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**State/Territory Name: IL**

**State Plan Amendment (SPA) #: 18-0003**

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) Companion Letter
- 3) CMS 179 Form
- 4) Approved SPA Page

Department of Health & Human Services  
Centers for Medicare & Medicaid Services  
233 North Michigan Avenue, Suite 600  
Chicago, Illinois 60601-5519



June 1, 2018

Felicia Norwood, Director  
Illinois Department of Healthcare and Family Services  
Prescott E. Bloom Building  
201 South Grand Avenue East  
Springfield, Illinois 62763-0001

Attn: Teresa Hursey

Dear Ms. Norwood:

Enclosed for your records is an approved copy of the following State Plan Amendment.

Transmittal #18-0003 – Alternative Payment Methodology for Federally Qualified  
Health Centers and Rural Health Centers Contracting Under  
Managed Care  
– Effective Date: January 1, 2018  
– Approval Date: June 1, 2018

If you have any questions, please have a member of your staff contact Courtenay Savage at  
312-353-3721 or via email at [Courtenay.Savage@cms.hhs.gov](mailto:Courtenay.Savage@cms.hhs.gov).

Sincerely,

/s/

Ruth A. Hughes  
Associate Regional Administrator  
Division of Medicaid and Children's Health Operations

Enclosure

cc: Sara Barger, HFS  
Kimberley Cox, HFS  
Mary Doran, HFS



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June 1, 2018

Felicia F. Norwood, Director  
Department of Healthcare and Family Services  
Bureau of Program and Reimbursement Analysis  
201 South Grand Avenue East  
Springfield, IL 67763-001

ATTN: Teresa Hursey

RE: Transmittal Number (TN) 18-0003

Dear Ms. Norwood:

This letter is being sent as a companion to our approval of Illinois state plan amendment (SPA) TN 18-0003, submitted March 23, 2018. Effective January 1, 2018, the SPA establishes an alternative payment methodology providing for direct payment by the managed care organization (MCO) to Federally Qualified Health Centers and Rural Health Clinics for an amount that is at least equal to the Department of Healthcare and Family Services' cost-based per-visit encounter. Because the alternative payment methodology for government-operated centers described on page 31 of Attachment 4.19-B is funded by certified public expenditures, the payment language must include language that the payment adjustments are paid to actual incurred costs by a Center for Medicare and Medicaid Services (CMS) approved cost report. Although the payments are described at cost, the methodology includes unallowable calculations such as an estimate of costs if relevant data is missing and a lack of a CMS approved cost report. To address these concerns, we require the state to submit a SPA by August 30, 2018 to amend the plan language to comply with federal statute.

**Attachment 4.19-B**

The identification of costs must be consistent with the requirements set forth at section 1902(a)(30)(A), 1902(a)(2) and 1903(l) of the Social Security Act (the Act). Please take the following actions to comply with the Act.

- A. Item F.vi. Adjustments for medical services paid for by a health maintenance MCO.
  - 1. The methodology must be removed that allows an estimate of cost in the event that Federally Qualified Health Center and Rural Health Clinic cost data related to MCO services are unavailable to the Department of Healthcare and Family Services. Only actual costs are permissible.
- B. Item F.viii.A. Alternate payment methodology for government-operated centers.
  - 2. When the provider is a governmental agency, a CMS approved cost report is required to identify allowable cost. Without a CMS approved cost report, the state has not

sufficiently documented that the cost identification is compliant with the requirements in the Act.

- i. Please provide the governmental-operated centers cost report.
- ii. Please amend the references to the cost report to state it is a “CMS approved cost report.”

The state has 90 days from the date of this letter to address the issue described above. Within that period, the state may submit a SPA to address the inconsistency or submit a corrective action plan describing in detail how the state will resolve the issue identified above in a timely manner. Failure to respond may result in the initiation of a formal compliance process. During the 90 days, CMS will provide any required technical assistance.

If you have any questions concerning this SPA, please contact Courtenay Savage at (312) 353-3721 or via email at [courtenay.savage@cms.hhs.gov](mailto:courtenay.savage@cms.hhs.gov) for more information.

Sincerely,

/s/

Ruth A. Hughes  
Associate Regional Administrator  
Division of Medicaid and Children's Health Operations

cc: Teresa Hursey, HFS  
Sara Barger, HFS  
Mary Doran, HFS  
Kimberley Cox, HFS

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: CENTER FOR MEDICARE AND MEDICAID SERVICES</b>	1. TRANSMITTAL NUMBER <b>18-0003</b>	2. STATE: <b>ILLINOIS</b>
	3. PROGRAM IDENTIFICATION: <b>Title XIX of the Social Security Act (Medicaid)</b>	
TO: REGIONAL ADMINISTRATOR CENTERS FOR MEDICARE AND MEDICAID SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES	4. PROPOSED EFFECTIVE DATE: <b>January 1, 2018</b>	

5. TYPE OF PLAN MATERIAL (Check One)

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☒ AMENDMENT

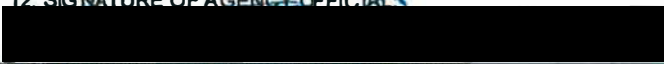
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION: <b>Section 1902 of the Social Security Act</b>	7. FEDERAL BUDGET IMPACT a. FFY 2018 \$0 b. FFY 2019 \$0
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: <b>Attachment 4.19-B, Page 31B3 (new)</b>	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): <b>N/A</b>

10. SUBJECT OF AMENDMENT:  
**APM for FQHC and RHC payments by Managed Care Organizations**

11. GOVERNOR'S REVIEW (Check One)

- ☐ GOVERNOR'S OFFICE REPORTED NO COMMENT  
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED  
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL  
☒ OTHER, AS SPECIFIED: Not submitted for review by prior approval.

12. SIGNATURE OF AGENCY OFFICIAL 	16. RETURN TO: <b>Department of Healthcare and Family Services Bureau of Program and Policy Coordination Attn: Mary Doran 201 South Grand Avenue East Springfield, IL 62763-0001</b>
13. TYPED NAME: <b>Felicia F. Norwood</b>	
14. TITLE: <b>Director of Healthcare and Family Services</b>	
15. DATE SUBMITTED <b>May 23, 2018</b> ces	

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED: <b>May 23, 2018</b>	18. DATE APPROVED: <b>June 1, 2018</b>
PLAN APPROVED—ONE COPY ATTACHED	
19. EFFECTIVE DATE OF APPROVED MATERIAL: <b>January 1, 2018</b>	20. SIGNATURE OF REGIONAL OFFICIAL: <b>/s/</b>
21. TYPED NAME <b>Ruth A. Hughes</b>	22. TITLE: <b>Associate Regional Administrator</b>
23. REMARKS:	

STATE PLAN UNDER TITLE XIX OF THE *SOCIAL SECURITY ACT*

State: **Illinois**

**METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES—  
OTHER TYPE OF CARE—BASIS FOR REIMBURSEMENT**

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xii. Alternative Payment Methodology and Managed Care Organizations

Beginning January 1, 2018, Centers providing care through a contractual arrangement with managed care organizations (MCOs) have the option to elect to receive payments from the MCOs that are at least equal to their FFS provider specific PPS rate. If a Center does not elect this option, the Department will make supplemental payments to the Center at least quarterly that equals the difference between the payment under the PPS rate and the payment provided by the MCO.