

Rural Health Clinic Reconciliations

Rural Health Clinics Reconciliation Status, Calendar Years 2011–2013 and 2014–2017

Engrossed Substitute House Bill 1109; Section 211(29); Chapter 415;

Laws of 2019

October 15, 2019



Rural Health Clinic Reconciliations

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Executive Summary

This report details Rural Health Clinic (RHC) reconciliations for 2010–2013 and 2014–2017, as required by Engrossed Substitute House Bill 1109 (2019):

By October 15, 2019, the authority shall report to the governor and relevant committees of the legislature the status of rural health clinic reconciliations for calendar years 2011-2013, including any use of available unliquidated prior period accrual balances to refund the federal government for those calendar years. Additionally, the report shall include the status of rural health clinic reconciliation for calendar years 2014-2017, including anticipated amounts owed to or from the reconciliation process for those fiscal years. The authority shall not recover the state portion of rural health reconciliations for calendar years 2011-2013 for which no general fund state accrual was made. The authority shall not pursue recoveries for calendar years 2014-2017 until after the legislature has an opportunity to take action during the 2020 legislative session. If the legislature does not take any action on rural health clinic reconciliations for calendar years 2014-2017, recoveries shall commence per administrative rule.

This report includes:

- A narrative and tables outlining the status of 2011–2013 RHC reconciliations including the use of available unliquidated funds to refund the federal government for those calendar years. HCA has completed the reconciliation process for this time period and included total reconciliation amounts and methods in this report.
- A descriptive status of 2014–2017 RHC reconciliations including anticipated amounts owed to or from the reconciliation process for those calendar years. HCA has completed the preliminary collective 2014–2017 reconciliation analysis necessary to identify the estimated amounts. These amounts are outlined in the report via narrative and table.



Background

Reconciliation Process Overview

RHCs receive enhanced reimbursement in return for serving clients in rural and medically-underserved areas. Each of Washington’s 128 RHCs receive a unique, provider-specific encounter rate based on allowable costs.¹ To comply with federal regulations, HCA must ensure that RHCs receive their cost-based encounter rates for qualifying services provided to all Washington Apple Health (Medicaid) clients served through HCA’s fee-for-service and managed care programs.²

Annual Reconciliation Process

Per federal and state regulations (as outlined in this report), HCA pays the RHCs monthly enhancement payments. These payments are in addition to the negotiated payments clinics receive from managed care organizations (MCOs).

This payment method ensures that RHCs receive their full cost-based, provider-specific rate for eligible RHC services by bridging the gap between MCO contractual payments and clinic encounter rates.

However, the enhancement payments are approximate because they are based on the fluctuating enrollee numbers that MCOs assign to each clinic. This means HCA must reconcile payments with each clinic to ensure the clinics received their full encounter rate for each qualifying visit.

If the clinic was underpaid,³ HCA pays the difference. If the clinic was overpaid, HCA recoups the extra amount. HCA coordinates the return of RHC overpayments with the Office of Financial Recovery (OFR), which manages the debt recovery process.

HCA uses clinics’ most recent reconciliation data to calculate enhancement rates. Keeping current on reconciliations benefits both HCA and RHCs by helping to avoid large over or underpayments.⁴

¹ While Washington has an annual average of approximately 125 RHC clinics, this number can fluctuate based on new RHCs, closing RHCs, and ownership changes. For example, there were 128 unique RHC clinics from 2011–2013 and 135 from 2014–2017.

² Managed care is a health care delivery system organized to manage cost, utilization, and quality. Apple Health managed care delivers Medicaid health benefits and additional services through contracts between state Medicaid agencies and MCOs that accept a set per member per month payment for these services. Apple Health clients who are not served in managed care receive services through the Medicaid fee-for-service program, where HCA pays providers directly for each service.

³ Underpayments mean that the total revenue from MCOs and HCA was below the aggregate encounter rate payment for all visits.

⁴ Annual reconciliations apply to all reconciliations for calendar years 2011–2017, as well as future calendar years (2018–forward) for any RHCs who do not elect to receive their full encounter rate through MCOs.



MCO Encounter Payment Option

In response to Section 213(1)(II) of Substitute Senate Bill 5887 (2017), HCA implemented a new payment option for service dates beginning January 1, 2018. This new option, which allows RHCs to receive their full encounter payments from MCOs at the time of service, eliminated the need for annual reconciliations with RHCs. HCA now performs an annual reconciliation with MCOs for the enhancement portion of the claim. Reconciliations ensure the MCO was not put at risk for or has any right to the enhancement portion of the claim. If the MCO was overpaid, the agency will recoup the appropriate amount. If the MCO was underpaid, HCA pays the difference.

