca.wa.gov:

(i) Medicare cost report;

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

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

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

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

~~((v))~~ (vi) Any additional documentation requested by the agency.

(b) A prospective change in scope of service rate adjustment application must also include 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 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 days of receiving the application, the agency notifies the RHC of any deficient documentation or requests any additional information that is necessary to process the application. If the RHC does not provide the agency with the documentation or information requested 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 RHC:

(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 RHC may appeal the decision on the application as provided for in WAC 182-549-1650.

(b) Determining rate for change in scope.

(i) The agency sets an interim rate for prospective changes in scope by adjusting the RHC'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 sets 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 RHC'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 sets a new rate based on the determined cost per encounter.

(iii) The agency follows the rate structure calculated in the medicare cost report when setting medicaid RHC encounter rates. If RHC encounter rates are combined on the medicare cost report, medicaid encounter rates will be combined. If the medicare cost report has separate rates for each RHC on the cost report, medicaid encounter rates will be separate for each clinic.

(c) If the RHC 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 for all RHCs listed in the medicare cost report.

(b) If the approved change in scope rate adjustment was based on a prospective change in scope application (i.e., less than a full year of actual encounter data), ~~((the RHC submits))~~ the following information is submitted to the agency for each RHC listed in the medicare cost report within 18 months of the effective date of the rate adjustment:

(i) The most recent audited or as filed 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 RHC'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 RHC.

(d) If necessary, the agency adjusts the encounter rate(s) within 90 calendar days to make sure 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 RHC fails to submit the post change in scope cost report or related encounter data, the agency provides written notice to the clinic within 30 calendar days.

(g) If the RHC 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 RHC.