



Public Health  
HEALTH AND HUMAN SERVICES

RICHARD O. BRAJER  
Secretary

DANIEL STALEY  
Director, Division of Public Health

TO: Local Health Directors  
FROM: Phyllis M. Rocco, RN, BSN, MPH  
Branch Head, Local Technical Assistance and Training  
DATE: August 4, 2016  
SUBJECT: Methodology for Setting Fees for Services

During the past year many of your health departments have undergone Administrative Monitoring, Billing & Coding Reviews, and site visits by Nursing and/or Administrative Consultants. During these visits, it has been discovered that there are still many different processes being used to set fees for services. The purpose of this memo is to clarify what may and may not be used to set fees.

As stated in Consolidated Agreement FY17, B,7c, the proper methodology for setting fees should be based on your cost to provide the service. We have developed a tool (Workbook for Setting Service Fees) that will help you through this process. It is located on the DPH/LHD website under the Practice Management heading at <http://publichealth.nc.gov/lhd/>.

The exception to this rule is 340B drugs which are charged to Medicaid at the acquisition cost and to other payors based on the fee set using the methodology above.

The use of Medicaid reimbursement rates, Fee Analyzers, fees of surrounding counties and other providers is only appropriate to review your fees after they have been set based on cost. We understand that you want to provide services at reasonable and competitive rate and you may adjust your cost after comparisons have been made, but these factors listed above should not be your guiding methodology in setting your fees. You need to know your true cost per service to inform budgeting and planning.

In addition, since there is not a current Medicaid Cost Report available, it would be inappropriate to use the last one you have since the information is not up to date. When you receive a more current report, it may be used in conjunction with the Workbook for Setting Service Fees, but should not be used independently.

If you have questions, please contact your Administrative Consultant or myself. We will be happy to assist you.

cc: Danny Staley, Administrative Consultants, Nursing Consultants, Steven Garner



Department of Health and Human Services | Division of Public Health  
5605 Six Forks Rd | MSC 1916 | Raleigh, NC 27699-1916  
919 707 5130 T | 919 870 4833 F