

# Rural Health Clinics in Alaska



Alaska Department of Health and Social Services  
Office of the Commissioner  
Health Planning and Systems Development  
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This document was developed for communities and facilities considering the option of a Rural Health Clinic certification.

The topic of Rural Health Clinics was introduced and discussed in a recent conversation with the leadership of several rural Alaska health care facilities. In some of Alaska's "larger" rural communities, there are private providers that find it financially challenging to provide services to clients covered by Medicare and Medicaid. Of particular concern is the fact that in the last five years, Alaska has experienced an increase in the number of Federally Qualified Health Centers (FQHC or Section 330 Community Health Centers). There is a perception that private providers have been forced into competition with Federally Qualified Health Centers that receive enhanced Medicare and Medicaid reimbursement while private providers offer comparable services for considerably less reimbursement. A question resulting from the discussion is: could the federal certification of "rural health clinic" help independently owned Alaska health care practices increase their operating margins through enhanced reimbursement?

## Are Rural Health Clinics a viable option for Alaska?

The Rural Health Clinic (RHC) program was established for the purpose of increasing access to primary care services for clients covered by Medicaid and Medicare

in rural communities and for providing practice opportunities for mid-level providers (physician assistants, nurse practitioners and nurse midwives). The principal advantage of Rural Health Clinic certification is enhanced reimbursement rates for most services provided to clients covered by Medicaid and Medicare in the office, the patient's home or nursing home. (The term "enhanced" may be misleading for Medicare due to cost limits.) Services provided to clients covered by Medicare and Medicaid in a hospital setting do not receive enhanced payments. Services provided are instead reimbursed at the Resource Based Relative Value Scale (RBRVS) payment based on Medicare and/or Medicaid fee schedules.

Medicare and Medicaid Rural Health Clinic payments are made on an all-inclusive basis. All-inclusive means that a bill is generated as a result of a face-to-face visit with a physician or mid-level practitioner. Medicare and Medicaid reimburse the Rural Health Clinic the same amount for each visit regardless of the services provided during the visit using an established "all-inclusive" reimbursement rate.

Requirements for Rural Health Clinic certification are:

- location in a rural area, as defined by the U.S. Census Bureau;

## Rural Health Clinics in Alaska

- location in a Health Professional Shortage Area (HPSA) or a Medically Underserved Area (MUA) with the designation determined or updated within the last three (3) years; a Governor's Designation is also a possibility when a potential Rural Health Clinic demonstrates shortages, but does not qualify as a HPSA;
- must employ at least one mid-level provider who is on-site and treating patients at least 50 percent of the time the clinic is open for services;
- must employ at least one physician providing oversight. (a mid-level provider can own and run a rural health clinic) ;
- must provide out-patient primary care services;
- must provide diagnostic and therapeutic services commonly offered in a physician's practice;
- must provide a minimum of six CLIA approved lab tests (Rural Health Clinics do not receive increased reimbursement for diagnostic laboratory and radiology services. Instead, these services are paid on the Medicare or Medicaid fee schedule.)
  - chemical examination of urine by stick or tablet
  - hemoglobin or hematocrit
  - blood sugar
  - examination of stool specimens for occult blood
  - pregnancy tests
  - primary cultures for transmittal to a certified laboratory
- must provide "first response" services for life threatening injuries and have access to medications used in common life-saving procedures; and
- must maintain accurate records that ensure patient confidentiality with written procedures governing the use, removal, and release of information.

Many Alaska communities meet the criteria required for a Rural Health Clinic certification. However, depending on the payer mix or range of services a clinic offers, traditional fee-for-service or other forms of payment could be more financially advantageous.

A financial analysis (pro forma) is a fundamental first step in assisting a clinic or provider in determining the possible advantages or potential disadvantages of becoming a certified Rural Health Clinic. In some instances, increased reimbursement will have little impact in changing a clinic's operating margin. There are many reasons why increased Medicare and Medicaid reimbursement may not increase the financial bottom line; the clinic could have a low volume of clients covered by Medicare and Medicaid, the clinic could have inefficient service delivery, or the clinic could have a poor billing and collection system. Rural Health Clinic certification does not automatically guarantee increased revenue, particularly in inefficient clinical practices.

In addition to payer mix and practice efficiencies, Rural Health Clinics have a minimum productivity requirement of 4,200 patient visits per year, per Full Time Equivalent (FTE) physician and 2,100 visits per year, per mid-level provider for Medicare reimbursement. Medicaid's productivity requirements are half this amount.

