

# FORVIS



## FQHC Look-Alike: A Win-Win for Your Hospital & Community

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**8<sup>th</sup>**  
largest US firm

**530+**  
partners & principals

**5,400+**  
team members

**69**  
markets

**27**  
states + UK & Caymans

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# Meet the Presenters



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# AGENDA

- Physician Operations in a Hospital
- HRSA Guidelines & Requirements for FQHC Look-Alike Status
- Considerations for FQHC Look-Alike Status for Hospital Clinics
- Look-Alike Application Process

# Physician Operations in a Hospital

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# Physician Operations in Hospital

- Many hospitals operate outpatient clinics
- Physician operations generally show negative operating results within hospital organizations
- Detailed understanding needed since diversity in practice exists on how overhead & other costs are allocated
  - Direct versus indirect costs
  - Space costs
- Typically, there are additional joint commission requirements, EMR & information technology systems, & construction requirements for hospital-based services
- Hospitals often operate these clinics to satisfy their charitable mission

# Physician Operations Options for Hospitals Compared to FQHC

	Provider-/ Hospital-Based Clinic	Rural Health Clinic	Freestanding Clinic	Separate Legal Entity	FQHC
Degree of Integration with Hospital	High	High	Medium	Low	None, separate legal entity cannot be “controlled” by another entity
Reimbursement	Potentially advantageous	Potentially advantageous, especially in rural settings	Lower	Lower	Potentially advantageous, especially Medicaid
340B Rx Eligible	Yes, if hospital meets qualifications	Yes, if provider-based & hospital meets qualifications	No	No	Automatic



# Physician Operations Options for Hospitals Compared to FQHC

	Provider-/ Hospital-Based Clinic	Rural Health Clinic	Freestanding Clinic	Separate Legal Entity	FQHC
Example Medicare Reimbursement	\$112 (off campus) \$185 (on campus)	\$126	\$85	\$85	\$180.16, adjusted by geographic adjustment factors
Example Medicaid Reimbursement	State-specific; however, generally a similar spread in reimbursement differential				
Other	Act & look like department of the hospital. Status has been subject to Medicare reductions over the past few years (site-neutral payment movement)	Seen more in rural hospitals. Midlevel requirement & must do certain lab procedures on site. Certification process requirement	Included as part of the hospital, but little integration or enhanced reimbursement received. Best for truly independent clinics	Very little integration possible (separate payroll, benefits, branding, etc.)	No integration, separate legal entity, separate governing board, EMR, general ledger, etc.

# Physician Operations in Hospital

- Many hospitals have been accelerating efforts to address these operating losses
- Payor reimbursement trend outlook
- Physician compensation pressures
- Opportunities exist to look outside traditional hospital operations
  - Create new CHC/LAL
  - Enhance collaboration with existing CHC/LAL
  - Strategic analysis of hospital outpatient department opportunities

# HRSA Guidelines & Requirements for FQHC Look- Alike Status

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# What Is a CHC/FQHC?

- Community-based health care providers that receive funds from the HRSA Health Center Program to provide primary care services in underserved areas
- Began in 1965 & has grown into a national primary care network with nearly 1,400 health centers & >13,000 delivery sites serving nearly 30 million people a year in communities across the United States
- Provide comprehensive services, including
  - Preventive health services
  - Mental health & substance abuse services
  - Dental services, & more

# Benefits of a CHC/FQHC

- Benefits of being a CHC/FQHC
  - Enhanced Medicare & Medicaid reimbursement
  - Access to 340B Drug Pricing Program
  - Help with recruitment & retention of primary care providers through HRSA's National Health Service Corps
  - 330 grant
  - Free professional liability coverage (FTCA)

# General Requirements for CHC/FQHC

- Must be a public or nonprofit entity
- Must not be owned, controlled, or operated by another entity unless specific waiver obtained
- Must be located in or provide services to patients of a medically underserved area, a medically underserved population, &/or a health professional shortage area
- At the time of the application
  - Must be compliant with all Health Center Program requirements as detailed in the Health Center Program Compliance Manual
  - Must be providing comprehensive primary care services 40 hours per week
- Must offer services on a sliding fee scale for patients below 200% of federal poverty level
- CEO must be directly employed by the health center

