

ForwardHealth **UPDATE**

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TRIBAL FEDERALLY QUALIFIED HEALTH CENTERS CAN BILL PHARMACY VISITS AS ENCOUNTERS

Rate Options for Tribal Federally Qualified Health Centers

ForwardHealth allows Tribal Federally Qualified Health Centers (FQHCs) reimbursed under the Office of Management and Budget (OMB) all-inclusive rate (AIR) to receive a qualifying encounter as reimbursement for the cost of covered outpatient drugs dispensed by their associated pharmacies.

Tribal FQHCs choose between their respective prospective payment system (PPS) rate or AIR annually. This new reimbursement policy addresses the ingredient cost of medications, which has historically been excluded from FQHC encounter payments.

The policy does not, however, alter the existing ability of FQHCs to receive an encounter payment for professional services (for example,

AFFECTED PROGRAMS

BadgerCare Plus, Medicaid

TO

Tribal Federally Qualified Health Centers, HMOs and Other Managed Care Programs

QUICK LINKS

- [Standard Pharmacy Policy for Covered and Noncovered Drugs topic #22337](#)
- [Acceptance of Payment topic #258](#)
- [Submission Options topic #1953](#)
- [Claims for Drugs Purchased Through the 340B Drug Pricing Program topic #20082](#)
- [Tribal Federally Qualified Health Center Terms of Reimbursement](#)

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patient education and chronic disease management) when a pharmacist is billing as a qualified rendering provider in a clinical setting.

All other current [pharmacy policies](#) regarding covered services and proper billing still apply.

ForwardHealth has manually reimbursed Tribal FQHCs for eligible pharmacy services under this method since January 1, 2024. Manual pharmacy payments ended on December 31, 2025. Tribal FQHCs who chose the [PPS rate](#) will not be affected because those policies did not change.

“ForwardHealth has manually reimbursed Tribal FQHCs for eligible pharmacy services under this method since January 1, 2024. Manual pharmacy payments ended on December 31, 2025.”

All-Inclusive Rate Reimbursement for Pharmacy Service Encounters and Wisconsin Medicaid-Covered Drugs

Effective for dates of service (DOS) on and after January 1, 2026, Tribal FQHCs that choose AIR reimbursement for eligible pharmacy services can receive AIR reimbursement for eligible noncompound drug claims submitted to ForwardHealth. These services are considered pharmacy service encounters.

Prescriptions for Medicaid-covered outpatient drugs dispensed to eligible BadgerCare Plus and Medicaid members qualify for AIR reimbursement.

Ineligible Services and Non-Drug Items

Vaccine services are not eligible for AIR reimbursement.

In addition, covered non-drug items submitted on noncompound drug claims, such as diabetic supplies and over-the-counter COVID-19 test kits, are not included in AIR reimbursement.

Note: This ForwardHealth Update excludes compound drug claims and all SeniorCare drug claims, including noncompound and compound drug claims.

All-Inclusive Rate

When providers choose AIR, they receive it for each eligible pharmacy drug claim submitted by the Tribal FQHC, regardless of their method of purchasing. AIR includes the cost of all ingredients used in the drug formulation and any professional or repackaging dispensing fees. ForwardHealth will not reimburse a separate dispensing or repackaging fee.

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When a claim is reimbursed at AIR, the payment amount may be greater or less than the billed amount, depending on whether AIR exceeds or falls below the billed amount.

Providers cannot bill the member for any difference between AIR and the billed amount. Refer to the ForwardHealth Online Handbook Acceptance of Payment topic [#258](#) for more information on payments and balance billing.

This Update clarifies a new reimbursement rate that may be chosen by Tribal FQHCs. Providers must follow their usual and customary billing process. All prior pharmacy policies are still valid.

Choosing a Rate

The Division of Medicaid Services (DMS) sends a letter each December to Tribal FQHCs with details on how to choose their preferred rate for the upcoming year (either AIR or PPS). They then respond to DMS by email and choose their rate.

- When a Tribal FQHC chooses their rate, ForwardHealth will reimburse claims at the Tribal FQHC's chosen rate, beginning January 1, 2026.
- If a Tribal FQHC does not provide a decision to DMS within the timeline detailed in the letter, the rate will default to the reimbursement rate they chose the previous year.

Note: If the OMB rate increase is not announced with enough time to update the rates effective January 1 of the upcoming year, submitted claims will be adjusted back to January 1 of that year to reflect the new rate. ForwardHealth will notify Tribal FQHCs if the new calendar year rates, released by the Federal Register, have been postponed.