As a general rule, the Health Resources and Services Administration (HRSA) has found that a Rural Health Clinic will realize a 25-percent to 75-percent increase in overall annual revenues if the combined Medicare and Medicaid visits account for 50 percent or more of total patient visits (Starting a Rural Health Clinic — A How-To Manual, 2004). Very few communities in Alaska have Medicare and Medicaid enrollment at or near the 50-percent rate. For example, the Wade Hampton Census District is the only area that comes close to the needed 50-percent rate with a high Medicaid rate. However, most of the residents in the Wade Hampton Census District are tribal beneficiaries. It is more advantageous

## Rural Health Clinics in Alaska

for a facility to bill as a tribal entity (or as a Federally Qualified Health Center) than as a Rural Health Clinic.

Exceptions to this rule of thumb could occur in Alaska's larger rural communities.. If there are multiple providers in a community, the impact on the payer mix can change, with a Rural Health Clinic working to gain a larger share of the Medicare and Medicaid client base. Other, non-Rural Health Clinic providers do not have the advantage of a favorable reimbursement level.

### Rural Health Clinics and the burden of paperwork

A note of caution relates to Rural Health Clinic federal and state reporting requirements and periodic surveys requested by the State of Alaska. Most physician offices are not accustomed to outside reporting requirements and the additional paperwork requirements can challenge existing resources. Additionally, the state of Alaska sets Medicaid payment rates for Rural Health Clinics annually. The required cost reports must be completed annually.

Preparing for Rural Health Clinic Certification inspection is a complex process. There are two types of Rural Health Clinics — the provider-based (hospital affiliated) and independent (freestanding) Rural Health Clinics. Existing provider-based Rural Health Clinic are familiar with preparation for certification. Private physician offices, however, may find the process challenging. There are four central elements in preparing for the Rural Health Clinic survey; (1) a facility must prepare a Policy and Procedure Manual Review, (2) a medical records review, (3) facility inspection, and (4) program evaluation. A Rural Health Clinic is required to conduct program evaluation annually, and surveyors will review the facility's documentation to verify

compliance. More information on preparing for a Rural Health Clinic survey can be found at:

<http://www.cms.hhs.gov/center/rural.asp>

[http://cms.hhs.gov/manuals/Downloads/som107ap\\_g\\_rhc.pdf](http://cms.hhs.gov/manuals/Downloads/som107ap_g_rhc.pdf)

[http://www.access.gpo.gov/nara/cfr/waisidx\\_05/42cfr491\\_05.html](http://www.access.gpo.gov/nara/cfr/waisidx_05/42cfr491_05.html)

Requirements and regulations necessary for Rural Health Clinic certification can be found in 42 CFR 491.4 — 491.11.

The Code of Federal Regulation for the Rural Health Clinic program can be found on the National Association of Rural Health Clinics Web site, [www.narhc.org](http://www.narhc.org). The National Association of Rural Health Clinics can be of assistance before, throughout and after the certification process.

### Steps to certification as a Rural Health Clinic

After a facility has determined eligibility to pursue certification and analysis indicates a potential financial advantage of certification, the next steps in the certification process are (1) filing a RHC application with CMS and (2) completing a CMS provider enrollment form.

- Obtain an RHC application (in Alaska) by contacting Bernadean Anselm (907-334-2489, [bernadean\\_anselm@health.state.ak.us](mailto:bernadean_anselm@health.state.ak.us)) at the state of Alaska Division of Public Health Certification and Licensing.
- A CMS 855A provider/supplier enrollment application form is available on the CMS Web site: <http://www.cms.hhs.gov/cmsforms/downloads/cms855a.pdf>. A completed form should be sent directly to the individual/organization's fiscal intermediary.
- Notification of eligibility to apply for participation

in the RHC program will be determined after receipt and review of the two applications.

- The next step is the RHC Certification inspection. When ready for inspection and in compliance with RHC requirements, notify Bernadean Anselm (907-334-2489 or [bernadean\\_anselm@health.state.ak.us](mailto:bernadean_anselm@health.state.ak.us)) at the state of Alaska Division of Public Health Certification and Licensing. Certification and Licensing will schedule an initial survey.
- The final step in the certification process is the RHC Cost Report. Once a clinic has received a Medicare Provider Letter from CMS, the clinic files a projected cost report to have a Medicare Rate determination. It is important to seek expert advice from people familiar with the CMS-222 Schedule M Cost Report. Accuracy can have a significant financial impact on year-end cost reports. (Starting a Rural Health Clinic — A How-To Manual, 2004)

### Payment methodology for Rural Health Clinics

As previously mentioned, Medicare and Medicaid Rural Health Clinic payments are made on an all-inclusive basis. This means that a bill is generated as a result of a face-to-face visit with a physician or mid-level practitioner. Medicare and Medicaid reimburse the Rural Health Clinic the same amount for each visit regardless of the services rendered during the visit using the established all-inclusive reimbursement rate.

