

# Progress Report: Rural Health Clinic Managed Care Payments

## Implementing Full Encounter Rate Payments

Substitute Senate Bill 5883, Section 213(1)(II), Chapter 1, Laws of 2017, 3<sup>rd</sup>  
Special Session, PV

September 29, 2017



# Progress Report: Rural Health Clinic Managed Care Payments



Financial Services Division  
P.O. Box 45510  
Olympia, Washington 985045510  
Phone: (360) 725-1961  
Fax: (360) 753-9152  
[www.hca.wa.gov](http://www.hca.wa.gov)



# Table of Contents

- Executive Summary.....2
- Background.....3
- Progress Report on Implementation.....3
  - Draft New Rule: WAC 182-549-1450.....3
  - Partner and Stakeholder Communications.....3
  - Identifying Participating Rural Health Clinics.....4
  - Potential Impacts on Systems.....4
  - Managed Care Organization Reconciliation Methodology.....5
  - Managed Care Organization Contract Changes.....5
- Conclusion.....5
- Attachment A: Email Communication to Managed Care Organizations.....6
- Attachment B: CR-101, WAC 182-549-1450.....8



# Executive Summary

The Health Care Authority's (HCA) mission is to provide high-quality health care through innovative health policies and purchasing strategies. The purpose of this progress report is to update the Legislature on the Authority's progress in implementing Section 213(1)(II) of Substitute Senate Bill 5883 (2017) as follows:

*“Beginning no later than January 1, 2018, for any service eligible under the medicaid state plan for encounter payments, managed care organizations at the request of a rural health clinic shall pay the full published encounter rate directly to the clinic. At no time will a managed care organization be at risk for or have any right to the supplemental portion of the claim. Payments will be reconciled on at least an annual basis between the managed care organization and the authority, with final review and approval by the authority. By September 31, 2017, the authority shall report to the legislature on its progress implementing this subsection.”*

The HCA is working with its rural health clinic (RHC) and managed care organization (MCO) partners to ensure the successful, on-time implementation of the new system by January 1, 2018. We anticipate a high number of RHCs will participate in this voluntary model.

Our ground work includes:

- Rulemaking to update the Washington Administrative Code
- Communicating with RHCs and MCOs to keep them updated about the project and address any questions they may have.
- Identifying RHCs that would like to participate in the new model.
- Assessing how payment and billing systems will be impacted and determining how to respond.
- Updating the Apple Health (Medicaid) Managed Care Contract.



## Background

Federal regulations 42 U.S.C.1396a (bb)(5) require the HCA to ensure that RHCs receive their cost-based reimbursement rates for qualifying services provided to Medicaid clients.

For Medicaid managed care clients, HCA pays RHCs monthly supplemental payments—in addition to contracted payments the clinics receive from the MCOs. The supplemental payment is meant to bridge the gap between the MCO contractual payment and the RHC cost-based encounter rate.

Because the supplemental payment is based on a number of enrollees assigned to the clinic by the MCO and fluctuates monthly, the payment is approximate. Per federal and state regulations, HCA must reconcile with each clinic to ensure the clinic received its exact encounter rate for each qualifying visit.

Moving to the new payment model will decrease the financial and administrative impact associated with the reconciliation process. RHCs have long advocated for an alternate payment method that would reduce the burdens caused by the reconciliation process. Allowing RHCs to choose this new method of payment will eliminate the need to reconcile payments with the clinics—while still meeting federal requirements to pay RHCs their full encounter rate.

## Progress Report on Implementation

The Health Care Authority (HCA) is engaged in the following sub-projects that must be completed to successfully implement the new payment model.

### **Draft New Rule: WAC 182-549-1450**

The agency is amending Washington Administrative Code (WAC) 182-549-1450, Rural health clinics – General payment information. The amendment includes a new voluntary alternate payment method that allows RHCs to receive encounter rates directly from a client's MCO.

On July 11, 2017 the HCA filed a rulemaking form CR101 (see Attachment B) with the Washington State Register, which explains the statutory authority behind the rule and the reason the rule may be needed. HCA will submit the CR102, detailing the full proposed rule, by October 24, 2017. External review will begin the first week in September 2017.

### **Partner and Stakeholder Communications**

HCA began communicating with MCOs and RHCs about the project and how the payment changes will affect them.



## MCOs

- HCA sent initial correspondence to MCOs regarding RHC encounter at time of services on June 6, 2017. It included billing scenarios, targeted areas of change, and potential impacts on the plans (See Attachment A).
- HCA holds monthly *All Plans* meetings with MCOs. HCA attended two *All Plans* meetings (June 9 and July 14, 2017) to discuss the proviso and address MCO questions.

