

FQHC Basics

This issue brief is part of a series developed to orient FQHC and Ryan White providers and to help them develop partnerships to build HIV prevention and care capacity in their communities. Additional resources are available at www.hivclinician.org.

This document provides basic information about FQHCs, including the services they provide, patient demographics and payers, requirements FQHCs must meet, and benefits, including cost-related reimbursement, Federal Tort Claims Act coverage, discount drug pricing, and federal anti-kickback statute protection.

What is a Federally Qualified Health Center (FQHC)?

An FQHC is a public or private non-profit, charitable, tax-exempt organization that receives funding under Section 330 of the Public Health Service Act, or is determined by the Department of Health and Human Services (DHHS) to meet requirements to receive funding without actually receiving a grant (i.e., an FQHC “lookalike”).¹

FQHCs serve more than 22 million people through more than 9,000 service delivery sites in every state and territory.² Since the 1960s, health centers have played a critical and growing role in providing high-quality primary care to patients regardless of their ability to pay,

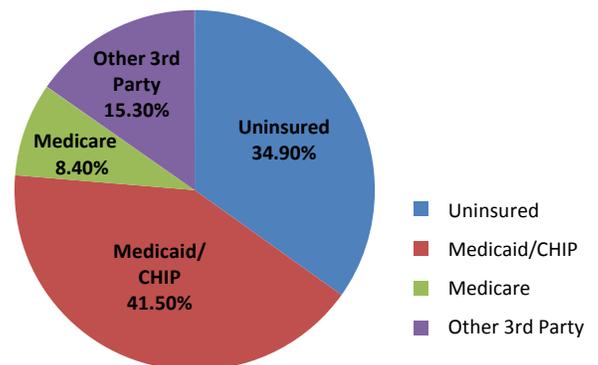
and providing lower cost health care options to individuals who may otherwise have no alternatives to emergency room or hospital care.

FQHCs improve access to preventive and primary care by:

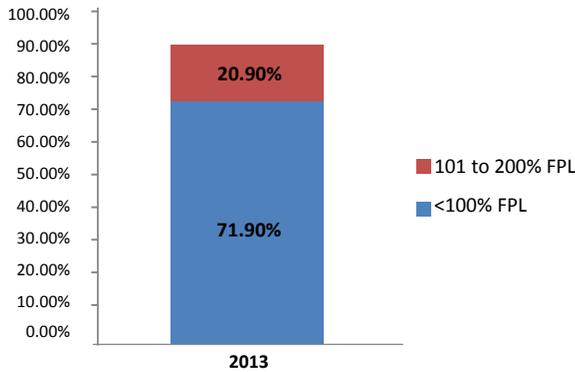
- being located in high-need areas;
- being open to all residents of their service areas, regardless of ability to pay or insurance status;
- offering services that facilitate access to care, such as outreach and transportation; and
- tailoring their services to their patients’ and their communities’ unique cultural and health needs.³

Patient Demographics and Payer Mix

Health Center Patients Insurance Status (2013)



Health Center Patient Income Level (2013)



Basic Requirements

FQHC organizational requirements are set forth in Section 330 of the Public Health Service Act,⁴ the DHHS FQHC implementing regulations,⁵ and guidance from the [Health Resources and Services Administration \(HRSA\)](#), as well as other sources.

FQHC Fundamentals

Four key requirements of the FQHC model must continue to be met under any collaboration. Specifically, an FQHC must:

1. Be located in a federally designated Medically Underserved Area (MUA) or serve a federally-designated medically underserved population.
2. Serve all residents of the FQHC’s service area or all residents who belong to a targeted “special population” (i.e., migrant and seasonal farmworkers, homeless individuals, and residents of public housing) if the FQHC receives funding to serve such special population, regardless of an individual’s or family’s ability to pay.
3. Provide a full continuum of primary and preventive care services.
4. Be governed by an independent community-based board of directors that complies with all Section 330-related size, composition, and selection requirements and maintains and autonomously exercises all authorities and responsibilities required of an FQHC governing board.

Services Provided

FQHCs are required to provide, either directly or through established arrangements, health services related to family medicine, internal medicine, pediatrics, obstetrics and gynecology, diagnostic laboratory and radiological services, pharmaceutical services as appropriate, and defined preventive health services.⁶

They are also required to provide, among other services:⁷

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- Services that “enable” patients to utilize the FQHC’s medical services, including outreach and transportation services
- Education of patients and the general population served by the FQHC regarding the availability and proper use of health services
- Mental health services and substance abuse treatment ([HRSA PIN 2009-02: Specialty Services and Health Centers’ Scope of Project](#))

FQHCs may provide additional health services that are not included as required primary health services, yet are appropriate to meet the health needs of the population they serve.⁸ FQHCs may also include specialty services in their scope of project, upon approval by HRSA, if they can demonstrate that the service is a logical extension of, or related to, the primary care services they provide and that there is a need for the service among the FQHC’s patients.

FQHC Benefits

FQHCs qualify for several benefits that may support partnerships between FQHCs and other community health providers, to reduce costs and increase access to services across the entire community health care system.

FQHC Benefits

1. Cost-related reimbursement for services provided to Medicare, Medicaid, and Children’s Health Insurance Program (CHIP) beneficiaries
2. Coverage for the FQHC and its providers under the Federal Tort Claims Act (FTCA)
3. Discount drug pricing under Section 340B of the Public Health Service Act
4. Federal Anti-Kickback statute protection under the safe harbor for FQHC grantees

Some benefits, including FTCA coverage and anti-kickback statute protection, are only available to FQHCs that receive Section 330 funding. Others, such as cost-related reimbursement and Section 340B drug pricing, are available to FQHCs that receive Section 330 funding and to FQHC look-alikes. The FQHC benefits are only available when services are provided by the FQHC within its scope of project (i.e., the FQHC is the billing provider, services are provided on behalf of the FQHC, services are provided to FQHC patients).

