2018 Northwest Rural Health Conference

The Math of an RHC

March 27, 2018

WIPFLi LLP
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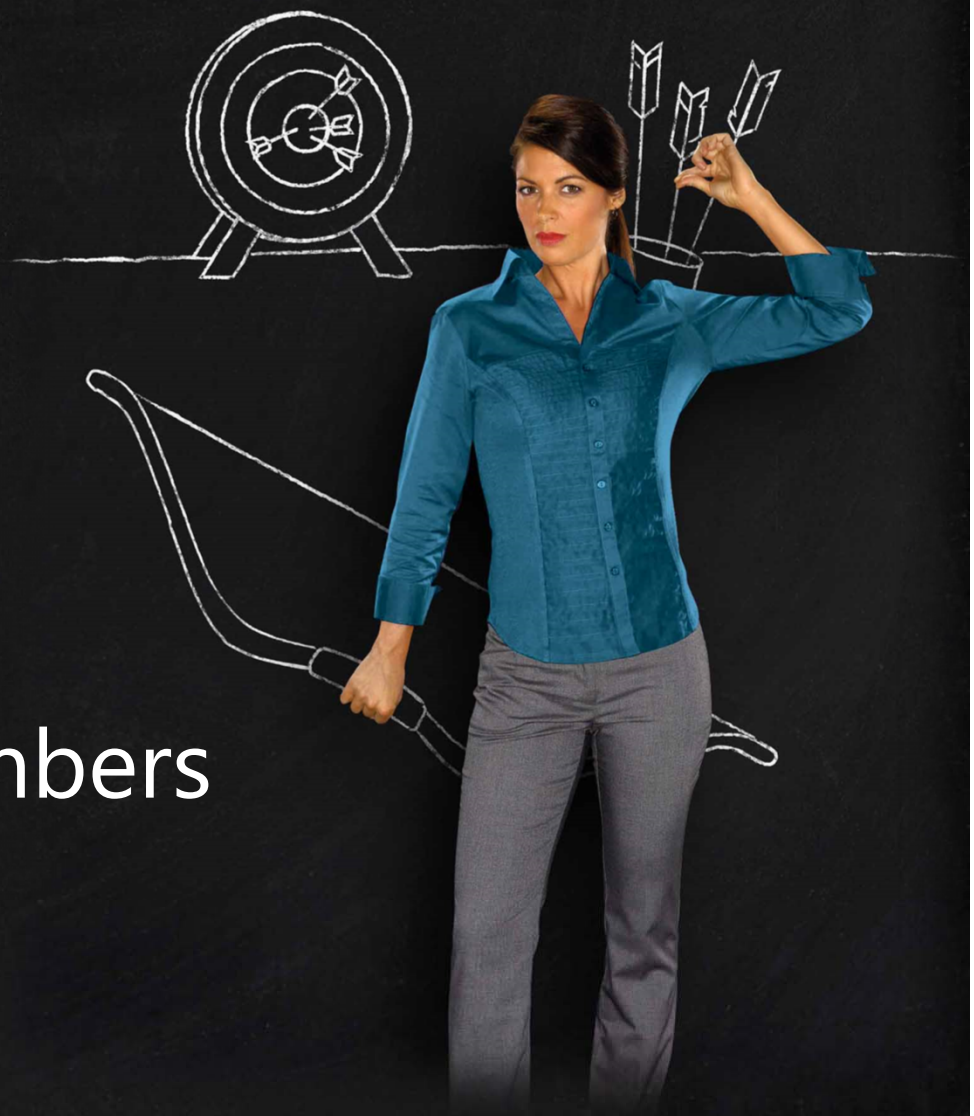
HEALTH CARE PRACTICE

AGENDA



- RHC Overview
- RHC Payments
- Adding It Up
- Playing With the Numbers
- Other Considerations
- Questions

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RHC Overview

How Are RHCs Paid?

RHCs are paid a flat rate for each *face-to-face encounter* based on the anticipated average cost for direct and supporting services (including allocated costs), with a reconciliation of costs for Medicare services (i.e., cost report) occurring at the end of the fiscal year.

RHC Overview

Cost-based reimbursement is determined on the average cost per visit. A visit is defined as a medically necessary face-to-face encounter between a physician, nurse practitioner, physician assistant, certified nurse midwife, clinical psychologist, or clinical social worker and a patient.

In general, if there is no "visit," there is no RHC payment (exceptions for flu/pneumo vaccines).

RHC Payments

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RHC Payments

- The upper payment limit for RHC for 1/1/18 through 12/31/18 is $83.45 per visit (based on the Medicare Economic Index, MEI, 1.4 percent increase over the 2017 rate of $82.30)
  - However, no upper payment limit for RHCs that are provider-based to a hospital with less than 50 beds

RHC Payments

Medicare RHC reimbursement

Medicare reimbursement includes the following:

1) Medicare pays 80% of the interim rate for qualifying RHC encounters.

