FACT SHEET

Federally Qualified Health Center

The Federally Qualified Health Center (FQHC) benefit under Medicare was added effective October 1, 1991 when Section 1861(aa) of the Social Security Act was amended by Section 4161 of the Omnibus Budget Reconciliation Act of 1990. FQHCs are "safety net" providers such as community health centers, public housing centers, outpatient health programs funded by the Indian Health Service, and programs serving migrants and the homeless. The main purpose of the FQHC Program is to enhance the provision of primary care services in underserved urban and rural communities. Medicare pays FQHCs an all-inclusive per visit amount based on reasonable costs with the exception of all therapeutic services provided by clinical social workers and clinical psychologists, which are subject to the outpatient psychiatric services limitation. This limit does not apply to diagnostic services. Medicare also pays Rural Health Clinics (RHC) on the same basis.

Federally Qualified Health Center Designation

An entity may qualify as an FQHC if it is:

- Receiving a grant under Section 330 of the Public Health Service (PHS) Act;
- Receiving funding from such grant under a contract with the recipient of a grant and meets the requirements to receive a grant under Section 330 of the PHS Act;
- Determined by the Secretary of the Department of Health and Human Services to meet the requirements for receiving such a grant (look-alike) based on the recommendation of the Health Resources and Services Administration; or
- An outpatient health program or facility operated by a tribe or tribal organization under the Indian Self-Determination Act or by an urban Indian organization receiving funds under Title V of the Indian Health Care Improvement Act as of October 1, 1991.

Covered Federally Qualified Health Center Services

Payments are made directly to the FQHC for covered services furnished to Medicare patients. Services are covered when furnished to a patient at the Center, the patient's place of residence, or elsewhere (e.g., at the scene of an accident). A FQHC generally provides the following services:

- Physicians' services;
- Services and supplies incident to the services of physicians;
- Services of nurse practitioners, physician assistants, certified nurse midwives, clinical psychologists, and clinical social workers;
- Services and supplies incident to the services of nurse practitioners, physician assistants, certified nurse midwives, clinical psychologists, and clinical social workers;

- Visiting nurse services to the homebound in an area where the Centers for Medicare & Medicaid Services (CMS) has certified that there exists a shortage of home health agencies;
- Otherwise covered drugs that are furnished by, and incident to, services of physicians and nonphysician practitioners of the FQHC; and
- Diabetes self-management training and medical nutrition therapy for beneficiaries with diabetes or renal disease (effective for services furnished on or after January 1, 2006).

FQHCs also provide preventive primary health services when furnished by or under the direct supervision of a physician, nurse practitioner, physician assistant, certified nurse midwife, clinical psychologist, or clinical social worker. The following preventive primary health services are covered when provided by FQHCs to Medicare patients:

- Medical social services;
- Nutritional assessment and referral;
- Preventive health education;
- Children's eye and ear examinations;
- Well child care, including periodic screening;
- Immunizations, including tetanus-diphtheria booster and influenza vaccine;
- Voluntary family planning services;
- Taking patient history;
- Blood pressure measurement;
- Weight measurement;
- Physical examination targeted to risk;
- Visual acuity screening;
- Hearing screening;
- Cholesterol screening;
- Stool testing for occult blood;
- Dipstick urinalysis; and
- Risk assessment and initial counseling regarding risks.

For women only:

- Prenatal and post-partum care;
- Prenatal services;
- Clinical breast examination;
- Referral for mammography; and
- Thyroid function test.

Federally Qualified Health Center Preventive Primary Services that are NOT Covered

FQHC preventive primacy services that are ***not*** covered include:

- Group or mass information programs, health education classes, or group education activities including media productions and publications; and
- Eyeglasses, hearing aids, and preventive dental services.

Items or services that are covered under Part B, but which are ***not*** FQHC services include:

- Certain laboratory services;
- Durable medical equipment, whether rented or sold, including crutches, hospital beds, and wheelchairs used in the patient's place of residence;
- Ambulance services;
- The technical component of diagnostic tests such as x-rays and electrocardiograms;
- The technical component of the following preventive services:
  - Screening pap smears and screening pelvic examinations
  - Prostate cancer screening
  - Colorectal cancer screening tests
  - Screening mammography
  - Bone mass measurements
  - Glaucoma screening
- Prosthetic devices that replace all or part of an internal body organ including colostomy bags, supplies directly related to colostomy care, and the replacement of such devices; and
- Leg, arm, back, and neck braces and artificial legs, arms, and eyes including replacements (if required because of a change in the patient's physical condition).

Federally Qualified Health Center Payments

Under Original Medicare, each Center is paid an all-inclusive per visit rate based on its reasonable costs as reported in the FQHC cost report, with the exception of therapeutic services provided by clinical social workers and clinical psychologists which are subject to the outpatient psychiatric services limitation. This limit does not apply to diagnostic services.

The payment is calculated, in general, by dividing the Center's total allowable cost by the total number of total visits for FQHC services. FQHC payment methodology includes one urban and one rural payment limit. For services furnished on or after January 1 of each year, the payment limit is increased by the Medicare Economic Index applicable to primary care physician services. A FQHC is designated as an urban or rural entity based on definitions in Section 1886(d)(2)(D) of the Social Security Act. If a FQHC is not located within a Metropolitan Statistical Area or New England County Metropolitan Area, the rural limit applies. Rural FQHCs cannot be reclassified into an urban area for FQHC payment limit purposes.

