

**Tuesday, April 29, 2014**

**To: Congressional Health Staff**

**From: Jennifer Boulanger**

**Deputy Director, Office of Legislation**

**Centers for Medicare & Medicaid Services**

**Re: CMS Finalizes a Medicare Prospective Payment System for Federally Qualified Health Centers**

Today, the Centers for Medicare & Medicaid Services (CMS) issued a final rule that establishes a Medicare prospective payment system (PPS) for federally qualified health centers (FQHCs). Under the new PPS, Medicare will pay FQHCs a single encounter rate per beneficiary per day for all services provided, with some exceptions. The rate will be adjusted for geographic variation in costs. The rate will also be adjusted for the higher costs associated with furnishing care to a patient that is new to the FQHC and when the FQHC furnishes an initial preventive physical examination or an annual wellness visit to a Medicare beneficiary. The same services that have been paid for by Medicare in the past will continue to be covered under the new system. The new payment system will be implemented beginning on October 1, 2014. FQHCs will be transitioned to the new payment system throughout Fiscal Year 2015.

In the final rule, CMS seeks comments on modifications of a few proposals including: a simplified method for calculating coinsurance when a preventive and non-preventive service are on the same claim; the establishment of Medicare-specific payment codes to be used for Medicare encounter-based payment under the new PPS; and ways in which payment for chronic care management services could be adapted for FQHCs and rural health clinics.

The rule also includes policies regarding sanctions for certain proficiency testing violations under the Clinical Laboratory Improvement Amendments and rural health clinics contracting with non-physician practitioners.

The final rule went on display at the Office of the Federal Register today and is available at: <http://ofr.gov/inspection.aspx>. The press release and fact sheet are attached. If you have any questions, please contact the CMS Office of Legislation.

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