Health Services Research and State Subsidies to Federally Qualified Health Centers

Academy Health State Health Research and Policy Meeting

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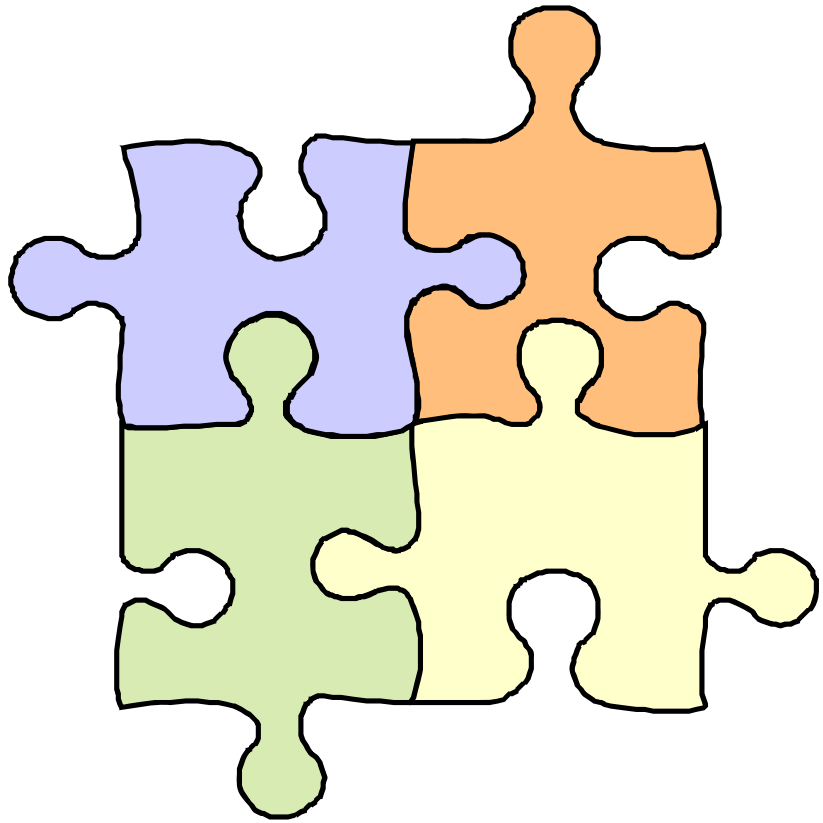
I. PROBLEM FACED BY STATE POLICYMAKERS

Case Overview

- New Jersey Department of Health & Senior Services (NJDHSS) decides to reform subsidy payments to FQHC's
- Rutgers Center for State Health Policy (CSHP) provides analysis, policy options, and explanation to stakeholders.



