

**Department of Health Care Services  
Proposed Trailer Bill Legislation**

**Federally Qualified Health Center Alternative Payment Model Project**

**FACT SHEET**

**Issue Title: Federally Qualified Health Center Alternative Payment Method Project.** The proposal updates existing law that authorizes the Department of Health Care Services (DHCS) to implement an Alternative Payment Model (APM) reimbursement methodology for Federally Qualified Health Centers (FQHCs) to incentivize delivery system and practice transformation at FQHCs through flexibilities available by moving away from a volume-based reimbursement methodology no sooner than January 1, 2024.

**Background:** SB 147 (Chapter 760, Statutes of 2015) authorized a three-year pilot program for county and community-based FQHCs. Under the proposed pilot, participating FQHCs would move away from the traditional volume-based prospective payment system (PPS) payment system to one that better aligns with the evolving financing and delivery of health services. As proposed under the FQHC APM pilot, the PPS payment and wrap-around would be replaced by an upfront, clinic-specific capitation rate. The benefit to the participating FQHCs is that they will have a simplified payment process, replacing the previous billing approach and associated delays in payment. FQHCs would receive a comprehensive payment from the health plans on a monthly basis rather than having to wait until the end of the year for a supplemental payment, which is particularly beneficial to cash-strapped health centers. This payment reform would also allow FQHCs the ability to operate more efficiently and deliver care in innovative ways that will expand primary and specialty care access. For example, FQHCs could provide non-traditional services not currently reimbursed under traditional volume-based PPS, including but not limited to: group visits, email visits, phone visits, community health worker contacts, case management, and care coordination across systems. Additionally, the reform removes incentives to increase volume of separate visits instead of same day visits (for example integrated primary and behavioral health visits on the same day). This proposed pilot was also expected to increase collaboration between the Medi-Cal managed care plans and the participating FQHCs. While both would have additional requirements, both would also experience increased value from better coordination of care, thereby helping to reduce unnecessary utilization of services and improve beneficiary experience.

However, DHCS was unable to implement the pilot as outlined due to inability to receive federal approval.

**Justification for the Change:** California Advancing and Innovating Medi-Cal, also known as CalAIM, is a multi-year initiative by DHCS to improve the quality of life and health outcomes of our population by implementing broad delivery system, program and payment reform across the Medi-Cal program. One goal of CalAIM is to move Medi-Cal to a more consistent and seamless system by reducing complexity and increasing flexibility. Transforming reimbursement methodologies for FQHCs will reduce complexity and increase flexibility.

This proposal would allow DHCS to implement a federally allowable Alternative Payment Model for FQHC reimbursement no sooner than January 1, 2024. Through a series of state-led stakeholder meetings in 2021, significant progress was made on preparations to implement an APM. The updates to existing law will support DHCS for submission of a State Plan Amendment for federal approval of the APM and continued preparation for implementation in 2024 without delay.

**Summary of Arguments in Support:** Reduces complexity for service delivery and increase beneficiary outcomes.

**Estimate Issue # and Title:** None.