



Bridgeport Sites

46 Albion Street
Bridgeport, CT 06605
(203) 330- 6000

968 Fairfield Avenue
Bridgeport, CT 06605
(203) 330-6000

1046 Fairfield Avenue
Bridgeport, CT 06605
(203) 330-6054

510 Clinton Avenue
Bridgeport, CT 06605
(203) 366-4000

743 South Avenue
Bridgeport, CT 06604
(203) 330-6010

School Based
Health Centers
Bassick High School
Cesar Batalla
Central High School
Curiale School
Blackham School
Read School
Roosevelt School

WIC Site
1020 Fairfield Avenue
Bridgeport, CT 06605

Homeless Shelters
Bridgeport Sites
CASA
Helping Hand
Pivot Ministries
Prospect House
Harrison Apartments
Fairfield Site
Operation Hope

TESTIMONY TO HUMAN SERVICES COMMITTEE
REGARDING RAISED BILL: 5590

AN ACT CONCERNING MEDICAID REIMBURSEMENT FOR FEDERALLY
QUALIFIED HEALTH CENTERS (FQHCs)

Southwest Community Health Center (SWCHC), located in Bridgeport, provides comprehensive medical, dental, and behavioral health services to **over 21,200** persons from its 5 main sites, 7 school-based health centers, and 6 homeless shelter clinics. The majority of clients reside in census tracts designated as Medically Underserved Areas and Health Professional Shortage Areas and **98% of all clients have incomes at below 200% of the Federal Poverty Level. In 2015, 60% of all clients were enrolled in Medicaid and 22% were uninsured.**

As SWCHC's President/CEO, I am writing in support of this Bill to change the cost-based reimbursement methodology for FQHCs.

The methodology for FQHC Medicaid reimbursement is stipulated in federal law and was revised in 1999. The 1999-2000 cost-based Medicaid rate of each FQHC in the nation was averaged to establish a rate – called the Prospective Payment System or PPS rate. This PPS rate established a “floor” for payment. The only way rates can increase is through annual Medicare Economic Index (MEI) adjustments, change in a FQHC scope of services, or through an agreed alternative payment methodology. Medicaid rates are determined for three service disciplines medical, dental, and mental health. **The only guaranteed annual increase is the MEI adjustment and SWCHC received a .08 % increase effective October 2015. In the past three years the MEI increase has been less than 1%; while SWCHC's operating costs have increased 3% per year, primarily due to provider recruitment and retention expenses.**

FQHCs are to submit cost reports to DSS annually. The DSS Cost Report methodology has severe limitations that in effect “deflate” an FQHC's PPS rate by “disallowing” certain cost in its rate calculation. For example, FQHCs use electronic health record systems to document patient health data and generate billing. Medicaid payment is based upon this billing as is the Department's review of clinical outcome measures. The maintenance cost of SWCHC's NextGen system is \$180,000 annually and is classified by SWCHC as “direct” cost as it is essential for patient care delivery. However, the DSS Cost report classifies this cost as an “administrative” or overhead cost. Similarly, 70% of our facility costs directly support delivery of medical, dental, and mental health services (e.g. exam rooms, counseling offices, patient reception areas) and should be treated as direct costs, not as “administrative” costs. DSS caps the Administrative costs at 30%.



For SWCHC's 2015 DSS Cost Report, @\$2M of costs was "disallowed" from the PPS rate calculation as they were classified as "administrative" and exceeded the cap, as mentioned above.

- **SWCHC's current medical PPS rate is \$151.59.**
- **The 2015 Cost Report calculates a rate of \$156.51.**
- **If the \$2M direct costs is INCLUDED in the rate calculation, SWCHC's medical PPS rate is \$ 177.68. This should be SWCHC's "floor" rate.**
- **IN REALITY, WE ARE LOSING \$26.09 FOR EACH MEDICAL VISIT.**

Last week Administration officials stated that collectively FQHC's reported almost \$23M in revenue over expenses and "decry" the profit being generated. In SWCHC's case, a review of our 2015 Financial Statements shows that our "Net Assets" consist of fixed assets- buildings and equipment, obtained by either grants or through borrowing. To borrow for capital needs, the corporation must be in a financial position to repay its debt. The debt service ratio (that measures the ability to meet this requirement) is dependent upon the corporation generating sufficient operating surplus annually. **SWCHC's FY 2015 audited financial statements show the debt repayment obligation is \$675,000. Further review of our balance sheet indicates that SWCHC's working capital can only support 20 days of operating costs. The federal government financial ratio benchmark is for FQHCs to have 60 days cash on hand for operations.**

FQHCs are the most efficient, providers of quality care in the State delivering medical, dental and mental health services to over 350,000 patients annually. Care provided at FQHCs reduces CT's health care costs by \$261M annually. Why penalize the most cost-effective provider of Medicaid services through use of poorly constructed cost report? Let's adopt revised language, create a task force to agree upon criteria for cost reporting, pay the FQHCs their "floor" PPS rates — **so that our doors can remain open!!!**

Thank you for your consideration.



Katherine S. Yacavone
President/CEO
3/8/16