Cost-Related Reimbursement

FQHCs provide a range of support and enabling services important to low income and medically underserved populations that are not covered by Medicaid, Medicare, or other payers. In recognition of the increased costs of caring for FQHC target populations, FQHC grantees and look-alikes have access to reimbursement for Medicare, Medicaid, and CHIP services through:

- The prospective payment system (PPS) or an alternative, state-approved payment methodology, which, for Medicaid and CHIP services, is predicated on a cost-based reimbursement methodology

- Cost-based or PPS reimbursement for Medicare services^{9,10}

FQHCs generally receive higher reimbursement rates from Medicaid, Medicare, and CHIP than most other health care entities, but PPS rates still do not cover the full cost of care. On average, FQHCs are reimbursed for approximately 80 percent of their Medicaid costs.

Federal Tort Claims Act Coverage (FTCA)

FTCA provides professional liability and medical malpractice coverage for services provided by an eligible FQHC within its scope of project.¹¹ This coverage is specifically only available for:

- The FQHC (as well as its directors and officers)
- FQHC employees who provide services on a full-time or part-time basis
- Individually contracted providers who furnish services in the fields of general internal medicine, family practice, general pediatrics, and obstetrics and gynecology, regardless of the number of hours worked
- Individually contracted providers who furnish services in other fields of practice, so long as they provide such services to FQHC patients for an annual average of 32 1/2 hours a week (i.e., on a full-time basis)

Discount Drug Pricing

An FQHC’s ability to purchase drugs at discounted prices provides an effective means to lower drug prices for its uninsured patients and to provide better health care for its patients. FQHC grantees and look-alikes are eligible to participate in the discount drug pricing program under Section 340B of the Public Health Service Act. Section 340B drugs may be distributed either directly by an FQHC pharmacy or through contract with a retail pharmacy.¹²

Ryan White Program Part B State AIDS Drug Assistance Programs and Part C grantees, and some other recipients of Ryan White funding, are also eligible to purchase discounted drugs through Section 340B.¹³

Federal Anti-Kickback Statute Protection

The federal anti-kickback statute discourages arrangements that could result in higher costs to the federal government or negatively impact the quality of care provided to beneficiaries of federal health care programs. For example, a private practice physician is prohibited from accepting free space from a hospital in exchange for referring patients that are enrolled in a federal health care program (e.g., Medicare, Medicaid, CHIP).

“Safe harbors” have been created to exempt certain business practices from constituting violations of the anti-kickback statute, including regulatory standards for an FQHC “safe harbor”¹⁴. This protects from prosecution certain arrangements between FQHC grantees and providers/suppliers of goods, items, services, donations, and loans that help an FQHC maintain, increase the availability, or enhance the quality of services provided to patients.

References/Resources for More Information

- ¹ Section 1861(aa)(4) of the Social Security Act.
- ² Fact Sheet- America’s Health Centers. NACHC, 2013. Available at http://www.nachc.com/client/documents/America's_CHCs_0813.pdf
- ³ Section 330 of the Public Health Service Act (42 U.S.C. § 254b) and its implementing regulations (42 C.F.R. Part 51c).
- ⁴ 42 U.S.C. 254b.
- ⁵ 42 C.F.R. § 51c.
- ⁶ For the complete list of required services, see 42 U.S.C. 254b(b)(1)(A). (22)
- ⁷ 42 U.S.C. 254b(2)(b)(1)(A).
- ⁸ Health Care for the Homeless grantees are required to provide substance abuse services (42 U.S.C. § 254b (h) (2)).
- ⁹ Centers for Medicare and Medicaid Services (CMS). FQHC Prospective Payment System. Online at <http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/FQHCPPS/index.html>.
- ¹⁰ HRSA. Process for Becoming Eligible for Medicare Reimbursement under the FQHC Benefit - Program Assistance Letter 2011-04. Online at <http://bphc.hrsa.gov/policiesregulations/policies/pal201104.html>.
- ¹¹ Extensive discussion of the legal basis for FQHC FTCA coverage as well as the legal requirements and limitations to such coverage, can be found in HRSA PIN 99-08; HRSA PAL 99-15; HRSA PIN 2001-11; HRSA PIN 2002-23; HRSA PIN 2005-01; and HRSA PIN 2007-16 available at <http://bphc.hrsa.gov/policiesregulations/policies/>. HRSA plans to release an FTCA Policy Manual, which will provide all FTCA related PINS and PALS in one easy reference. See also HRSA PIN 2008-01: Defining Scope of Project and Policy for Requesting Changes available at <http://bphc.hrsa.gov/policiesregulations/policies/pin200801.html>.
- ¹² Note that federal law precludes a contract pharmacy from dispensing 340B drugs to Medicaid patients unless that pharmacy has made arrangements with the state Medicaid agency that will enable the state to avoid seeking a rebate from a manufacturer for a drug purchased under 340B.
- ¹³ HRSA. 340B Drug Pricing Program & Pharmacy Affairs. Ryan White HIV/AIDS Program Grantees. Online at <http://www.hrsa.gov/opa/eligibilityandregistration/ryanwhite/>.
- ¹⁴ 72 Fed Reg 56632 (October 4, 2007), as codified at 42 C.F.R. § 1001.952(w).

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