2) Patient coinsurance is based on 20% of the total charges.

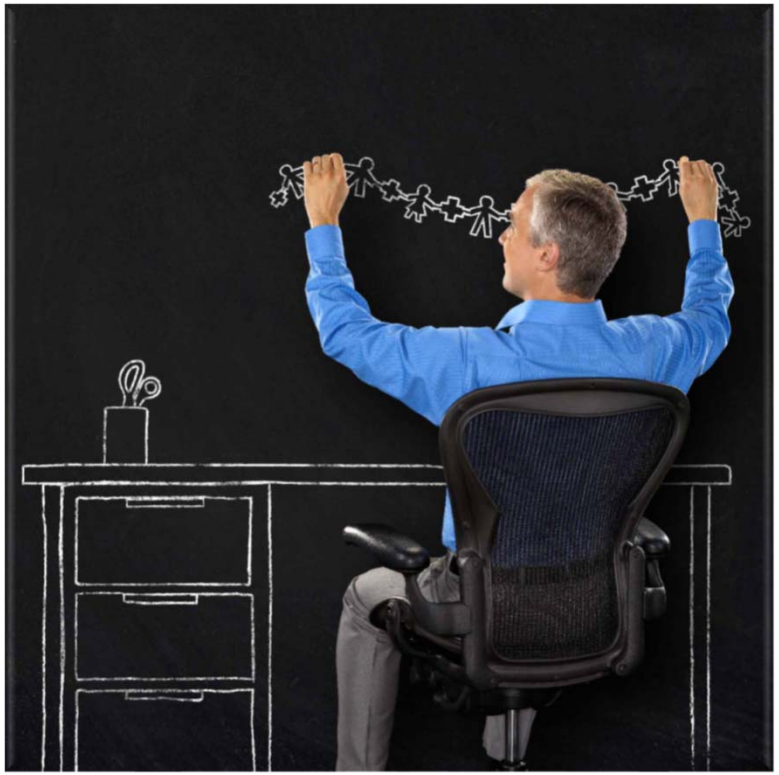
In addition, Medicare flu and pneumonia injections are paid at cost on the Medicare cost report. Medicare bad debt can also be claimed on the year end Medicare cost report and paid at a percentage (65%). Laboratory services and the technical component of diagnostics (i.e. – EKGs and CSTs) are billed under the hospital's number or to the Part B carrier, if the RHC is freestanding.

RHC Payments

Washington Medicaid RHC reimbursement

Washington State reimburses RHCs at the the state-wide average provider-based rural health clinic rate, until the first Medicare cost report which includes the clinic as a provider-based rural health clinic is finalized by CMS. Once finalized, the clinic can request an update to the rate based on the finalized cost report.

Medicaid managed care services can also be paid at the encounter rate as of 1/1/2018. Or, Under the enhancement methodology, the State of Washington pays a per member per month amount (called an enhancement) and the managed care plans pay contracted amounts (i.e. – fee for service equivalent). A reconciliation is then completed in order to settle to the Medicaid rural health clinic rates.



Adding It Up

Adding It Up

How does RHC status benefit my clinic?

- Cost-based payments!!!
- No reduction in payment for non-physician practitioners from Medicare and Medicaid
- Encounter rate paid regardless of level of service provided
- Medicare managed care plans may contract at RHC rates
- Medicare influenza and pneumonia injections paid at cost
- Medicare bad debt reimbursed on the Medicare cost report at 65% of the amount cl

Adding It Up

RHC Payment Examples

- Customary charge for 99213 is $120
- Assume Medicare fee schedule allowable is $70
- Medicare encounter rate is $160:
  - Limited to $80 for independent RHC
  - No limit for provider-based RHC - Available beds < 50
- Deductibles have been met already

Adding It Up

Comparison Between RHCs and Part B Payment Example

Description	RHC Amount (Independent)	RHC Amount (Provider-Based)	Part B Amount
Customary Charge	$120.00	$120.00	$120.00
Patient Copay	24.00	24.00	14.00
Medicare Pays	64.00	128.00	56.00
Total Payment	88.00	152.00	70.00
Contractual Adjustment	32.00	(32.00)	50.00

Adding It Up

Free-standing to provider-based clinic in a CAH

	Charge	National APC*/RCC	Medicare Allowable*	Enc. Rate	Medicare Reimburses	Coins.	Total
Free-standing clinic - 99213	$ 100.00		$ 72.72		$ 58.18	$ 14.54	$ 72.72
Provider-based clinic							
- Professional fee	$ 60.00		$ 52.25		$ 41.80	$ 10.45	$ 52.25
- Facility fee	$ 40.00	**1.5500**		$ 62.00	$ 49.60	$ 8.00	$ 57.60
Total Payment - PB clinic					$ 91.40	$ 18.45	$ 109.85
Increase in reimbursement/visit					**$ 33.22**	**$ 3.91**	**$ 37.13**
Increase %							**51%**

Playing With the Numbers

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Playing With the Numbers

Medicare RHC Rates

Freestanding RHCs are subject to the cost-per-visit limit.