Claims

Tribal FQHC providers who choose AIR reimbursement must continue to submit pharmacy claims using existing billing submission requirements.

Tribal FQHCs can submit noncompound drug claims to ForwardHealth through one of these methods:

- Real-time Point-of-Sale system using the National Council for Prescription Drug Programs Telecommunication Standard
- Direct Data Entry on the ForwardHealth Portal (the Portal)
- Noncompound Drug Claim form, F-13072 (02/2025)

Forms can be found on the [Forms](#) page of the Portal.

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For more information about these requirements, including for the 340B Drug Pricing Program (340B Program), refer to the Submission Options topic #[1953](#) and the Claims for Drugs Purchased Through the 340B Drug Pricing Program topic #[20082](#).

Terms of Reimbursement

ForwardHealth revised the Tribal Federally Qualified Health Center Terms of Reimbursement, P-01655 (12/2025), to reflect the reimbursement policy changes in this Update effective for DOS on and after January 1, 2026. The conditions outlined in the revised terms of reimbursement will automatically take effect. Providers do not need to resubmit enrollment materials.

Refer to the [Attachment](#) to this Update for the revised Tribal Federally Qualified Health Center Terms of Reimbursement. This document will be available on the Terms of Reimbursement and Information for Specific Provider Types pages of the [Provider Enrollment](#) area of the Portal on January 23, 2026.

Documentation Retention

Providers are reminded that they must follow the documentation retention requirements per Wis. Admin. Code § [DHS 106.02\(9\)](#). Providers are required to produce or submit documentation, or both, to the Wisconsin Department of Health Services (DHS) upon request. Per Wis. Stat. § [49.45\(3\)\(f\)](#), providers of services shall maintain records as required by DHS for verification of provider claims for reimbursement. DHS may audit such records to verify the actual provision of services and the appropriateness and accuracy of claims. DHS may deny or recoup payment for services that fail to meet these requirements. Refusal to produce documentation may result in denial of submitted claims, recoupment of paid claims, application of intermediate sanctions, or termination from the Medicaid program.

REMINDER

This new reimbursement policy does not change existing pharmacy policy. All current [pharmacy policy](#) still applies.

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Information Regarding Managed Care Organizations

This Update applies to Family Care, Family Care Partnership, BadgerCare Plus, and SSI Medicaid managed care program members because Tribal FQHCs who provide pharmacy services for members of these programs are provided on a fee-for-service basis. Pharmacy services for Medicaid members enrolled in the Program of All-Inclusive Care for the Elderly (PACE) are provided by the member's managed care organization.

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The ForwardHealth Update is the first source of program policy and billing information for providers.

Wisconsin Medicaid, BadgerCare Plus, SeniorCare, and Wisconsin Chronic Disease Program are administered by the Division of Medicaid Services within the Wisconsin Department of Health Services (DHS). The Wisconsin HIV Drug Assistance Program and the Wisconsin Well Woman Program are administered by the Division of Public Health within DHS.

For questions, call Provider Services at 800-947-9627 or visit our website at www.forwardhealth.wi.gov/.

ATTACHMENT

Tribal Federally Qualified Health Centers Terms of Reimbursement

(A copy of the Tribal Federally Qualified Health Centers Terms of Reimbursement
is located on the next page.)

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Tribal Federally Qualified Health Center Terms of Reimbursement

The Wisconsin Department of Health Services (DHS) will establish an encounter-specific reimbursement rate for all Tribal federally qualified health center (FQHC) covered services provided to Wisconsin Medicaid members eligible on the date of service (DOS). The encounter rate will reimburse eligible costs that are reasonable and related to the cost of furnishing Tribal FQHC services. Wisconsin Tribal FQHCs may choose to participate in the Medicaid program and receive reimbursement for Medicaid covered services under one of two options:

- Prospective Payment System (PPS)
- Alternative Payment Methodology—Indian Health Services (IHS) Office of Budget Management All-Inclusive Rate (AIR)

Tribal FQHC services are defined as the services described in the Rural Health Clinic Act and any other ambulatory service included in a state’s Medicaid plan that are provided to Medicaid members. Such costs cannot exceed the reasonable costs as determined by applicable Medicare cost reimbursement principles set forth in 42 C.F.R. Part 413 and Health Insurance Manual 15 and any additional mandated regulations when published as final rule in the Federal Register. PPS or AIR reimbursement to Tribal FQHCs will be made per the terms of reimbursement for the certified performing provider. Initial fee-for-service reimbursement to Tribal FQHCs will be made per the terms of reimbursement for HMO and crossover claims. In the case of any Tribal FQHC that contracts with a managed care organization, supplemental wrap-around payments will be made pursuant to a payment schedule agreed to by the State and the Tribal FQHC, but in no case less frequently than every four months, for the difference between the payment amounts paid by the managed care organization, not including financial or quality incentive payments and the amount to which the center is entitled under the PPS rate or AIR.