To date, 81 percent of RHCs have elected to receive their full encounter payments from managed care, forgoing annual managed care reconciliations. The remaining 19 percent of RHCs do not receive their full encounter rate from MCOs and continue to perform annual reconciliations with HCA.

Legal Framework

Regulation Overview

Federal and state regulations govern RHC managed care enhancement payments:

Federal

42 U.S.C 1396a (bb)(5):

(5) Administration in the case of managed care

(A) In general

In the case of services furnished by a Federally-qualified health center or rural health clinic pursuant to a contract between the center or clinic and a managed care entity (as defined in section 1396u-2 (a)(1)(B) of this title), the State plan shall provide for payment to the center or clinic by the State of a supplemental payment equal to the amount (if any) by which the amount determined under paragraphs (2), (3), and (4) of this subsection exceeds the amount of the payments provided under the contract.

State

Washington Administrative Code 182-549-1450(5):

(5) For clients enrolled with an MCO, the agency pays each RHC a supplemental payment in addition to the amounts paid by the MCO. The supplemental payments, called enhancements, are paid in amounts necessary to ensure compliance with 42 U.S.C. 1396a (bb)(5)(A).

(a) The RHCs receive an enhancement payment each month for each managed care client assigned to them by an MCO.



(b) To ensure that the appropriate amounts are paid to each RHC, the agency performs an annual reconciliation of the enhancement payments. For each RHC, the agency will compare the amount actually paid to the amount determined by the following formula: (Managed care encounters times encounter rate) less fee-for-service equivalent of MCO services. If the RHC has been overpaid, the agency will recoup the appropriate amount. If the RHC has been underpaid, the agency will pay the difference.

State Plan Amendment

The Centers of Medicare and Medicaid Services (CMS) approved a State Plan Amendment (SPA) in 2008. The amendment included the managed care reconciliation procedure that state-issued enhancement payments must equal the difference between the MCO contractual payment and the RHC encounter rate.

2011–2013 Reconciliation

Overpayments/Underpayments

HCA finalized the 2011–2013 managed care reconciliations with all RHCs. This process included 74 organizations, totaling 128 RHC clinics (see “Appendix A: 2011–2013 RHC Reconciliation Table”). For this analysis we broke out the clinics at the organizational level by combining all RHCs owned by the same entity.

RHC overpayments owed to the state totaled \$15,533,434. Of 74 total organizations, 17 have settled overpayments with HCA totaling \$1,591,160. The settlements took place prior to the legislative mandate.

Additionally, three organizations initiated the appeals processes with HCA regarding their reconciliation overpayments. HCA forwarded two of these organizations to OFR for debt management. HCA managed the third organization’s overpayment due to open litigation for previous years’ reconciliation overpayments.

Twenty-nine organizations were underpaid in this time period, and HCA paid out a total of \$4,404,478.

Table 1 summarizes all 2011–2013 reconciliation underpayments and overpayments, outlining the number of organizations and associated RHCs. The legislative intent of the RHC reconciliation debt relief dealt with the amount owed by RHC organizations (specified in Table 1 as “Unsettled Overpayments”), which totaled \$17,736,402.



Table 1: 2011–2013 Rural Health Clinic Reconciliation

2011–2013 Rural Health Clinic Reconciliation Status				
Reconciliation	# of RHC Organizations	# of RHCs	Total Amount	Status
Settled Underpayments <i>(HCA paid clinic)</i>	29	57	(\$4,404,478)	Final
Settled Overpayments <i>(clinic paid HCA)</i>	17	19	\$1,591,160	Final
Appeals <i>(overpayment managed by OFR)</i>	2	3	\$610,350	Final
Unsettled Overpayments <i>(Debt relieved by HCA)</i>	26	49	\$17,736,402	Final
TOTAL:	74	128	\$15,533,434	

The legislative proviso directed HCA to use unliquidated funds to repay the federal portion of any unsettled (outstanding) RHC overpayments. HCA had approximately \$60 million in unliquidated prior-period funds available for liabilities from fiscal year 2016. As previously mentioned, total overpayments — including both the state and federal portions — were \$17,736,402. OFR relieved the debt of the two clinics appealing their reconciliations. Unliquidated funds were not used for the RHCs being managed by OFR because the federal portion of those payments had already been returned.

HCA sent letters to all RHCs with outstanding overpayments informing them that their entire 2011–2013 overpayment debt would not be collected. HCA completed the necessary accounting procedures to ensure that the federal portion of the \$17.7 million (totaling a little over \$9 million) is returned to the federal government, utilizing the prior unliquidated funds. The fund source breakout of the settled amount is shown in Table 2.