- If your clinic's rate per visit is less than the cap, we have a problem!
- No opportunity to increase the rate
- Productivity standard exemption request can be made; however, this is difficult to receive approval from the intermediary

Playing With the Numbers

Medicare RHC Rates

Provider-Based RHCs to a hospital with less than 50 beds are paid at full encounter rates.

- Having the highest Medicare rate is not necessarily the best reimbursement for the organization as a whole
  - What type of hospital is the clinic provider-based – CAH or PPS?
- Are there provider-based clinics/providers that could be added to the RHC? Do you have freestanding clinics that could be converted to RHC?
- Productivity standard request?
- Interim rate requests can be submitted during the year

Playing With the Numbers

$$\frac{\textit{Allowable RHC Costs}}{\textit{Rural Health Clinic Visits}} =$$

RHC Cost Per Visit (Rate)

(Not to exceed the maximum reimbursement limits.)

Playing With the Numbers

Medicare Productivity Standards:

- Physician 4,200 visits annually for 1.0 FTE
- Midlevel 2,100 visits annually for 1.0 FTE

Total visits used in calculation of cost per visit is the greater of the actual visits or minimum allowed (FTEs x Productivity Standard).

Playing With the Numbers

How do you measure up?

Benchmarking

From Wikipedia, the free encyclopedia

- Benchmarking is the process of comparing one's business processes and performance metrics to industry bests or best practices from other companies.
  Dimensions typically measured are quality, time and cost.

Playing With the Numbers

Fortunately for Rural Health Clinics, the Centers for Medicare and Medicaid Services (CMS) makes available RHC cost report data from which *RHC Benchmarking* information can be obtained.

This information is available in bulk and requires specific tools designed to extract and summarize the data for use by interested parties.

The National Association of Rural Health Clinics (NARHC) and Wipfli LLP have worked together to develop the *RHC Benchmark Report ©*.

Playing With the Numbers

The cost per encounter ($162) is substantially higher than the national average ($113).

	RHC #78xxxx	State	Midwest	National
RHC Cost per Encounter:				
Total Health Care Staff	$91	$67	$67	$59
Total Direct Costs of Medical Svcs.	$91	$77	$78	$68
Facility Cost	$16	$9	$10	$10
Clinic Overhead	$72	$57	$56	$50
Total Allowable Cost per Actual Enc.	$162	$132	$130	$113
Total Allowable Cost per Adjusted Enc	$162	$129	$126	$110

	Actual		Natl Avg		Variance	Var. %
Higher Direct Cost per Encounter	**$91**	**-**	**$68**	**=**	**$23**	**34%**
Higher Facility Cost per Encounter	**$16**	**-**	**$10**	**=**	**$6**	**60%**
Higher Overhead Cost per Encounter	**$72**	**-**	**$50**	**=**	**$22**	**44%**

Playing With the Numbers

Medicare Influenza and Pneumonia Reimbursement

- Administration
- Cost of Vaccine
- Overhead

Playing With the Numbers

Medicare Bad Debt

- 65% of amounts claimed on the cost report are reimbursed
  - Reasonable collection effort
  - Charity care policy
  - Medicare/Medicaid crossover amou

Playing With the Numbers

Medicare Managed Care Plans

- What is are your current contracts based on?
  - Fee for Service?
  - Have you tried to contract at RHC rates?
  - Do you turn in your rate letters to the plans?

Playing With the Numbers

Medicaid RHC Rates

Freestanding and Provider-based RHCs paid at cost-based rates that are prospectively increased (no cap)

- First year cost report is extremely important for rate setting purposes!
  - Productivity standards are applied
  - Flu and pneumonia costs should be added back to the calculation
  - Are your visits correct?

Playing With the Numbers

Medicaid RHC Rates

- Change in scope of services process implemented by HCA
  - What changes is your clinic anticipating or has experienced that may be considered a change in scope by the HCA?
- Is the clinic contemplating a move? Combining RHCs? A medical office building?
  - **Caution** – ensure that you will still be considered a rural area and the underserved designation is current!
- Would it make sense to be enrolled as a rural health clinic in another state?

Playing With the Numbers

Medicaid Managed Care

- Did you elect RHC encounter rate at time of service?
  - Are you actually get paid your rates?
    - Are you getting paid at all????
- Reconciliations – outstanding and upcoming
  - Does your clinic have an estimate of a payable or receivable for all years in question?
  - Are your reconciliations being completed correctly?

Other Considerations

Other Considerations

- The benefit of RHC status is dependent on correct billing and cost report preparation.
- Does your staff and providers understand reimbursement?
  - Scheduling considerations
  - Preventive services
- Compliance – don't put your RHC status in jeopardy
  - New State Operations Manual

Questions?

Thank you!

Today's Presenter:

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