## RHCs

- On July 10, 2017, HCA contacted the Rural Health Clinic Association of Washington (RHCAW) encouraging feedback from the RHC perspective. To ensure transparency and collaboration among all stakeholders, HCA included a copy of the first MCO correspondence.
- HCA will continue to address RHC questions throughout the process.

## Identifying Participating Rural Health Clinics

On September 11, 2017, HCA sent formal requests for RHCs to participate in the encounter payments at time of service model. RHCs have until September 29, 2017 to confirm if they plan to participate. We anticipate a high participation rate in this voluntary model because RHCS have expressed a desire for a new payment method that eliminates the need to reconcile with HCA. In preliminary meetings regarding this payment method, the RHCAW confirmed that many RHCs are interested in receiving their encounter rates at the time of service.

HCA must ensure each participating clinic is identified by its National Provider Identifier (NPI). NPI is a unique 10-digit identification number issued to health care providers by the Centers for Medicare and Medicaid Services (CMS). This will ensure that necessary changes to the enhancement payment process can be made.

Participating RHCs will no longer receive monthly enhancement payments. Instead, the enhancement payments will be made directly to the MCOs. HCA must reflect those changes in the payment process well ahead of implementation to ensure the payment process change is not disruptive to participating RHCs.

## Potential Impacts on Systems

HCA staff are identifying which claims and billing systems will be used and potentially impacted in the implementation of this proviso. Prior to implementation, it is imperative that HCA and the MCOs explore how these changes may affect both the ProviderOne (the Apple Health billing and claims system) and MCO and RHC claims processing systems.

HCA hopes to partner with MCOs and RHCs to connect current systems to help successfully implement the new model. HCA is sharing billing scenarios from the current RHC process as well as reaching out to MCOs and RHCs for feedback.



## Managed Care Organization Reconciliation Methodology

HCA will no longer reconcile enhancement payments with RHCs that receive the full encounter rate at time of service. Instead, HCA will reconcile payments with the MCOs.

This change should provide RHCs relief from the financial and administrative burdens of reconciliation. The reconciliation process will be detailed in the MCO contracts with HCA.

## Managed Care Organization Contract Changes

As all MCOs will participate in the new model, we will amend the Apple Health 2017 Managed Care Contract. HCA program staff submitted contract changes regarding payment methods, reconciliations, and billing guidelines to the managed care programs staff in August 2017.

## Conclusion

Through our partnerships with the rural health clinics and managed care organizations, we are working to ensure a firm foundation is laid to successfully begin the new payment model no later than January 1, 2018. The new system will continue to meet federal regulations requiring that RHCs be paid their full encounter rate.

The MCOs making payments directly to RHCs will offer several benefits:

- Participating RHCs will be reimbursed for their full encounter rate at the time of service.
- Participating RHCs' financial and administrative impacts associated with the current payment reconciliation process will be decreased because they will no longer need to reconcile encounter billing with HCA.



# Attachment A: Email Communication to MCOs

**From:** Cavendish, Madina (HCA)  
**Sent:** Tuesday, June 6, 2017 10:04 AM  
**To:** HCA MC Programs <[hcamcprograms@hca.wa.gov](mailto:hcamcprograms@hca.wa.gov)>  
**Subject:** Implementation of budget proviso - RHC encounter rate at time of service

*Please forward the message below and the attachment to the list of current MCO Chief Financial Officers. Thank you!*

Dear MCO partners,

We would like to inform you of upcoming changes in the Rural Health Clinic (RHC) payment methodology as a result of a legislative budget proviso (House Budget 1067 section 212 and ESS Bill 5048 Section 213), requiring MCOs to pay full encounter rates directly to the RHC at the time of service. Because we are confident this language will remain in the final budget, we would like to begin preparations for the January 1, 2018 implementation.

The Proviso States:

*Beginning no later than January 1, 2018, for any service eligible under the medicaid state plan for encounter payments, managed care organizations at the request of a rural health clinic shall pay the full published encounter rate directly to the clinic. At no time will a managed care organization be at risk for or have any right to the supplemental portion of the claim. Payments will be reconciled on at least an annual basis between the managed care organization and the authority, with final review and approval by the authority. By September 31, 2017, the authority shall report to the legislature on its progress implementing this subsection.*

As you may be aware, RHCs have voiced concerns regarding the reconciliation of enhancement payments, which is time consuming and sometimes results in serious fiscal impacts. They welcome a change to receiving their full encounter payment through the MCO at time of service. We anticipate a large number of RHCs will request to participate in this option.

Cooperation and communication between MCOs and HCA will be vital in order to implement these changes by January 1, 2018. Below we have outlined some of the ways in which implementation of the proviso will impact HCA and MCOs.

