



JENNIFER KENT
DIRECTOR

State of California—Health and Human Services Agency
Department of Health Care Services



GAVIN NEWSOM
GOVERNOR

DATE: June 12, 2019

ALL PLAN LETTER 19-005

TO: ALL MEDI-CAL MANAGED CARE HEALTH PLANS

SUBJECT: FEDERALLY QUALIFIED HEALTH CENTERS AND RURAL HEALTH CLINICS FINANCIAL INCENTIVE AND PAY FOR PERFORMANCE PAYMENT POLICY

PURPOSE:

The purpose of this All Plan Letter (APL) is to provide clarification and guidance to Medi-Cal managed care health plans (MCPs) on the policy requirements for financial incentive payments to Federally Qualified Health Centers (FQHCs) and Rural Health Clinics (RHCs).

BACKGROUND:

FQHCs and RHCs provide covered health care services to Medi-Cal beneficiaries in federally designated medically underserved rural or urban areas and are a critical part of the health care delivery system's safety net. Per federal law, FQHCs and RHCs are to be reimbursed for their reasonable costs in providing covered health care services to Medi-Cal beneficiaries through the Prospective Payment System (PPS) methodology.¹ Depending on the delivery system, FQHCs and RHCs are reimbursed for covered services either by a MCP or their delegated entity or subcontractor, with an accompanying wrap-around payment from the Department of Health Care Services (DHCS) when applicable, or by DHCS directly through a fee-for-service (FFS) payment.² The Medi-Cal managed care payment with an accompanying wrap-around payment, or the FFS payment, must constitute the full PPS payment that the FQHC or RHC is entitled to receive, subject to required reconciliation audit processes.

Additionally, MCPs may contract with FQHCs or RHCs for financial incentive payments, such as risk pool payments, bonuses, or withholds. Such financial incentive payments can also be referred to as Pay-For-Performance (P4P) payments. All financial incentive or P4P payments provided to FQHCs or RHCs, as allowable under federal and state

¹ Title 42, United States Code, Section 1396a(bb).

² As of March 2018, 82% of Medi-Cal beneficiaries were covered by MCPs, and 18% by FFS according to the March 2018 Medi-Cal Monthly Enrollment Fast Facts report, is available at the following link:

https://www.dhcs.ca.gov/dataandstats/statistics/Documents/Fast_Facts_March2018_ADA.pdf.

law,³ are prohibited from being included in the calculation of wrap-around or supplemental payments made to the FQHC or RHC by DHCS. This policy is further clarified in the Centers for Medicare and Medicaid Services' State Medicaid Directors (SMD) Letter (dated September 27, 2000) titled, Policy Regarding FQHCs/RHCs.⁴

POLICY:

DHCS requires MCPs to act in accordance with [DHCS' Policy Regarding Financial Incentive or P4P Payments for FQHCs and RHCs in Medi-Cal Managed Care](#).⁵

MCPs are responsible for ensuring that their delegates comply with all applicable state and federal laws and regulations, contract requirements, and other DHCS guidance, including APLs and Policy Letters. These requirements must be communicated by each MCP to all delegated entities and subcontractors.

If you have any questions regarding this APL, please contact your Managed Care Operations Division Contract Manager.

Sincerely,

Original Signed by Nathan Nau

Nathan Nau, Chief
Managed Care Quality and Monitoring Division

³ Title 42, Code of Federal Regulations, Section 405.2469(c) and California Welfare and Institutions Code, Section 14132.100(h).

⁴ This SMD is available at the following link: <https://www.medicaid.gov/Federal-Policy-Guidance/downloads/smd092700.pdf>.

⁵ DHCS' Policy Regarding Financial Incentive or P4P Payments for FQHCs and RHCs in Medi-Cal Managed Care is located at the following link: <https://www.dhcs.ca.gov/dataandstats/reports/Documents/FQHCRHCFinancialIncentiveP4PPaymentPolicy.pdf>.