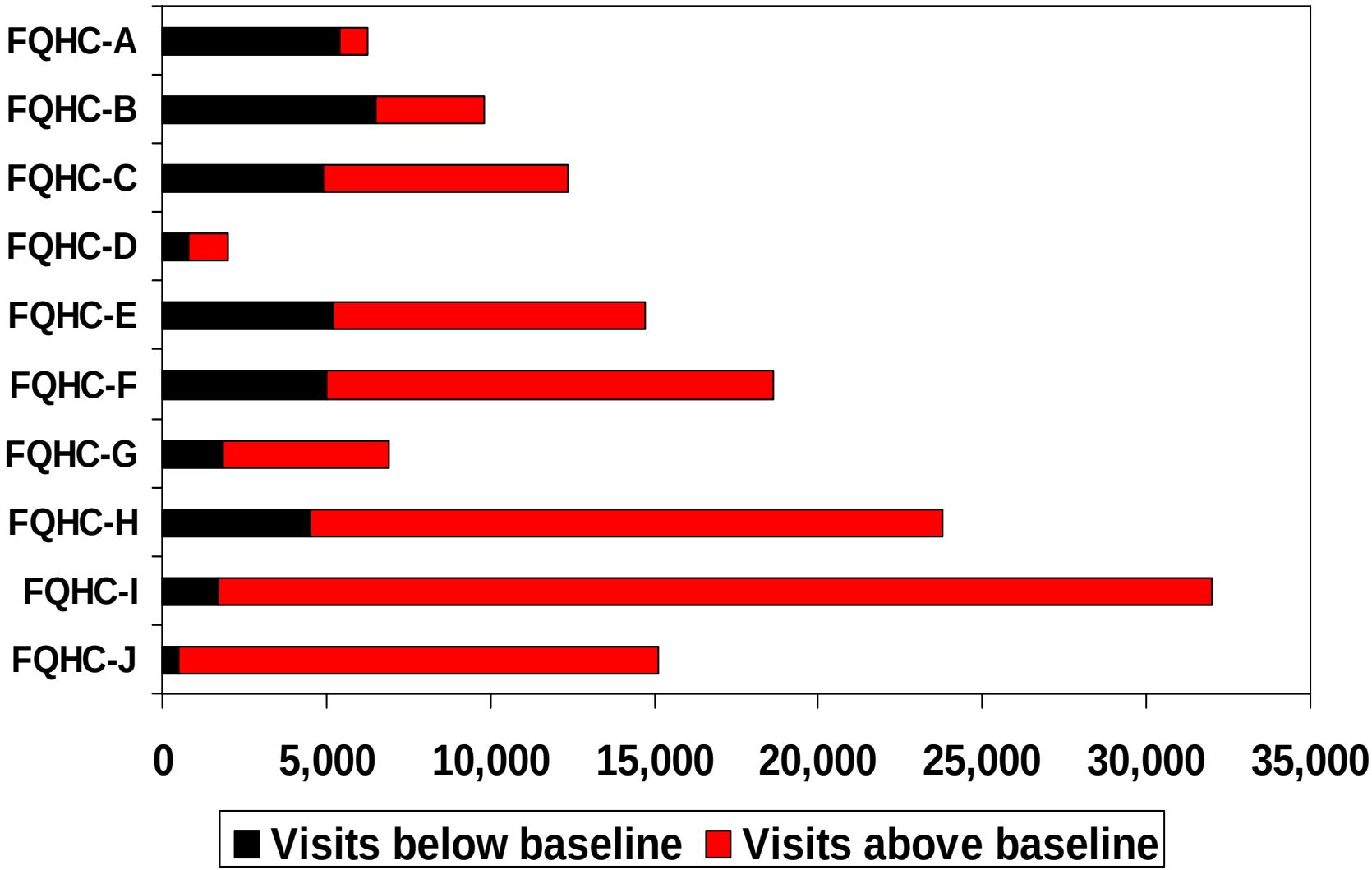
State Subsidy for FQHC's in NJ

- $8-12 billion annually to support primary care for the uninsured
- Tied to federal grants for uninsured care in early 1990's
- All FQHC's must meet baseline requirement for uninsured care before receiving state funds
- Baselines designed to avoid having the state pay again for federally reimbursed visits
- In SFY-2003, FQHC's received $104 per visit above their baseline threshold

