**Section 140.464 Hospital-Based and Encounter Rate Clinic Payments**

a) Hospital-based organized clinics, as described in Section 140.461(a), shall be paid in accordance with 89 Ill. Adm. Code 148.140.

b) Encounter Rate Clinics

Encounter rate clinics, as described at Section 140.461(b), providing comprehensive health care for infants and women, including but not limited to prenatal and postnatal care, will be reimbursed under a per encounter rate system based upon 85% of the average of the costs of furnishing those services. Baseline payment rates will be determined individually for each encounter rate clinic. Once determined, the baseline payment rate will be adjusted annually using the Medicare Economic Index (MEI) beginning January 1, 2015. Payment for services provided on or after October 1, 2014 shall be made using specific rates for each clinic as specified in this Section.

1) Baseline Payment Rates

A) For each clinic, the Department will calculate a baseline medical encounter rate and, for dental services, the Department will calculate a baseline dental encounter rate, using the methodology specified in subsection (b)(1)(B).

B) The cost basis for the baseline rates shall be based upon allowable costs reported by the clinic that are determined by the Department to be reasonable, efficient and related to the cost of furnishing the services by the clinic and drawn from individual clinic cost reports for clinic fiscal years ending in 2012 and 2013.

C) The Department shall supply and the clinic shall submit a cost report for the years specified in subsection (b)(1)(B) for the purpose of determining the average cost per encounter for both medical and dental services. Clinics shall also furnish audited financial statements for each fiscal year specified in subsection (b)(1)(B).

D) The baseline payment rates for a clinic shall be the average (arithmetic mean) of the annual costs per encounter, calculated separately for each of the fiscal years for which cost report data must be submitted and multiplied by a cost factor of .85.

E) Encounter rate clinic claims submitted to the Department must identify all services provided during the encounter.

2) Rate Adjustments

A) On or about October 1, 2014, the Department shall determine the medical and dental encounter rates for each clinic. These rates shall be paid for services provided on or after October 1, 2014. Claims submitted and adjudicated prior to the entry of these rates into the Department's claims processing system shall be reconciled for each affected clinic.

B) Beginning January 1, 2015, and annually thereafter, the Department will adjust baseline rates by the most recently available MEI. The adjusted rates shall be paid for services provided on or after the date of adjustment.

3) Rate Appeals Process

A) All appeals of audit adjustments or rate determinations must be submitted in writing to the Department. Appeals must be submitted within 60 calendar days after the notification of the adjustments or rate determinations. If upheld, the revised audit adjustment or rate determination shall be made effective as of the beginning of the rate period.

B) To be accepted for review, the written appeal shall include the following:

i) The current approved reimbursement rate, allowable costs and the additional reimbursable costs sought through the appeal.

ii) A clear, concise statement of the basis for the appeal.

iii) A detailed statement of financial, statistical and related information in support of the appeal, indicating the relationship between the additional reimbursable costs as submitted and the circumstances creating the need for increased reimbursement.

iv) A statement by the clinic's chief executive officer or financial officer that the application of the rate appeal and information contained in the clinic's reports, schedules, budgets, books and records submitted are true and accurate.

C) Rate appeals may be considered for the following reasons:

i) Mechanical or clerical errors committed by the provider in reporting historical expenses used in the calculation of allowable costs.

ii) Mechanical or clerical errors committed by the Department in auditing historical expenses as reported and/or in calculating reimbursement rates.

D) The Department shall rule on all appeals within 120 calendar days after receipt of the complete appeal, except that, if additional information is required from the facility, the period shall be extended until such time as the information is provided.

E) Appeals shall be submitted to the Department's Office of Health Finance, 201 South Grand Avenue East, Springfield, Illinois 62763-0002.

c) County-Operated Outpatient Facilities

1) For critical clinic providers, as described in Section 140.461(h)(1), reimbursement for all services, including pharmacy-only-encounters, provided shall be on an all-inclusive per day encounter rate that shall equal reported direct costs of critical clinic providers for each facility's cost reporting period ending in 1995, and available to the Department as of September 1, 1997, divided by the number of Medicaid services provided during that cost reporting period as adjudicated by the Department through July 31, 1997.

2) For county ambulatory health centers, the final rate is determined as follows:

A) Base Rate. The base rate shall be the rate calculated as follows:

i) Allowable direct costs shall be divided by the number of direct encounters to determine an allowable cost per encounter delivered by direct staff.

ii) The resulting quotient, as calculated in subsection (c)(2)(A)(i), shall be multiplied by the Medicare allowable overhead rate factor to calculate the overhead cost per encounter.

iii) The resulting product, as calculated in subsection (c)(2)(A)(ii), shall be added to the resulting quotient, as calculated in subsection (c)(2)(A)(i), to determine the per encounter base rate.

iv) The resulting sum, as calculated in subsection (c)(2)(A)(iii), shall be the base rate.

B) Supplemental Rate

i) The supplemental service cost shall be divided by the total number of direct staff encounters to determine the direct supplemental service cost per encounter.

ii) The supplemental service cost shall be multiplied by the allowable overhead rate factor to calculate the supplemental overhead cost per encounter.

iii) The quotient derived in subsection (c)(2)(B)(i) shall be added to the product derived in subsection (c)(2)(B)(ii) to determine the per encounter supplemental rate.

iv) The resulting sum, as described in subsection (c)(2)(B)(iii), shall be the supplemental rate.

C) Final Rate. The final rate shall be the sum of the base rate and the supplemental rate.

(Source: Amended at 38 Ill. Reg. 23623, effective December 2, 2014)