Table 2: Unsettled Overpayments

Unsettled Overpayments (debt relieved by HCA)	
26 Organizations (49 RHCs)	
Federal Portion	\$9,060,072
State Portion	\$8,676,329
Total	\$17,736,401



2014–2017 Reconciliation

Reconciliation Process

HCA initiated the 2014–2017 RHC reconciliation process and has identified RHC organizations that must complete reconciliations for these periods. In an attempt to address administrative burdens of managed care reconciliations on RHCs, HCA offered the following options for performing 2014–2017 reconciliations:

Table 3: RHC 2014–2017 Reconciliation Options

Option	Description	# of RHC Organizations
Option 1: Agreed Upon-Procedure Method	RHCs compile their own managed care data using guidelines provided by HCA. RHCs contract with independent financial auditors to select and test a random sample of claims for each clinic’s reconciliation data	2
Option 2: RHC submits encounter data to HCA	RHCs submit encounter data to HCA in a preset template in Excel format. HCA will then validate these data in Provider One. [1]	50
Option 3: HCA performs reconciliation	HCA performs the reconciliation utilizing data submitted by MCOs. HCA will compile data from Provider-One and send the reconciliation results to the RHC for review.	19
Total RHCs:		71

On November 21, 2018, HCA sent RHCs instructions for the 2014–2017 reconciliations. HCA requested that RHCs submit their final reconciliations by March 30, 2019. As of August 20, 2019, 19 of 71 RHC organizations had submitted final reconciliations for review by HCA. Another 19 organizations had requested that HCA perform their reconciliation. The 33 remaining organizations had not yet submitted their reconciliations. Due to the administrative burden on RHCs to perform multiple years of reconciliations at one time, HCA works to communicate with those who have not submitted to address concerns and update expected submission dates. HCA will perform 2014–2017 RHC reconciliations for those who fail to submit.

HCA estimates the total 2014–2017 overpayment owed to the state is \$35,081,467. To reach these amounts, HCA utilized ProviderOne⁵ RHC encounter claims data and actual RHC reconciliation data (when available) to arrive at collective overpayment and underpayment reconciliation amounts (see Table 4). These amounts are subject to change as RHCs submit finalized reconciliation data.

⁵ ProviderOne is Washington’s social and health services provider payment system.
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Table 4: Estimated 2014–2017 RHC Reconciliation

2014–2017 RHC Reconciliation Estimates					
Reconciliation	# of RHC Organizations	# of Clinics	State Portion	Federal Portion	Total
Overpayment	46	79	\$ 17,149,094	\$ 31,469,524	\$ 48,618,618
Underpayment	25	56	\$ (4,148,983)	\$ (9,388,169)	\$ (13,537,152)
Total	71	135	\$ 13,000,111	\$ 22,081,355	\$ 35,081,467

HCA continues to communicate with organizations who have outstanding reconciliations, as well as the Rural Health Clinic Association of Washington (RHCAW). HCA also meets with RHCAW bi-monthly to discuss updates and concerns regarding these reconciliation submissions.

Conclusion

HCA completed 2011–2013 RHC reconciliations for all clinics. Under state and federal regulations, HCA has a duty to return the federal share of any overpayments. HCA has been able to meet these requirements, at the direction of the Legislature, by using unliquidated prior-period funds.

HCA has worked with RHCs and their advocates at the Rural Health Clinic Association of Washington to collect 2014–2017 data and estimates for RHC reconciliations. HCA will continue these efforts until all reconciliations for this time period are finalized. At the direction of the Legislature in Engrossed Substitute House Bill 1109 (2019), HCA will not recoup any amounts owed by RHCs for 2014–2017 reconciliations until the Legislature reviews the estimates in the 2020 legislative session.