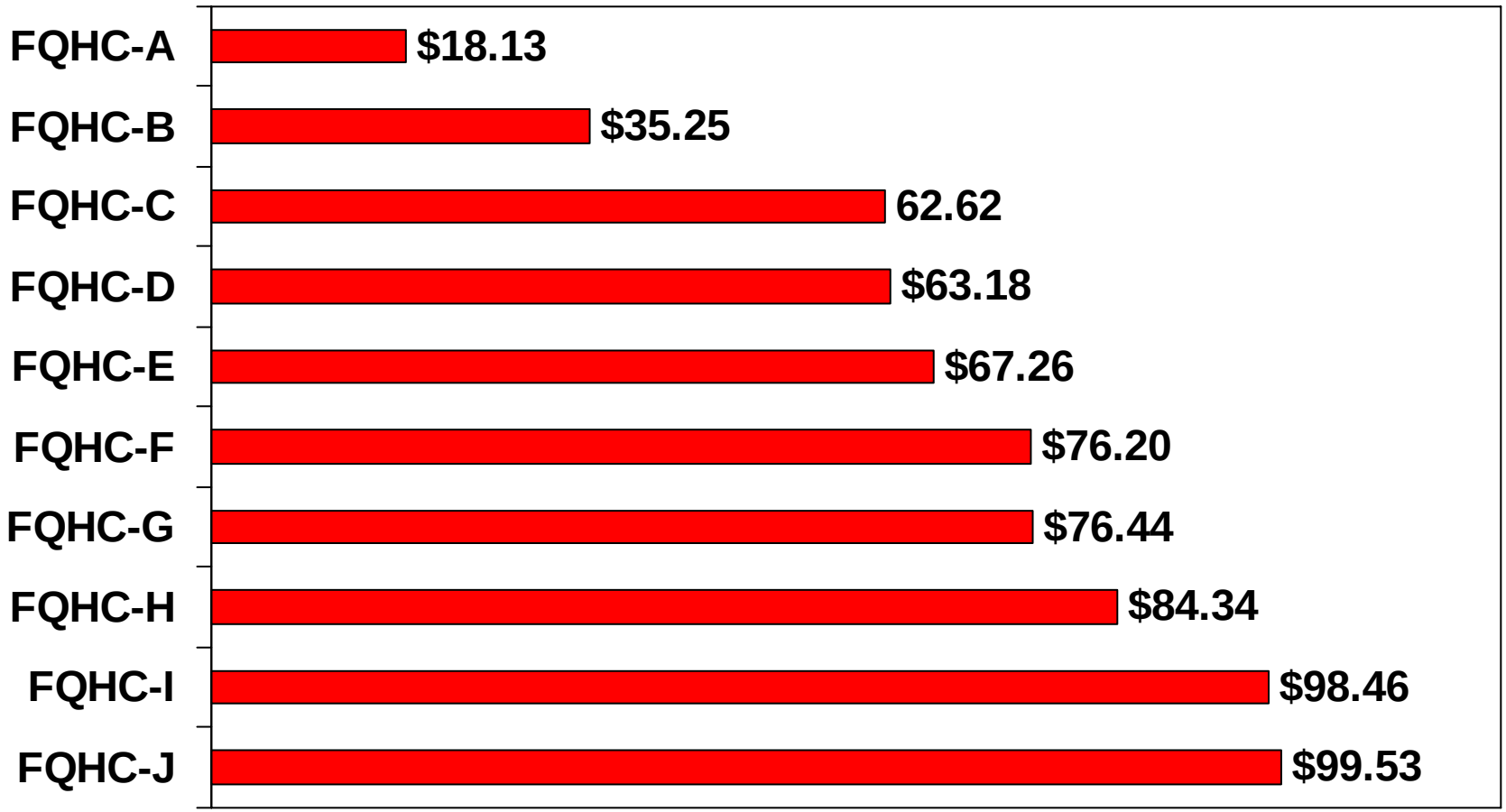
Problems w/NJ Subsidy

1. Failed to keep pace w/health system changes
   - Federal grants to FQHC's restructured and reduced during the 1990's
   - Medicaid managed care
   - Growing uninsured population
   - Emphasis on quality of care
2. New FQHC's had no baseline experience ==> arbitrary baselines developed
3. Growing sense of inequity in the system

Equity issue 1: Baseline requirements relative to uninsured volume varied significantly across FQHC's (SFY-2003)



