

FEE SETTING IN THE LHD

NC Division of Public Health - Local Technical Assistance & Training Branch

In this issue:

- Why do we charge fees?
- What makes up our fees?
- How should we set fees?
- Do's and Don'ts
- Resources

Why do we charge fees?

The purpose of charging fees is to increase resources and use them to meet residents' needs in a fair and balanced way. Fees are necessary to help cover the full cost of providing recommended and needed health services. As much as possible, we set fee amounts based on the real cost of providing that service (calculated as **direct costs** plus **indirect costs**).

Direct Costs may include:

- Salary and fringe -typically 75-80% of budget (or more)
- Supplies- band aids, table paper, forms, syringes, alcohol wipes, etc.
- Pharmaceuticals
- Travel
- Computer hardware & software

Indirect Costs may include:

- Facility costs (utilities, rent, insurance, cleaning contracts, etc)

Fees are a means to help distribute services to citizens of the county and help finance and extend public health resources as government funding cannot support the full cost of providing all requested services in addition to required services. Fees are considered appropriate, in the sense that while the entire population benefits from the availability of subsidized public health services for those in need, it is the actual users of such services who gain benefits for themselves.

Fees for Health Department services are authorized under North Carolina 130A-39 (g), provided that 1) they are in accordance with a plan recommended by the Health Director and approved by the Board of Health and the County Commissioners, and 2) they are not otherwise prohibited by law. Fees are based on the cost of providing the service.

Do's and Don'ts

Do set fees based on the cost to provide each service. You may use tools such as the Medicaid Cost Report, vendor rates (increased or decreased cost of supplies and services), personnel costs. It is acceptable to inquire from surrounding county health departments as to their fee schedule to see if you are in the "ballpark".

Another tool you may use is the "Workbook for Setting Fees" located under the Policy & Procedure heading on the DPH/LTAT/LHD website.

Do not take your current fees and add a percentage, such as 5%. This is not an acceptable method for fee setting.

Do document your methodology for setting your fees in a policy or procedure. In addition, be sure to retain any notes or minutes from your fee setting team meetings. These are required as documentation for Re-Accreditation.

Do charge Medicaid your acquisition cost for all 340b drugs and devices

It is recommended that your agency develop a pricing policy addressing establishment of usual and customary charges, applying income-based discounts, third party billing/reconciliation, Medicaid (physician administered drugs, fee for service drugs (340b), managed care, Medicaid as secondary payer). This information may be included in the agency's Fee and Eligibility Policy.

Resources:

- **Local Fee and Eligibility Policy (and others as they apply to billing/collections)**
- **Consolidated Agreement**
- **Medicaid Participation Agreement**
- **Program Rules and Regulations**
- **NC General Statutes**
- **NC Administrative Code**
- **Public Health Administrative Consultants**
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