

OFFICE OF LEGISLATIVE RESEARCH
PUBLIC ACT SUMMARY



PA 12-85—sHB 5285

Human Services Committee

**AN ACT ADJUSTING COMMUNITY HEALTH CENTER RATES FOR
CAPITAL INVESTMENTS**

SUMMARY: This act permits the Department of Social Services (DSS) commissioner, beginning with the 2013 rate year (October 1, 2012 through September 30, 2013) and annually thereafter, to add to a community health center's Medicaid rate a capital cost rate adjustment associated with major capital projects (i.e., those costing more than \$2 million). The adjustment is equivalent to the center's actual or projected year-to-year increase in total allowable depreciation and interest expenses associated with the projects divided by the projected number of service visits. The commissioner can revise these adjustments retroactively based on actual allowable depreciation and interest expenses or actual service visit volume for the rate period.

The act requires the commissioner to establish separate rate adjustments for each Medicaid service a center provides (e.g., dental or behavioral health service).

The act prohibits the commissioner from granting an adjustment for any depreciation or interest expense disapproved by the U.S. Department of Health and Human Services or another federal or state government agency authorized to approve health services-related capital expenditures.

The act authorizes the commissioner to allow actual debt service, instead of depreciation and interest, if the debt service amounts are deemed reasonable considering the interest rate and other loan terms.

The act requires the commissioner to implement policies and procedures to carry out its provisions while in the process of adopting them in regulation. He must publish notice of intent to adopt the regulations in the *Connecticut Law Journal* no later than 20 days after implementing the policies and procedures. The policies and procedures are in effect until the final regulations are effective.

EFFECTIVE DATE: October 1, 2012

RATE ADJUSTMENTS FOR CAPITAL INVESTMENTS

Definition of Capital Costs

The act defines "capital costs" as expenditures for land or building purchases, fixed assets, movable equipment, capitalized financing fees, and capitalized construction period interest.

BACKGROUND

Community Health Centers Definition

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A community health center is a public or nonprofit medical care facility. Among other things, a center:

1. is not part of a hospital and is organized and operated to provide comprehensive primary care services;
2. is located in an area that has a demonstrated need for services based on geographic, demographic, and economic factors;
3. serves low-income, uninsured, minority, and elderly people;
4. makes its services available to anyone, regardless of their ability to pay; and
5. uses a sliding fee scale based on income (CGS § 19a-490a).

Medicaid Reimbursement for Capital Improvements in Federally Qualified Health Centers (FQHC) and Medical Clinics

DSS reimburses community health centers for serving Medicaid recipients based on whether the center is designated is a federally qualified health center (FQHC) or medical clinic.

FQHC reimbursement is based on medical, dental, and mental health federally approved prospective rates. Included in these center-specific rates is reimbursement for a center's historical interest and depreciation average costs reported in 1999 and 2000 Medicaid cost reports. The base rates are inflated annually by the Medicare Economic Index every October 1. Under this federally prescribed and approved prospective rate setting system, an FQHC can apply to DSS for a "scope of service" review and possible associated rate adjustments (42 USC § 1396a(bb)(3)). For example, if a center wishes to add a service it previously has not offered and needs to purchase equipment, it can ask DSS for one of these reviews. DSS has granted numerous scope-of-service rate increases for capital and operational improvements and expansions.

DSS separately sets rates for clinics that are not FQHCs. These rates are the same for every clinic and cover particular services provided. They do not take into account the clinic's capital expenses.

OLR Tracking: RC:JKL:VR:ts:eh