

Quarterly Policy and Community Aides Briefing The Prospective Payment System

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Funding of Clinics in Theory

- Medi-Cal Payments – Covering the Insured
- Federal Grant – Covering the uninsured

How Do Clinics Get Paid?

- Prospective Payment System – Fee for Service
 - Medi-Cal
 - Healthy Families
 - Low Income Health Program
- Managed Care
- Private Insurance
- Self Pay – Sliding Scale

Paying for Health Care Retrospective System

Historically, paid for services rendered like ...

- Office Visit
- Labs
- Tests
- X-Rays

Result: Incentive to charge for each and every item



Introduction of PPS

- Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act (BIPA).

Prospective Payments

- Agree upon a rate in advance –
 - a fixed payment no matter what is done
- Theoretically, pre- purchasing in bulk reduces health care costs
- Each visit is billed the same ... no matter what services are delivered at the visit
- Only one visit per day is billable

How are rates set

- What is the cost of doing business?
- Established Clinic: Examine costs in 1999 and 2000
 - Need to use Medi-Cal services, not Medicare
- New Clinic:
 - Can elect to base off first year actual cost per visit
 - Option to use comparables from clinics in the same or adjacent areas that provide a similar set of services

How and When are PPS Rates Adjusted?

- Inflation
- Change in Scope of Services Offered
 - Health center expansion
 - Addition of services
 - Electronic Health Record implementation

So what can be included?

- Medical Visit
- Dental
- Mental Health
- Lab
- Radiology
- Pharmacy
- Group Health
- Therapy
- Obstetrics
- Optometry
- Enabling Services

What are Enabling Services?

- Case Management
- Outreach, Outstationed Eligibility Workers
- Patient Education
- Translation/Interpretation
- Community Education
- Environmental Health Risk Reduction

Why do PPS Rates Vary?

- Not all clinics or even sites offer the same services
- Cost may be higher
 - Type of personnel used
 - Cost of building (ie: newer building has higher mortgage and therefore, higher capital cost built into cost of services)
 - Use of Electronic Health Records

What is the “Wrap Payment”?

- Makes the Clinic Whole
 - In Managed Care (MediCal and Healthy Families): Difference between what the Insurance Company pays and the PPS rate – health center is paid an estimate of the difference
 - Clinic only paid about 60% of the difference with the wrap
 - Reconciliation comes between 1 to 3 years later

Questions?