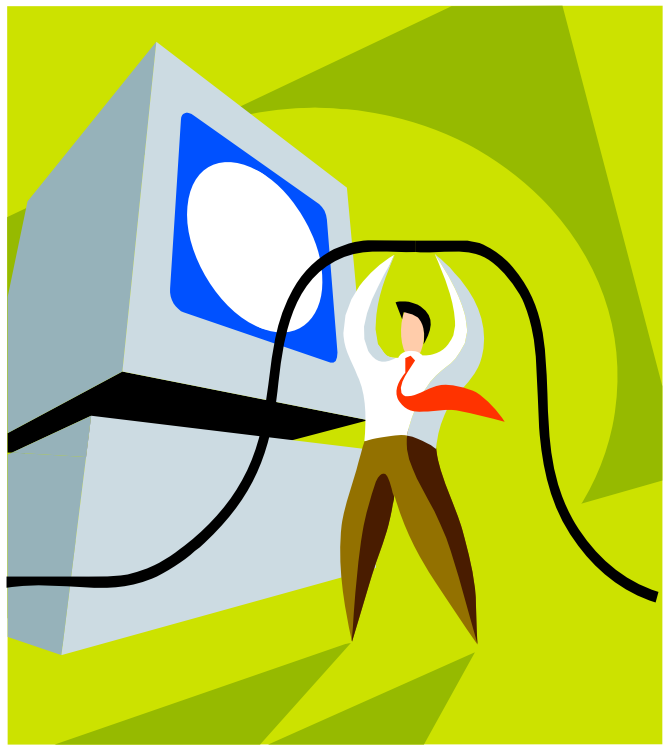
Equity issue 2: As a result, payment per uninsured visit varied significantly across FQHC's.



II. THE ROLE OF HSR IN ADDRESSING THE POLICY PROBLEM

Research challenges

- State has broad & multiple objectives for FQHC reimbursement reform
- FQHC's have conflicting concerns
- Small window of opportunity in budget process



Objectives of State Government

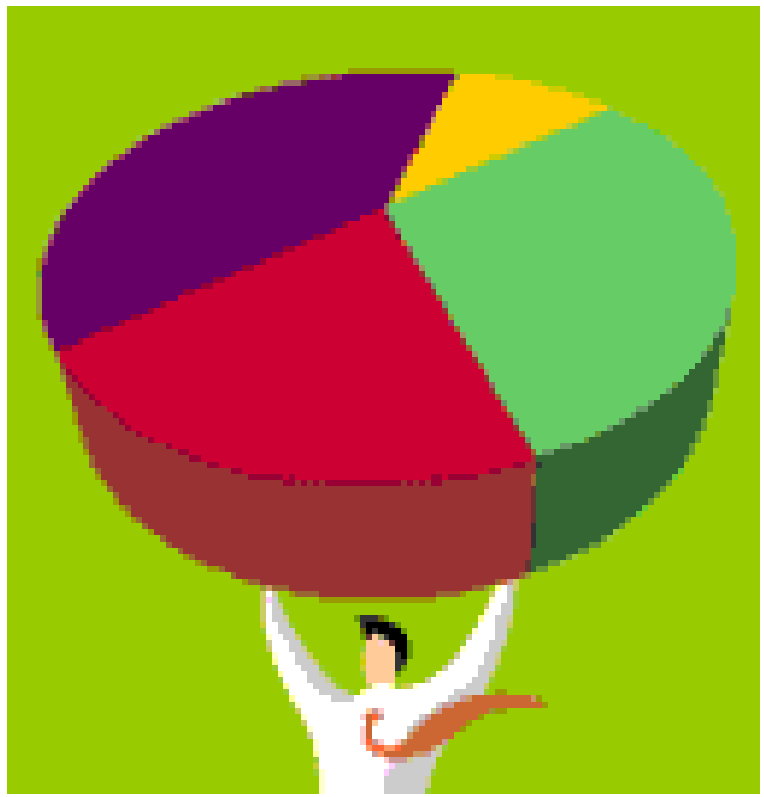
- Reform subsidy before next fiscal year
- Anticipate no new money ==> Budget neutrality
- Address equity across centers & burden of uninsured care
- Create incentives to increase care to the uninsured
- Promote quality of care improvements
- Avoid frequent & ad hoc changes in the formula

Conflicting concerns of stakeholders

- Some FQHC's benefit from status quo ==> resistance to change
- Some FQHC's eager for new formula
- Small # of FQHC's interested in reparations for past inequities
- All want to influence reform
- Budget neutrality ==> change will cause losses for some FQHC's