Monthly enhancement payment process:

- HCA will continue to process and send monthly enhancement payments to MCOs.
- For RHCs participating in the full encounter rate option, MCOs will not pass through the payments and will pay the full encounter rate for each qualifying visit/claim. HCA will

Rural Health Clinic Managed Care Payments  
September 29, 2017



later reconcile with each MCO to ensure that sufficient funds were provided for the enhancement portion of the claim.

- MCOs will follow the current process of passing through enhancement payments to RHCs that chose not to participate in this option.

Payment of RHC claims:

- MCO systems will replicate HCA's Provider One payment system to ensure RHCs are identified and paid correctly at the time of service. This may require alterations to MCOs' billing systems and processes.
- Data from the Managed Care Plans must report services at the procedure level for each clinic visit.
- MCOs will follow HCA's RHC reimbursement policy as described in the Rural Health Clinic Medical Provider Guide <https://www.hca.wa.gov/assets/billers-and-providers/rural-health-clinics-bi-20170401.pdf>.
- Please refer to the Billing Scenarios page to see how HCA pays for RHC services through ProviderOne.

HCA looks to the MCOs for cooperation and input on this large scope project. Our nearest opportunity to discuss this with all MCOs will be at the June All-MCO meeting on 6/9/2017 at 9:00 a.m. to begin the conversation regarding expectations, guidelines, and the challenges we face moving forward.

Please contact us at [FQHCRHC@HCA.WA.GOV](mailto:FQHCRHC@HCA.WA.GOV) if you have questions in the interim.

Thank you,

**Madina Cavendish**

Section Manager  
FQHCs/RHCs/Premium Payment Program  
Financial Services  
Office: (360) 725-1486  
[madina.cavendish@hca.wa.gov](mailto:madina.cavendish@hca.wa.gov)

Washington State  
Health Care Authority

[www.hca.wa.gov](http://www.hca.wa.gov)



Rural Health Clinic Managed Care Payments  
September 29, 2017



# Attachment B: CR-101, WAC 182-549-1450



## PREPROPOSAL STATEMENT OF INQUIRY

**CR-101 (June 2004)**  
 (Implements RCW 34.05.310)  
 Do NOT use for expedited rule making

<b>Agency:</b> Health Care Authority, Washington Apple Health	
<b>Subject of possible rule making:</b>  WAC 182-549-1450 Rural health clinics – General payment information Other related rules as appropriate.	
<b>Statutes authorizing the agency to adopt rules on this subject:</b> RCW 41.05.021, 41.05.160; Substitute Senate Bill (SSB) 5883, 65 <sup>th</sup> Legislature, 2017 3 <sup>rd</sup> Special Session, Sec. 213 (1)(II)	
<b>Reasons why rules on this subject may be needed and what they might accomplish:</b>  The agency is amending WAC 182-549-1450, Rural health clinics – General payment information, to implement a new payment method that allows rural health clinics to choose to receive encounter payments directly from a client's managed care organization. During the course of this review, the agency may identify additional changes that are required in order to improve clarity or update policy.	
<b>Identify other federal and state agencies that regulate this subject and the process coordinating the rule with these agencies:</b> N/A	
<b>Process for developing new rule (check all that apply):</b> <input type="checkbox"/> Negotiated rule making <input type="checkbox"/> Pilot rule making <input type="checkbox"/> Agency study <input checked="" type="checkbox"/> Other (describe)  The agency welcomes the public to take part in developing this rule. If interested, contact the person identified below to receive an early rule draft to review. After the early review, the agency will send a notice of proposed rulemaking (CR-102) to everyone receiving this notice and anyone who requests a copy.	
<b>How interested parties can participate in the decision to adopt the new rule and formulation of the proposed rule before publication:</b>  Contact: Katie Pounds PO Box 42716, Olympia, WA 98504-2716 Fax: (360) 586-9727      TTY: 1-800-848-5429 E-mail: <a href="mailto:katherine.pounds@hca.wa.gov">katherine.pounds@hca.wa.gov</a>	
<b>DATE</b> July 11, 2017	<b>CODE REVISER USE ONLY</b>  <div style="border: 1px solid black; padding: 10px; width: fit-content; margin: 0 auto;"> <p>OFFICE OF THE CODE REVISER STATE OF WASHINGTON FILED</p> <p><b>DATE: July 11, 2017</b> <b>TIME: 7:53 AM</b></p> <p><b>WSR 17-15-036</b></p> </div>
<b>NAME (TYPE OR PRINT)</b> Wendy Barcus	
<b>SIGNATURE</b> 	
<b>TITLE</b> HCA Rules Coordinator	

Rural Health Clinic Managed Care Payments  
 September 29, 2017

