



CAROLINA HEALTH CENTERS, INC.

PRESIDENT/CEO REPORT TO THE BOARD OF DIRECTORS

MAY 23, 2016

**Topic #1 – SC Department of Health and Human Services (SCDHHS) Conversion of FQHC Medicaid Reimbursement to Prospective Payment System (PPS)**

The conversion of FQHC Medicaid reimbursement methodology from the current cost-based alternate payment methodology (APM) to what SCDHHS is calling a Prospective Payment System (PPS) is still expected to be effective July 1, 2016 unless legislative efforts result in a delayed implementation to allow sufficient time for a procedural framework to be developed.

As previously stated, the issues fall into three categories: 1) setting the PPS rate; 2) determining the process for “change in scope” impacting future rate changes; and 3) the delegation of the state’s responsibility for cost based payment (via either full encounter rate payments or a periodic wrap process) to the managed care organizations (MCO).

As it currently stands, the process the state is using for establishing the initial rate and providing for trended increases is favorable to the health centers and poses no immediate financial risk. The state has proposed a definition and criteria for a change in scope that, from the perspective of the health centers, requires some additional modification and SCDHHS appears willing to be reasonable in considering changes. The area of greatest risk is the delegation of responsibility to the MCOs. The concerns fall into several areas:

1. SCDHHS is allocating the funding for FQHCs to the MCOs through an actuarially determined increase to their per patient capitation rate. This increase will be applied equally on a per member per month (pm/pm) basis regardless of the proportion of each MCOs patients that are assigned to an FQHC. This serves to disadvantage the MCOs with a higher proportion patients assigned to FQHCs, and could create an incentive for those MCOs to move patients to other primary care providers. In response to this concern, SCDHHS has agreed to consider a more frequent reconciliation and adjustment process.
2. There are six separate companies operating MCOs in the state and SCDHHS is not imposing specific requirements on how these companies are to fulfill their delegated responsibility for FQHC payments. Consequently, health centers – who have previously only had to manage one process – could now have the administrative burden of meeting six different sets of requirements for credentialing providers, claims adjudication, and cost based wrap payments.
3. Related to # 2, the state has imposed no requirement as to whether the MCOs pay the full encounter rate at the time of claims submission or implement a periodic wrap process for which their systems are not currently configured. If MCOs choose a wrap process rather than full payment at the time of claims submission, it could have serious impact on health center cash flow, particularly in light of the fact that SCDHHS has been payment 85% of each health center’s estimated wrap payment in a prospective payment on a quarterly schedule.

4. The proposed contract between SCDHHS and the MCOs does not include any mechanism whereby the health centers may appeal if the MCO fails to fulfill the requirements delegated to it by state.

A meeting of the health centers and the MCOs was held on Wednesday, May 18, 2016 and facilitated by SCDHHS Director Christian Soura. Paul Grogan and Sue Veer have represented CHC on the work groups preparing for this transition and Sue Veer attended the meeting at SCDHHS. The above concerns were presented and Director Soura stated they would be taken under consideration in his discussions with the MCOs.

## **Topic # 2: NACHC Contract for 340B Training and Technical Assistance Services**

CHC has entered into a 3-month contract to assist the National Association of Community Health Centers (NACHC) with responding to requests for training and technical assistance related to the 340B Drug Discount Program. Throughout the month of June training will be provided to over 250 health centers through day long conferences sponsored by the state's Primary Care Association. This contract with NACHC has positioned CHJC as a nationally recognized best practice in 340B pharmacy and enables CHC to have a voice in the ongoing development of 340B policy at the national level.

## **Topic # 3 – Management Team Transitions**

The following transitions have or will be occurring in the management team infrastructure:

Director of Patient and Family Support Services: Sally Baggett resigned her position with CHC to assume a position with a non-profit corporation that provides technical assistance to organizations providing early childhood and home visitation services. The department has undergone a re-organization and re-alignment and is now under Brooke Holloway's senior management oversight. Georgia Deal has been named Director of Early Childhood Services and much of the finance and grants management will be handled by the Finance Department under Paul Grogan's oversight.

Director of Family Medicine: After prayerful consideration and discussions with several members of the senior management team, Dr. Chandler Todd has offered his three-month notice and will be relocating to the Charleston area where he is assuming a position in a hospital-owned practice. Dr. Todd has emphasized that this decision was not precipitated or influenced by dissatisfaction with CHC or his position with the organization. Rather, it is solely for personal reasons and related to his family's desire to relocate outside CHC's service area.

Director of Pharmacy Services: Louie Brown has announced his plans to transition out of his role as a full time senior manager for CHC effective in August of 2016. Louie has agreed to remain with CHC in a part-time pharmacy consulting role, affording us the opportunity to assess and develop the assets within the department to support an effective, long-term transition of leadership. In this consulting role, Louie will continue to conduct site inspections and assist with monitoring the compliance of the pharmacy. He will serve as a liaison to the senior management team and participate in the pharmacy leadership development initiative.

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**Report of Travel and Personal Time for January 26 – February 22, 2016:**

Business travel:

- NC/SC Finance Summit in Charlotte, NC (for 340B) May 13<sup>th</sup>
- CIMS Executive Committee Meeting in Columbia SC May 17<sup>th</sup>
- Monthly meeting of SCPHCA, PPS prep meeting and meeting with MCOs and SCDHHS in Columbia May 18<sup>th</sup>

**Personal Time:**

Holidays: None

Annual Leave: None

Sick Leave: April 25, 2016 – May 6, 2016 10 full days = 80 hours  
May 9, 2016 – May 20, 2016 10 half days = 80 hours