Role for CSHP 1: Analytic expertise

- Clarify why reform is needed
- Review approaches in other states
- Specify options
- Simulate effects of each option
- Guide recommendations
- Explain to diverse audiences

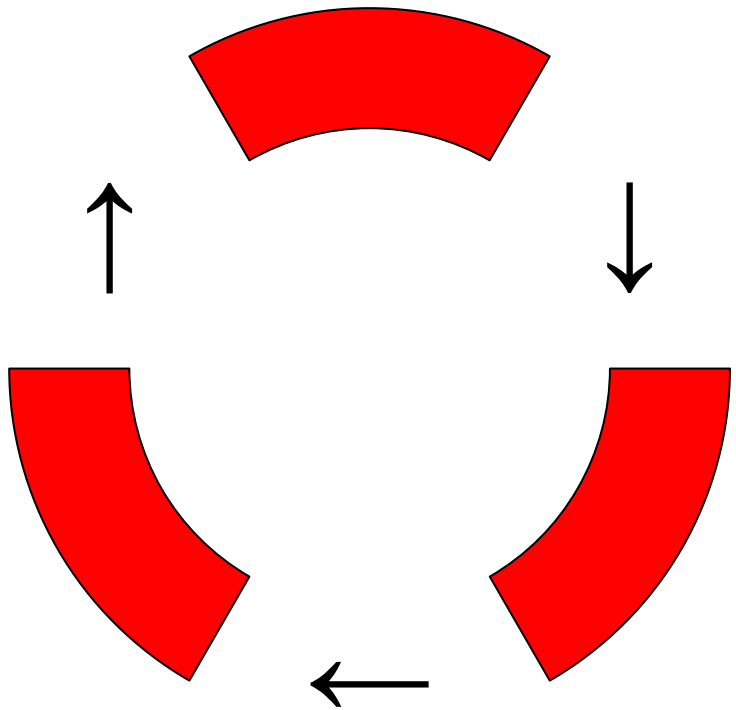


Role for CSHP 2: Neutrality

- Change involves winners & losers
- Change involves uncertainty
- Impartial analysis & communication imperative
- Address stakeholder concerns while maintaining independence

Iterative Process

- Listen to concerns of stakeholders
- Create & present options
- Receive criticism from some FQHC's
- Rework options
- Receive criticism from other FQHC's
- Rework options



Research Products/Services

- Memoranda
- Final report
- Multiple stakeholder presentations
- Final “plenary” presentation
- Technical assistance w/ final revised formula

III. SPECIFIC CHALLENGES & CONTROVERSIES

Controversy 1: Payment for healthcare quality

- Favored by the state
- Opposed by FQHC's

  Data are insufficient

  Populations served are too diverse

  Unfair - Other providers not held to same standard

- Idea of "bonus payment" for quality proposed but put on hold until statewide electronic encounter system is more fully developed

Controversy 2: Payment adjustment for uninsured burden

- Idea: FQHC's with high % uninsured should receive greater $ per uninsured patient
- Some FQHC's favor strongly
- Some FQHC's oppose strongly
- Dividing line - Volume of Medicaid vs. uninsured immigrant population
- Idea of cross-subsidy from third party payers debated heavily
- No data available to inform the debate

  (Only analogies with hospital payment)

