April 23, 1998

REGIONAL SURVEY AND CERTIFICATION LETTER NO: 98-05

To: All State Survey Agencies
   All Title XIX Single State Agencies


The purpose of this memorandum is to provide specific guidance in processing new applicants' requests to participate in the rural health clinic (RHC) program as required by two specific provisions of the 1997 Balanced Budget Act (BBA). The two relevant provisions are:

- 4205(d): Refinement of the Shortage Area Requirements, and
- 4205(c): Staffing Waiver Requirement

REFINEMENT OF THE SHORTAGE AREA REQUIREMENTS

Defining a Current Shortage Area Designation

As of January 1, 1998, per these instructions, new applicants requesting entrance into the Medicare and/or Medicaid programs as a RHC must be located in a health professional shortage area (HPSA), a medical underserved area (MUA), or a shortage area designated by a State Governor whose designation has been made or updated within the current year or one of the previous three calendar years. (For instance, if an application is received by the State agency in 1998, HCFA will consider all shortage designations made in 1997, 1996, or 1995 to be current regardless of the month the application was received.) Any shortage area designation made or last updated in a calendar year more than three years prior to the date of application receipt, is considered outdated and not timely for purposes of the RHC location requirement and, therefore, cannot be approved.

Applying Phase I

HCFA will use a two-tiered approach to implement the refinement of shortage area requirements to RHCs. During Phase I, the refinement of shortage area requirements will apply only to new applicants seeking RHC status. HCFA will issue separate guidelines to implement Phase II. Phase II guidelines (which will take effect January 1, 1999) will apply to existing clinics located in areas that have lost their shortage area designations since their initial certification.

Phase I: Determining the Status of a Shortage Area Designation

On a quarterly basis (beginning December 31, 1997), the Health Resources and Services Administration (HRSA), the Department of Health and Human Services agency responsible for designating shortage areas, will send to HCFA central office a current listing of the designation status of HPSAs and MUAs across the country and/or will
make such lists available through a Website (http://hrsa.dhhs.gov). HCFA central office will forward regional data to each HCFA regional office. HCFA regional offices will send a State listing of current HPSAs and MUAs to each State's survey agency.

States may have, in addition to HPSAs and MUAs, shortage areas designated by the Governor for RHC purposes only. If the Governor's designation in a specific State is outdated, a request for review must be submitted to the Office of the Governor of that State. Please note, not all States have a Governor's designation.

**Phase I: Processing New Applicants' Requests**

The State survey agency should screen preliminary information to determine if the currency of designation requirement has been met before requiring the RHC candidate to complete a formal application. An application received by the State survey agency before January 1, 1998, may be processed under old criteria.

If an applicant requesting participation in the Medicare and/or Medicaid programs as a RHC is located in an outdated shortage area, the applicant should work with the State primary care office (PCO) to secure a current designation. The State PCO will tell the applicant what is required to complete a review. Once the required information is compiled by the applicant in consultation with the PCO, the request should be submitted to the Health Resources and Services Administration, Bureau of Primary Health Care, Division of Shortage Designation (DSD), 4350 East-West Highway, Rm 9-1D1, Bethesda, MD 20857. The DSD attempts to process complete applications (those which do not require additional information) within 90 days from the date of receipt. Attached for your information is a current list of State PCOs.

**STAFFING WAIVER REQUIREMENT LIMITED TO CLINICS IN THE PROGRAM**

Effective January 1, 1998, section 4205 of the BBA modifies and limits the existing staffing waiver. New applicants requesting RHC status will no longer qualify for a mid-level staffing waiver. Therefore, clinics entering the program on or after January 1, 1998, must follow the requirements of title XVIII of the Social Security Act (the Act) and have a mid-level practitioner on staff at least 50 percent of the time in order to receive RHC status. The HCFA regional office will not approve RHC applicants that fail to satisfy the mid-level staffing requirement in section 1861(aa)(2)(J) of the Act.

If you have any questions concerning these changes, please contact Jann Caldwell, of my staff, at (214) 767-4401.

Sincerely,

{Signature on File}

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