The Medicare all-inclusive rate is based on an allowable cost per visit ratio. The Medicare Rural Health Clinic rate cap for 2007 is \$74.29 per visit. The Medicaid all-inclusive reimbursement rate is set prospectively, in the first year of the Rural Health Clinic's operation. The Medicaid Prospective Payment System (PPS) rate and the Medicare rate cap are increased by the Medicare Economic Index percentage, annually, usually between 2.5 percent to 3.0 percent.

Freestanding and Provider-Based Rural Health Clinics

are similar in program participation requirements and payment methodologies. The primary differences between the two designations are associated with the calculation of the Medicare allowable costs and the applicability of the Medicare all-inclusive reimbursement rate caps. Provider-Based Rural Health Clinics that are associated with Critical Access Hospitals may have a negative effect on the hospital revenue as a result of cost allocations.

Another difference between the Provider-Based Rural Health Clinic and a freestanding Rural Health Clinic applies to hospitals with fewer than 50 available acute care beds. A Provider-Based Rural Health Clinic that is part of such a hospital is eligible to receive uncapped Medicare cost reimbursement. Even though the Medicaid Rural Health Clinic all-inclusive reimbursement rate is set prospectively, it is usually similar to the initial cost reimbursement rate for Medicare and that is the assumption used in the analysis.

Each state varies, slightly, in how it reimburses for Medicaid Rural Health Clinics services. In Alaska, Rural Health Clinics are paid by state Medicaid on a cost-per-visit basis. Cost-based reimbursement rates cannot be compared to fee-for-services rates. Payments to Rural Health Clinics are determined by taking the total allowable costs for services and dividing by allowable visits.

For the first three years following the initial enrollment of a new Rural Health Clinic, the facilities are reimbursed by Medicaid at an "average" cost per encounter rate of all Rural Health Clinics in the state. After the initial period, the mean cost per encounter of a specific clinic

# Rural Health Clinics in Alaska

for the previous two (2) years is determined. The figure is compared to the federal and state PPS rate, and whichever one is higher is used.

The Medicaid payment rate effective Jan. 1, 2007, for an Alaska Rural Health Clinic was \$124.02. (As a point of comparison, the average Medicaid rate for an FQHC was \$205.13.)

## Current status of Rural Health Clinics in Alaska

At this writing, there are currently three certified Rural Health Clinics in Alaska: the Edgar Nollner Health Center, Hoonah Midlevel Practice Clinic and the Yakutat Community Health Center. All current Rural Health Clinics are managed by a tribal organization, and though they have retained Rural Health Clinic certification by the state of Alaska Division of Public Health Certification and Licensing, only the Yakutat Community Health Center bills as a Rural Health Clinic. The other two facilities receive reimbursement as a tribal provider.

## Additional Resources

### Rural Assistance Center — Rural Health Clinic Information

[http://www.raconline.org/info\\_guides/clinics/rhc.php](http://www.raconline.org/info_guides/clinics/rhc.php)

### Office of Rural Health Policy — Rural Health Clinic Information

<http://ruralhealth.hrsa.gov/RHC/>

### Starting a Rural Health Clinic — A How-To Manual, 2004

<ftp://ftp.hrsa.gov/ruralhealth/RHCmanual1.pdf>

### National Association of Rural Health Clinics

<http://www.narhc.org/>

### Centers for Medicaid and Medicare Services — Rural Health Clinic Information

[http://www.cms.hhs.gov/CertificationandCompliance/18\\_RHCs.asp](http://www.cms.hhs.gov/CertificationandCompliance/18_RHCs.asp)

### For questions about this document, contact:

Mariko Selle at (907) 269-3456;  
[Mariko\\_Selle@health.state.ak.us](mailto:Mariko_Selle@health.state.ak.us)

### For certification and licensing questions, contact:

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### For payment methodology questions, contact:

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The Health Planning and Systems Development Unit is located within the Office of the Commissioner of Health and Social Services. The Unit's primary goal is to work with communities and organizations to ensure access to quality health care services. This is accomplished by coordinating programs that strengthen health care access with a focus on rural areas and underserved populations. The Unit also conducts statewide health planning to help sustain an organized and efficient health care delivery system.

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