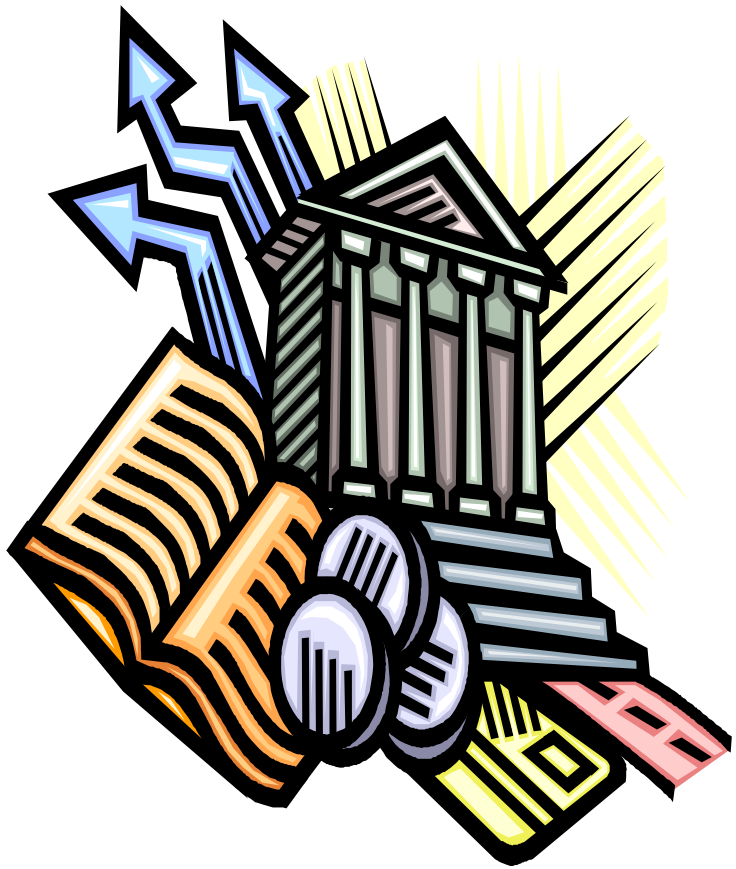
Controversy 3: Linking payment to federal grants

- Original rationale for baseline thresholds
- Some FQHC's do well w/baseline method and seek to preserve it
- Need to avoid displacing federal $ is recognized more broadly but seen as a marginal/technical issue by most FQHC's
- CSHP performed ad hoc analysis using more recent grant awards to form baseline thresholds
- Approach is considered feasible but complex and not popular w/most FQHC's

IV. FROM RESEARCH TO POLICY OUTCOMES

Policy Outcomes

- New payment formula will begin in state fiscal year 2006
- Uniform payment per uninsured visit
- Baseline thresholds eliminated
- Uninsured burden not included in formula



Impact of Research 1: Framing the Debate

- Problems w/old subsidy formula clearly articulated to stakeholders
- Debate framed by rigorously derived options
- Consequences of options understood by stakeholders
- Options considered are publicly documented

Impact of Research 2: Consolidating Institutional Knowledge

- History/details of NJ subsidy were not universally known among Health Dept staff due to turnover
- Relevant policies in other states also were not well known
- Research reports act as a public resource for FQHC policymaking

V. LESSONS LEARNED

Lesson 1: The final report is just the beginning

- Seeing options (and consequences) in print focused stakeholder attention on policy details
- New details were suggested at subsequent meetings
- New policy simulations were performed and discussed

Lesson 2: Stakeholders can disagree on fundamental concepts

- Idea of uninsured burden considered intuitive at the beginning of the project
- Details in the report made some FQHC's think about it more carefully
- Disagreements influenced by experience with third party payers as well as desire to gain favorable subsidy payment

Lesson 3: A proactive Deputy Health Commissioner (DHC) was essential at critical points of the process

- DHC set clear objective & timetable at the project's beginning
- "Scientific authority" given to research team
- Considerable opportunity given for stakeholder input & commentary

- DHC maintained continued sense of urgency

  Doing nothing is not an option

  Reform will be included in the next budget (like it or not)

Final Thoughts

- Rigorous policy research filled gaps in knowledge, created an impartial environment, & stimulated open discussion of policy details
- Iterative nature of the process required significant input from researchers after submitting the final project report
- Parameters & timeline set by Deputy Health Commissioner were essential to bringing the effort to resolution

Final Project Report

State Subsidies for Federally Qualified Health Centers in New Jersey: Options for Reform

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Available at http//www.cshp.rutgers.edu