

DEPARTMENT OF HEALTH & HUMAN SERVICES
Health Care Financing Administration

Center for Medicaid and State Operations
7500 Security Boulevard
Baltimore, MD 21244-1850

December 1, 1998

Dear State Medicaid Director:

This letter is one of a series that provides guidance on the implementation of the Balanced Budget Act of 1997 (BBA). Several specific amendments recently were made to the Rural Health Clinic (RHC) program. Specifically, section 4205 of the BBA amends title XVIII of the Social Security Act to provide the Health Care Financing Administration (HCFA) with the authority to cap payment rates for all RHCs and eliminate inappropriate growth under the program. Because the Medicaid RHC benefit is linked to Medicare by statute and regulation, all of the statutory changes under this section would apply to your RHC program.

The provision at section 4205(a) would hold provider-based RHCs to the same payment limits as independent RHCs, effective January 1, 1998. Prior to the BBA, States were required to apply overall per visit limits only to freestanding RHCs; provider-based RHCs, such as clinics affiliated with a hospital or home health agency, were paid on the basis of the Medicare cost reimbursement principles without the required imposition of either this payment cap or productivity screens. Since all RHCs provide the same scope of services, the new BBA requirement will ensure fairness and equity in payment limits across independent and provider-based settings. An exception to the limit is provided to provider-based RHCs based in small rural hospitals of less than 50 beds.

There are provisions at sections 4205(b) and (c) which require RHCs to establish a quality assurance program and limit the application of the waiver of the mid-level practitioner staffing requirement.

The provision at section 4205(d) changes the RHC certification process to improve the targeting of clinics in high need areas. The statute is revised to:

1. require that qualifying RHCs, located in rural areas, have a current shortage area designation which has been made or reviewed within the last three years.
2. requires HCFA to terminate existing RHCs which no longer qualify under the location requirements, unless the Secretary determines that the clinic is essential to the delivery of primary care services. HCFA will not apply this new termination authority until issuance of implementing regulations. The implementing regulations should be issued the end of the year.

If you have any additional questions concerning these changes, please contact Suzan Stecklein of my staff on (410) 786-3288.

Sincerely,

/s/

Sally K. Richardson
Director

cc:
All HCFA Regional Administrators

All HCFA Associate Regional Administrators for Medicaid and State Operations

Lee Partridge
American Public Human Services Association

Joy Wilson
National Conference of State Legislatures

Nolan Jones
National Governors' Association