Appendix A: 2011–2013 Reconciliation Table

Organization Name	# of RHCs	Under/Overpayment	Reconciliation Amount
Newport Community Hospital	2	Underpayment	\$ (435,191)
Island Family Hospital	4	Underpayment	\$ (378,989)
Pacific Family Health Center	1	Underpayment	\$ (17,057)
Odessa Clinic (Lincoln Co PHD 1)	1	Underpayment	\$ (12,764)
Kittitas Valley Healthcare	3	Underpayment	\$ (51,668)
Lusk Enterprises PS Inc	1	Underpayment	\$ (11,043)
Columbia County PHD	2	Underpayment	\$ (163,383)
Sunnyside Community Hospital	5	Underpayment	\$ (582,337)
East Adams Rural Hospital	3	Underpayment	\$ (36,005)
WhidbeyHealth	2	Underpayment	\$ (90,272)
Jefferson Healthcare	4	Underpayment	\$ (1,630,279)
Lincoln County Hospital Dist. 3	3	Underpayment	\$ (231,776)
Morton General Hospital	2	Underpayment	\$ (175,472)
Ferry County Public Hospital District	2	Underpayment	\$ (69,546)
Orcas Family Health Center	1	Underpayment	\$ (33,308)
Douglas Grant Lincoln (Coulee Medical Center)	2	Underpayment	\$ (62,491)
Prosser Public Hospital District - Benton City	1	Underpayment	\$ (142,199)
Harrison Medical Clinic	1	Underpayment	\$ (715)
Orcas Island Family Medicine	1	Underpayment	\$ (7,544)
Methow Valley	1	Underpayment	\$ (104,600)
Olympic Medical Physicians	1	Underpayment	\$ (215,984)
Tenino Family Practice	1	Underpayment	\$ (91,476)
The Beach Clinic	1	Underpayment	\$ (3,160)
Chewelah Associated Physicians	1	Underpayment	\$ (238,368)
Mid Valley Medical Group (Okanogan PHD)	1	Underpayment	\$ (551,297)
Garfield County PHD - Pomeroy Medical Clinic	1	Underpayment	\$ (26,671)
Mason General Hospital	6	Underpayment	\$ 1,043,351
San Juan Co Hospital Dist 1	1	Underpayment	\$ (44,060)
Olympic Physicians	2	Underpayment	\$ (40,174)
Columbia Basin Family Medicine	1	Overpayment	\$ 162,898
Summit Pacific Medical Center	3	Overpayment	\$ 8,729
Pacific Family Health Center	1	Overpayment	\$ 25,604
Family Medicine of Port Angeles	1	Overpayment	\$ 649,857
Douglas County Hospital District 2	1	Overpayment	\$ 3,344
Mattawa Community Medical Clinic	1	Overpayment	\$ 453,564
San Juan Healthcare Associates	1	Overpayment	\$ 7,270
Klickitat County Public Hospital	1	Overpayment	\$ 109,216
Grant County - Quincy	1	Overpayment	\$ 193,941
Chehalis Children's Clinic	1	Overpayment	\$ 1,045,024
Northshore Medical Group	2	Overpayment	\$ 93,972
Family Care Network	5	Overpayment	\$ 626,656
Wenatchee Valley Hospital	8	Overpayment	\$ 7,593,114
Walla Walla Clinic	1	Overpayment	\$ 1,354,379
Providence - Rochester Family Medicine	1	Overpayment	\$ 94,721
CWH Family Healthcare	2	Overpayment	\$ 114,897
Cascade Valley Hospital	1	Overpayment	\$ 43,929
LG Steck	3	Overpayment	\$ 435,011
NE Washington Medical Group	2	Overpayment	\$ 189,616
Cascade Medical Center	1	Overpayment	\$ 14,540
Skagit Regional Health/Cascade Valley Hospital	4	Overpayment	\$ 327,416
Family Health Care of Ellensburg	1	Overpayment	\$ 161,316

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Organization Name	# of RHCs	Under/Overpayment	Reconciliation Amount
Peninsula Children's Clinic	1	Overpayment	\$ 274,443
NW Pediatric Center	3	Overpayment	\$ 382,350
Lake Chelan Clinic	1	Overpayment	\$ 76,019
Samaritan	2	Overpayment	\$ 486,480
Mid Valley Community Clinic	1	Overpayment	\$ 1,699,671
Deer Park Family Care Clinic	1	Overpayment	\$ 487,327
North Cascade Family Physicians	1	Overpayment	\$ 60,186
Ocean Beach Hospital	2	Overpayment	\$ 302,136
Tekoa Medical Clinic	1	Overpayment	\$ 29,162
Palouse Health Center Inc.	1	Overpayment	\$ 16,638
L. Keith Hanson Clinic	1	Overpayment	\$ 129,548
Main Street Clinic	1	Overpayment	\$ 66,718
The Clinic at Elma	1	Overpayment	\$ 16,620
Ephrata Medical Center	1	Overpayment	\$ 29,872
Mary's Corner	1	Overpayment	\$ 32,140
Ellensburg Pediatrics	1	Overpayment	\$ 290,830
Pope's Kids	1	Overpayment	\$ 516,378
Morton Medical Center	1	Overpayment	\$ 40,535
Swofford and Halma	1	Overpayment	\$ 762,295
Cascade Family Medical Clinic	1	Overpayment	\$ 15,064
Forks Community Hospital	2	Overpayment	\$ 117,820
Walla Walla General Hospital	1	Overpayment	\$ 395,924
Family Medical Center	1	Overpayment	\$ 740
	128		\$ 15,533,434

