

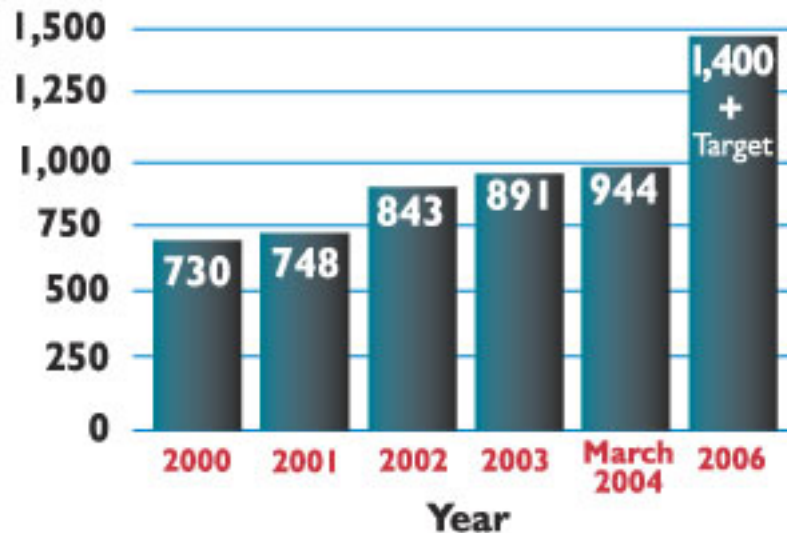
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Federally Qualified Health Centers: Opportunities to Reduce Unreimbursed Care and Improve Access to Services

Hospitals and health systems in communities with significant levels of uninsured or medically underserved patients may be able to improve access to care, reduce unnecessary emergency room utilization, and offset financial losses from unreimbursed care by developing or overseeing a federally qualified health center (FQHC). FQHCs include grantees funded under section 330 of the Public Health Service Act and some tribal organizations.

Number of FQHC Grantees



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Bureau of Primary Health Care
(BPHC)

What is a Federally Qualified Health Center?

FQHC is a federal designation from the Bureau of Primary Health Care (BPHC) and the Centers for Medicare & Medicaid Services (CMS) that is assigned to private nonprofit or public health care organizations that serve predominantly uninsured or medically underserved populations. FQHCs provide their services to all persons regardless of ability to pay and charge for services on a sliding-scale fee schedule based on patients' family income and size.



Click here for information on
section 330 health centers

FQHC financial support is provided to the following service locations and programs:

- Community health centers
- Migrant health centers
- Health care for the homeless programs
- Public housing primary care programs
- School-based health centers

What is an FQHC "Look-Alike"?

There are health care organizations that also receive federal funding, which are called FQHC "look alike." An FQHC look-alike meets all the criteria for FQHC-designation. Although an FQHC look-alike does not receive grant support, they are eligible for enhanced payment due to the prospective payment system reimbursement for services to Medicaid and Medicare patients and discounts for pharmaceutical products.

FQHC Funding

In recognition of their unique patient populations and service delivery model FQHCs receive operating grants and/or subsidies to cover costs. Funding comes from both Medicare and Medicaid programs. To determine the amount of a center's grant and/or subsidy, the state in which the center is located determines the reasonable level of cost using principles previously developed for other provider groups such as hospitals, rural health clinics, and nursing homes. Some states require FQHCs

to submit quarterly and annual cost reports to receive supplemental payments.

FQHCs are required to bill third party payers for patients who have coverage. This approach helps offset the cost of the organization's operations, allowing direct federal grant dollars to cover care for the uninsured. For uninsured patients, FQHCs receive 80 percent reimbursement of allowable costs for Medicare and are also reimbursed for certain preventive services not typically covered by Medicare. For the balance of the costs, FQHCs bill patients according to their ability to pay and sliding-scale fee schedules. Sliding-scale fee schedules are based on income levels as specified under the Medicare program.

The federal government's FY2004 budget provides an increase in FQHC funding of \$169 million under the third year of a five-year plan to add or expand 1,200 health care sites, with the goal of reaching 3,000+ sites by 2006. In total, \$1.6 billion in FQHC funding is expected to be provided this fiscal year, which amounts to an average of more than \$500,000 in funding per FQHC delivery site.

FQHC Eligibility Requirements

In order to qualify for funding, FQHCs must meet certain criteria:

- Serve a federally designated health professional shortage area, medically underserved area, or medically underserved population
- Provide services to all patients regardless of insurance status
- Use a sliding fee scale for uninsured patients based on income status
- Operate as a nonprofit corporation governed by a board of directors, of which health center users constitute a majority

Benefits of FQHC Status

The benefits of having a FQHC in a hospital or health

system service area include:

- Assist in meeting the primary care needs of the service area and ease the burden for voluntary physicians and hospitals
- Reduce unnecessary emergency department and urgent care visits
- Enhance access to care for local residents, including free immunizations for uninsured children
- Receive reimbursement (by grant or subsidy) for services that the hospital might otherwise provide without payment
- Prevent or provide earlier treatment for chronic conditions that might ultimately be very costly for a hospital or health system
- Serve as a point of referral to hospital-based services
- Reduce the number of uninsured due to FQHC assistance with Medicaid and Children's Health Insurance Program enrollment
- Relieve the financial strain on Medicare patients due to deductible waiver for selected services provided at the FQHC

Key Considerations When Applying for FQHC Status

When evaluating the feasibility of applying for FQHC status, health care organizations should consider the following issues:

- The relatively demanding application process
- The availability of providers to staff the site
- Local market dynamics (e.g., competitor activities, availability of alternative delivery sites, etc.)
- The potential operating subsidy that may be required, over and above federal and state assistance
- Annual recertification and review requirements

One System's FQHC Experience

A New York-based health system has had an FQHC with multiple sites of service in existence for more than 10 years. The FQHC receives more than \$800K in annual financial support. Despite the subsidies, in the aggregate the FQHC operates at a deficit. However, the

service sites are a major deterrent to unnecessary ED utilization, while still serving as an access point for 5,000 + patients on an annual basis. The FQHC is also a vital component in fulfilling the system's mission of caring for underserved populations.

For more information on FQHCs, please contact [Robert Hill](#) or [Craig Holm](#), or call 215-636-3500.

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8 Penn Center

1628 John F. Kennedy Boulevard

Suite 200

Philadelphia, PA 19103

(215) 636-3500

www.hss-inc.com

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