



State of California—Health and Human Services Agency
Department of Health Care Services



GAVIN NEWSOM
GOVERNOR

August 12, 2021

The Honorable Susan Talamantes Eggman
Member of the Senate
State Capitol, Room 4052
Sacramento, CA 95814

SENATE BILL 316 (AS AMENDED February 4, 2021) – OPPOSE

Dear Senator Eggman:

The Department of Health Care Services (DHCS) must inform you of its opposition to SB 316, as amended May 20, 2021.

SB 316 would authorize a Federally Qualified Health Center (FQHC) or Rural Health Center (RHC) that currently includes the cost of a medical visit and a mental health visit that take place on the same day at a single location as a single visit for purposes of establishing the FQHC's or RHC's rate to apply for an adjustment to its per-visit rate, and after the department has approved that rate adjustment, to bill a medical visit and a mental health visit that take place on the same day at a single location as separate visits, in accordance with the bill.

The existing Prospective Payment System (PPS) reimbursement methodology allows FQHCs and RHCs to be reimbursed the total costs of rendering multiple encounters that count as a single visit. The PPS methodology is intended to cover the total costs per-visit, and takes into account the costs of rendering multiple services on the same visit, as opposed to providers that are paid on a fee-for-service basis. Given its inherent design, the PPS methodology does not create a financial barrier to FQHCs and RHCs to provide multiple services on the same day.

Further, SB 316 would allow an FQHC or RHC that currently has a per-visit payment rate that includes the cost of multiple encounters on the same day to elect to apply for an adjustment to its per visit rate, prior to being allowed to bill a medical visit and a behavioral health visit on the same day. Today, FQHCs and RHCs can utilize existing law, which allows FQHCs and RHCs to submit a Change-in-Scope-of-Service Request (CSOSR) to have their PPS rate increased for the cost of increasing services. This is the remedy that should be used by any FQHC or RHC that has increased their

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behavioral health services that qualifies as a CSOSR. SB 316, which allows clinics to elect but does not require a clinic to apply for an adjustment to its per visit rate, disregards reimbursement already calculated in the provider's base rate, and would incentivize providers to seek a re-calculation of its rate only when it is set to increase based on the recalculation. Adhering to the existing law, which allows for a CSOSR, does not circumvent the intent of PPS reimbursement and it does not unnecessarily expose the General Fund to increased expenditures, as SB 316 would.

DHCS anticipates additional costs associated with adjusting and paying higher PPS rates for participating clinics if SB 316 is enacted. DHCS estimates annual costs ranging from \$391 million to \$781 million through PPS rate adjustments. DHCS would also require staff resources to review CDOSRs and adjust the rates for participating clinics which would result in \$16 million, over the next three fiscal years.

Last, DHCS is directing substantial resources needed to engage with the industry to develop a voluntary alternative payment methodology (APM) for FQHCs. An APM would incentivize delivery system and practice transformation at FQHCs and RHCs through flexibilities available under a capitated model which would move the clinics away from the traditional volume-based, PPS, to a payment methodology that better aligns the evolving financing and delivery of health services. The department is currently engaged in a stakeholder process with a goal of implementation of the APM beginning January 1, 2023. DHCS believes the APM would be better positioned to improve access and quality of services received by beneficiaries and provide financial incentives for FQHCs and RHCs.

It is for these reasons that DHCS must oppose SB 316.

If you have any questions, please contact me at 440-7500.

Sincerely,

O/S Carol Gallegos

Carol Gallegos
Deputy Director

cc: Chair and Members, Assembly Health Committee
Senate Democratic Caucus
Assembly Democratic Caucus
Assembly Floor Analysis