Under both PPS and AIR, an encounter is defined as a face-to-face contact for the provision of medical services between a clinic patient and any Medicaid-enrolled professional whose services are covered under this benefit. Contacts with more than one health professional and multiple contacts with the same health professional that take place on the same day at a single location constitute a single encounter unless the patient, subsequent to the first encounter, suffers illness or injury requiring additional diagnosis or treatment. The Medicare-allowable costs of administration, laboratory, X-ray, and pharmacy services and services provided by the health professionals not eligible for Medicaid enrollment but covered under this benefit are included in the encounter rate. Upon final annual reconciliation, DHS will reimburse the provider 100% of the provider’s allowed maximum encounter rate based on DHS’s Tribal FQHC reimbursement policy.

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DHS will reimburse the following drugs with the reimbursement methodology described, as the drugs are not required to meet the average acquisition cost (AAC) definition at 42 C.F.R. § 447.512.

Drugs dispensed by IHS/Tribal facilities will be reimbursed under one of two options, determined by how the Tribal provider elects to pay for in-scope FQHC services under the Tribal Federally Qualified Health Centers Reimbursement Methodology described beginning on page 10.d of Attachment 4.19B of the State Plan:

- Option 1 (PPS)—Tribal FQHCs will be reimbursed for AAC for drug costs, and professional dispensing fees will be included in the Tribal FQHC encounter rates except for SeniorCare members. For SeniorCare members, Tribal FQHCs will receive ingredient cost based on AAC plus the FQHC-specific professional dispensing fee of \$24.92.
- Option 2 (AIR)—Tribal FQHCs will be reimbursed at the IHS outpatient rate in accordance with the annual Federal Register Notice. All Tribal FQHC facility pharmacies are paid the encounter rate by Wisconsin Medicaid regardless of their method of purchasing.

Tribal FQHC providers who chose AIR reimbursement must continue to submit pharmacy claims using existing billing submission requirements.

Covered non-drug items submitted on noncompound drug claims, such as diabetic supplies and over-the-counter COVID-19 test kits, are not included in AIR reimbursement.

Only Tribal FQHC services are eligible for PPS or AIR reimbursement. Medicaid-covered services that are not considered Tribal FQHC services, including Medicaid services in which the cost and the liability for the services is not assumed by the Tribal FQHC and other services defined in the Tribal Federally Qualified Health Center service area of the Online Handbook, may be eligible for fee-for-service Medicaid or HMO reimbursement.

ForwardHealth reimburses a Tribal FQHC a maximum of one PPS rate or AIR per encounter type, per member, per DOS unless the member, subsequent to the first encounter, is in a unique situation that cannot be planned or anticipated. Drug encounters qualify only when the Tribal FQHC selects the AIR methodology.

ForwardHealth will reconcile outstationed enrollment expenditures incurred during the fiscal year such that Medicaid payments associated with outstationed enrollment will equal 100% of Tribal FQHC allowable outstationed enrollment expenditures.

Tribal FQHC reimbursement for services shall not be made in the absence of a signed Medicaid provider agreement for the Tribal FQHC and shall be determined by DHS pursuant to the State Plan for Title XIX Reimbursement effective April 1, 1990, for Tribal FQHCs identified by the federal Department of Health and Human Services as eligible on that date or as may be amended. Medicaid reimbursement, less appropriate copay and payments by other insurers, will be considered to be payment in full.

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DHS will adjust payments made to providers to reflect the amounts of any allowable copays that the providers are required to collect pursuant to Wis. Stat. ch. 49. Payments for deductible and coinsurance payable on an assigned Medicare claim shall be made in accordance with Wis. Stat. § 49.46(2)(c).

In accordance with federal regulations contained in 42 C.F.R. § 447.205, DHS will provide public notice in advance of the effective date of any significant proposed change in its methods and standards for setting encounter rates for services.

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