

To: Administrators of Federally Qualified Health Centers (FQHCs) and Rural Health Clinics (RHCs)
From: Zane Seals, Deputy Chief Financial Officer
Date: September 26, 2019
Subject: Final Rate Setting and Moratorium on FQHCs and RHCs

As you may already be aware, TennCare has elected to withdraw the proposed rule to govern rate-setting and payment processes for the prospective payment system (PPS) for FQHCs and RHCs. This decision was made in response to a lack of clarity from CMS regarding the rule and associated state plan amendment. TennCare is also withdrawing the proposed state plan amendment. Because the rule and proposed state plan amendment will not be going into effect, TennCare would like to clarify several issues regarding rate setting and reimbursement that affect the provider community.

Moratorium on RHCs

In October of 2017, TennCare gained approval from CMS to implement a moratorium on the registration of new RHCs with TennCare. Beginning on October 1, 2019, TennCare will lift the moratorium on new RHCs registering as Medicaid RHCs. This means that clinics that have already received their federal RHC designation will be able to change their provider type to RHC, and new clinics that obtain RHC status from the federal government will be able to immediately register with TennCare as an RHC. See the attached FAQ on how to register with TennCare as an RHC. All of these clinics will receive a final rate as specified below.

Setting of Final Rates

Clinics (FQHCs and RHCs) that are receiving an interim rate set prior to the moratorium will receive a final PPS rate based on their costs as set by the Comptroller. Clinics impacted by the moratorium (those receiving an interim rate after the issuance of the moratorium) will receive a final PPS rate that is equal to the average of adjacent clinics with similar caseloads. This means that a clinic will receive a final PPS that is equal to the average rate of clinics of the same type (FQHCs for FQHCs, RHCs for RHCs) in their grand division, with a separate average being calculated for clinics of varying caseloads. If there are no such similar clinics, then the facility will receive a cost-based PPS, as explained in the attached FAQ document. These clinics affected by the moratorium will also be given an option of an alternative payment methodology (APM) based on cost data. Clinics must timely respond to data requests from the Comptroller in order to receive final PPS and if applicable, APM rates.

Reconciliation of Final Rates

TennCare recognizes that many clinics have been on an interim rate for a significant period of time, resulting in unique risk to these facilities once the final rate is set. In an effort to recognize this risk posed to these clinics and encourage the stability of healthcare delivery in challenged areas, TennCare will not execute a reconciliation of final rates to those clinics currently on an interim rate established prior to the moratorium, if their final rate is lower than the interim. TennCare will still perform a reconciliation for those clinics whose final rate is higher than the interim, meaning these clinics will receive additional back payments from the state. This means that if a clinic's interim rate established prior to the moratorium is higher than the final rate, TennCare will not seek reconciliation of funds.

If you have questions about any step in this process, please see the attached FAQ that is being distributed with this memo. You can also contact Rebekah Stephens at Rebekah.stephens@tn.gov or 615-687-4739.