# Board of Director Requirements

- Must have between nine & 25 members of the board of directors
- Composition of the board of directors
  - “Users” of the FQHC (at least 51% of Board makeup)
  - No more than 10% of “non-patient” members can be health professionals
  - Remaining members representative of community served
- Board must maintain control of operations of center
- Outside entity cannot have the right to appoint board members or make or control any major decisions

# FQHC Look-Alike vs. FQHC Designation

Benefit/Program Access	FQHC	Look-Alike
FQHC PPS reimbursement for Medicaid & Medicare patients	Y	Y
340B Drug Pricing Program	Y	Y
Vaccines for Children Program	Y	Y
National Health Services Corps providers	Y	Y
HRSA-support training & technical assistance	Y	Y
Health Center Program grant funding	Y	N
Federal Tort Claims Act (FTCA) medical malpractice insurance	Y	N
Federal loan guarantees for capital improvements	Y	N



# Why FQHC Look-Alike vs. FQHC Grantee?

- FQHC grantee status must be obtained through New Access Point grant applications
  - Authorized through competitive opportunity announcement
  - Opportunity has not been available for applications since pre-COVID pandemic
- *Look-Alike status can be applied for at any time*
- Look-Alike can eventually apply to be a funded grantee when opportunity becomes available

# Considerations for FQHC Look-Alike Status for Hospital Clinics

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# Potential Benefits to Hospital

- Ability to limit its losses resulting from operating an outpatient clinic
- Can continue to fulfill mission to provide high-quality care
- Specialist & residency arrangements with LAL entity
- Hospital can provide grant to LAL to help offset losses & help with hospital's obligation to provide charity care
- Especially attractive for high-risk activities such as obstetrics (full grantee)
- Changing healthcare environment to transform delivery of care
  - Population health
  - Value-based reimbursement
  - ACO or other shared savings program

# Potential Considerations for a Hospital

- Cannot control the LAL entity
- Downstream revenue impact
- Alternative payment models
- Care coordination & network development strategies
- Information systems & sharing of records
- Other hospital competitors

# Real-Life Examples

- Hospital helps create an independent FQHC organization on their campus & transfers certain primary care & other physicians to new FQHC
  - + Hospital can then lease access to EMR system to FQHC, allowing for integration among separate entities
- Hospital provides workspace for FQHC outreach case managers in the ER to help place indigent patients with a medical home
- Hospitals & FQHCs work together to launch a residency program for specialty physicians
- Hospital agrees to transfer OB/GYN & certain other physician practices to existing FQHC

# Resident Rotation Arrangements

- Many hospitals operate residency programs
- The residents need to “rotate” to outpatient clinics
- It is beneficial for residents to have rotations at sites that focus on the totality of patient care
- There can be significant benefits to hospitals having its residents rotate through the CHC/FQHC
- Teaching Health Center grant program can be another source of funding for residency programs

# Look-Alike Application Process

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# FQHC Look-Alike Application Process

- Applications are accepted on a rolling basis
- Once application started, you have 90 days to complete & submit
- Application components
  - Project Abstract
    - + History of organization, community/population served, number of providers & delivery locations, major health needs, & barriers to care for population served
  - Project Narrative
    - + Comprehensive description of all aspects of the proposed project. It should be succinct, self-explanatory, & consistent with forms & attachments
    - + Demonstrate compliance with Health Center Program requirements, as detailed in the Health Center Program Compliance Manual



# FQHC Look-Alike Application Process

- Application components
  - Project Narrative (continued)
    - + Need, Response, Collaboration, Evaluative Measures, Resources/Capabilities, & Governance
  - Attachments
    - + Patient origin, service area map, Medicare/Medicaid documentation, board minutes, bylaws, articles of incorporation, contracts & referral agreements, financial statements, organization chart, etc.

# FQHC Look-Alike Application Process

- Not an “easy button” application process
- Once the application is submitted, HRSA has 30 days to complete a preliminary review & assess the eligibility & completeness of the application
- After the application passes the initial review, HRSA & the applicant have 60–90 days to schedule & prepare for a site visit

# Let's Talk ...

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## Q&A

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# Connect with Us

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