

October 1, 2005  
**Montana Medicaid Notice**  
**RHCs and FQHCs**

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**Reimbursement Rates for Increase or Decrease in Scope of Service**

With collaboration from the provider community, the department adopted amendments to the RHC and FQHC administrative rules. The purpose of the amendments is to clarify the methodology used by the department to determine the per visit reimbursement rate when there is an increase or decrease in the scope of RHC and FQHC services.

To provide further clarification, the department expanded the definition of the term “Increase or decrease in the scope of service” and adopted a formula to determine the new rate. The administrative rules impacted are ARM 37.86.4401 through 37.86.4420 and can be found at the provider information website <http://www.mtmedicaid.org>. We encourage you to review these administrative rules.

Specific portions of the administrative rule and examples of an increase or decrease in the scope of RHC and FQHC services are included in this bulletin. Not all portions of the administrative rule or all possible scenarios are included.

“**Increase or decrease in the scope of service**” is now defined as the addition or deletion of a service or a change in the magnitude, intensity or character of services provided by an FQHC or RHC or one of their sites. The increase or decrease in the scope of service must reasonably be expected to last at least one year. The term includes but is not limited to:

- (a) an increase or decrease in intensity attributable to changes in the types of patients served, including but not limited to HIV/AIDS, the homeless, elderly, migrant or other chronic diseases or special populations;
- (b) any changes in services or provider mix provided by an FQHC or RHC or one of their sites;
- (c) increases or decreases in operating costs that have occurred during the fiscal year and that are attributable to capital expenditures, including new service facilities or regulatory compliance; and
- (d) any approved changes in scope of project as defined by the health resources and service administration (HRSA).

The department will determine the new rate according to the following **formula**:

$$NR = \frac{(R \times PV) + C}{(PV + CV)}$$

(a) "NR" represents the new reimbursement rate adjusted for the increase or decrease in the scope of service;

(b) "R" represents the present outpatient prospective payment system (OPPS) medicaid rate;

(c) "PV" represents the present number of total visits, which is the total number of visits for the RHC or FQHC during the 12-month time period prior to the change in scope of service;

(d) "C" represents the expected change in costs due to the change in scope of service; and

(e) "CV" represents the expected change in the number of visits due to the change in scope of service.

**EXAMPLES** Let's work through some examples. For all examples assume the provider notified the department in writing of an increase or decrease in the scope of service offered prior to its implementation and the provider submitted documentation and information necessary for the department to make a determination. In addition, for all examples assume your practice has a present Medicaid reimbursement rate of \$100 per visit with 10,000 visits per year.

**EXAMPLE 1.** A new service is added with 1,000 additional visits per year expected at a cost of \$140 per visit.

$$NR = \frac{(R \times PV) + C}{(PV + CV)}$$

$$NR = \frac{(\$100 \times 10,000) + \$140,000}{(10,000 + 1,000)}$$

$$NR = \frac{\$1,140,000}{11,000}$$

$$NR = \$103.64$$

**EXAMPLE 2.** A new service is added with 1,000 additional visits per year expected at a cost of \$70 per visit.

$$NR = \frac{(R \times PV) + C}{(PV + CV)}$$

$$NR = \frac{(\$100 \times 10,000) + \$70,000}{(10,000 + 1,000)}$$

$$NR = \frac{\$1,070,000}{11,000}$$

$$NR = \$97.27$$

**EXAMPLE 3.** A service is deleted with 1,000 fewer visits per year expected at a cost of \$120 per visit.

$$NR = \frac{(R \times PV) + C}{(PV + CV)}$$

$$NR = \frac{(\$100 \times 10,000) - \$120,000}{(10,000 - 1,000)}$$

$$NR = \frac{\$880,000}{9,000}$$

$$NR = \$97.78$$

**EXAMPLE 4.** A service is deleted with 1,000 fewer visits per year expected at a cost of \$70 per visit.

$$NR = \frac{(R \times PV) + C}{(PV + CV)}$$

$$NR = \frac{(\$100 \times 10,000) - \$70,000}{(10,000 - 1,000)}$$

$$NR = \frac{\$930,000}{9,000}$$

$$NR = \$103.33$$

**EXAMPLE 5.** The intensity of a service is increased. No additional visits are expected, but costs are expected to increase by \$100,000 per year.

$$NR = \frac{(R \times PV) + C}{(PV + CV)}$$

$$NR = \frac{(\$100 \times 10,000) + \$100,000}{(10,000 + 0)}$$

$$NR = \frac{\$1,100,000}{10,000}$$

$$NR = \$110.00$$

**EXAMPLE 6.** The intensity of a service is decreased. No fewer visits are expected, but costs are expected to decrease by \$100,000 per year.

$$NR = \frac{(R \times PV) + C}{(PV + CV)}$$

$$NR = \frac{(\$100 \times 10,000) - \$100,000}{(10,000 + 0)}$$

$$NR = \frac{\$900,000}{10,000}$$

$$NR = \$90.00$$

We trust these recent clarifications to the administrative rule and this bulletin are helpful. Please contact the department at 444-4540 for further assistance with this or other matters.

## **Contact Information**

For claims questions or additional information, contact Provider Relations:

**Provider Relations toll-free in- and out-of-state: 1-800-624-3958**

**Helena: (406) 442-1837**

Visit the Provider Information website:

**<http://www.mtmedicaid.org>**