Freestanding FQHCs must complete Form CMS-222-92, Independent Rural Health Clinic and Freestanding Federally Qualified Health Center Cost Report, in order to identify all incurred costs applicable to furnishing covered Center services including FQHC direct costs, any shared costs applicable to the FQHC, and the FQHC's appropriate share of the parent provider's overhead costs. Form CMS-222-92 can be found at **www.cms.hhs.gov/CMSForms/CMSForms/list.asp#TopOfPage** on the CMS website. Provider-based FQHCs must complete Worksheet M of Form CMS-2552-96, Hospital Cost Report, in order to identify all incurred costs applicable to furnishing covered Center services. At the beginning of the rate year, the Fiscal Intermediary calculates an interim rate based on estimated allowable costs and visits from the Center if it is new to the FQHC Program or actual costs and visits from the previous cost reporting period for existing FQHCs. The Center's interim rate is reconciled to actual reasonable costs at the end of the cost reporting period. Form CMS-2552-96 can be found in the ***Provider Reimbursement Manual***—Part 2 (Pub. 15-2), Chapter 36, which can be found at **www.cms.hhs.gov/Manuals/PBM/list.asp#TopOfPage** on the CMS website.

The cost of the influenza and pneumococcal vaccines and their administration are separately reimbursed at cost settlement. There is a separate worksheet on the Independent Rural Health Clinic and Freestanding Federally Qualified Health Center Cost Report to report the cost of these vaccines and their administration. These costs should never be reported on the claim when billing for FQHC services. There is no coinsurance or deductible for these services; therefore, when one of these vaccines is administered, the charges for the influenza and pneumococcal vaccines and their administration are never included with the visit charges when calculating coinsurance or deductible for the visit. When a physician, physician assistant, nurse practitioner, or certified nurse midwife sees a beneficiary for the sole purpose of administering an influenza and pneumococcal vaccination, he or she may not bill for an office visit. However, the cost can still be included on the cost report.

The cost of the Hepatitis B vaccine and its administration are covered under the all-inclusive rate. If other services, which constitute a qualifying FQHC visit, are provided at the same time as the Hepatitis B vaccination, the charges for the vaccine and its administration can be included in the charges for the visit both when billing and calculating the coinsurance and/or deductible. When a physician, physician assistant, nurse practitioner, or certified nurse midwife sees a beneficiary for the sole purpose of administering a Hepatitis B vaccination, he or she may not bill for an office visit. However, the

cost can still be included on the cost report. The charges for the Hepatitis B vaccine can be included on a claim for the beneficiary's subsequent visit and when calculating the coinsurance and/or deductible.

Medicare Prescription Drug, Improvement, and Modernization Act of 2003

Section 410 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 states that professional services furnished on or after January 1, 2005 by physicians, physician assistants, nurse practitioners, and clinical psychologists who are affiliated with FQHCs are excluded from the Skilled Nursing Facility Prospective Payment System, in the same manner as such services would be excluded if provided by individuals not affiliated with FQHCs.

HELPFUL RURAL HEALTH WEBSITES

CENTERS FOR MEDICARE & MEDICAID SERVICES' WEBSITES

CMS Contact Information Directory
www.cms.hhs.gov/apps/contacts/

CMS Forms
www.cms.hhs.gov/CMSForms/CMSForms/list.asp#TopOfPage

CMS Mailing Lists
www.cms.hhs.gov/apps/mailinglists/

Critical Access Hospital Provider Center
www.cms.hhs.gov/center/cah.asp

Federally Qualified Health Centers Provider Center
www.cms.hhs.gov/center/fqhc.asp

Hospital Provider Center
www.cms.hhs.gov/center/hospital.asp

HPSA/PSA (Physician Bonuses)
www.cms.hhs.gov/HPSAPSAPhysicianBonuses/

Internet-Only Manuals
www.cms.hhs.gov/Manuals/IOM/list.asp#TopOfPage

MLN Matters Articles
www.cms.hhs.gov/MLNMattersArticles/

Medicare Learning Network
www.cms.hhs.gov/MLNGenInfo/

Medicare Modernization Update
www.cms.hhs.gov/MMAUpdate/

Physician's Resource Partner Center
www.cms.hhs.gov/center/physician.asp

Regulations & Guidance
www.cms.hhs.gov/home/regsguidance.asp

Rural Health Clinic Provider Center
www.cms.hhs.gov/center/rural.asp

OTHER ORGANIZATIONS' WEBSITES

Administration on Aging
www.aoa.gov

American Hospital Association Section for Small or Rural Hospitals
www.aha.org/aha/key_issues/rural/index.html

Health Resources and Services Administration
www.hrsa.gov

National Association of Community Health Centers
www.nachc.org

National Association of Rural Health Clinics
www.narhc.org

National Rural Health Association
www.nrharural.org

Rural Assistance Center
www.raconline.org

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