IHA P4P SUMMIT

FQHC PAYMENT REFORM UPDATE MARCH 25, 2014 - SAN FRANCISCO, CA

OUTLINE

- Why payment reform in FQHCs?
- FQHC payment today
- Alternative Payment Methodology according to Social Security Act
- Comprehensive payment reform strategy
- Update on recent activity

FQHC DEFINITION

- Federally qualified health centers (FQHCs)
  - Organizations receiving grants under section 330 of the Public Health Service Act, certain tribal organizations, FQHC Look-Alikes
  - Purpose is to enhance the provision of primary care services in **underserved** urban and rural communities
- FQHCs qualify for enhanced reimbursement from Medicare and Medicaid, as well as other benefits. FQHCs must:
  - Serve an underserved area or population
  - Offer a sliding fee scale (i.e. access without regard to ability to pay)
  - Provide comprehensive services
  - Have an ongoing quality assurance program

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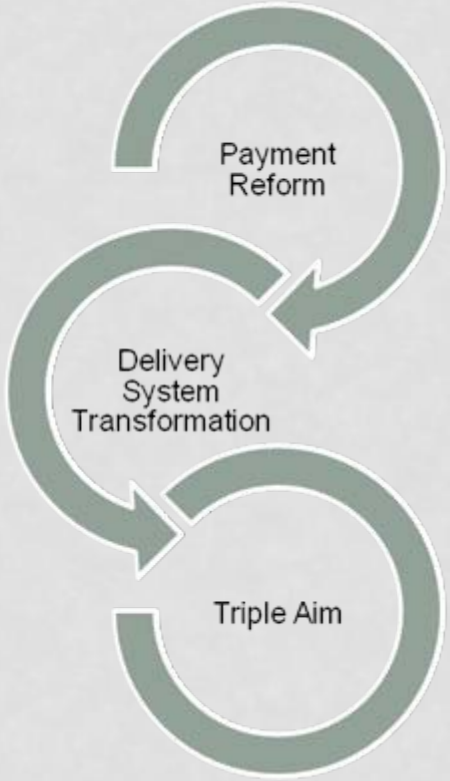
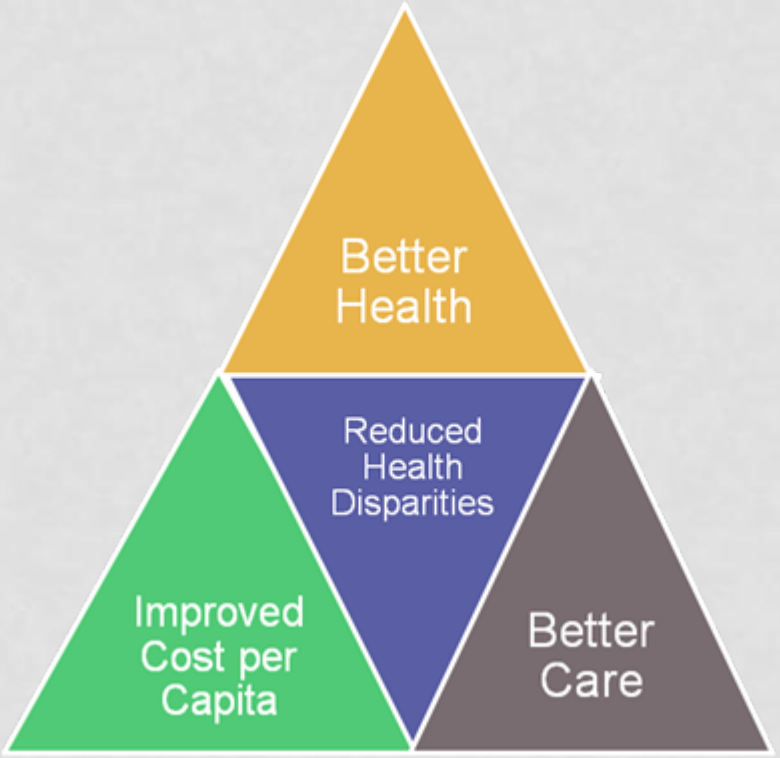
WHY PAYMENT REFORM IN FQHCS?

- Goal: Delivery system transformation to meet Triple Aim

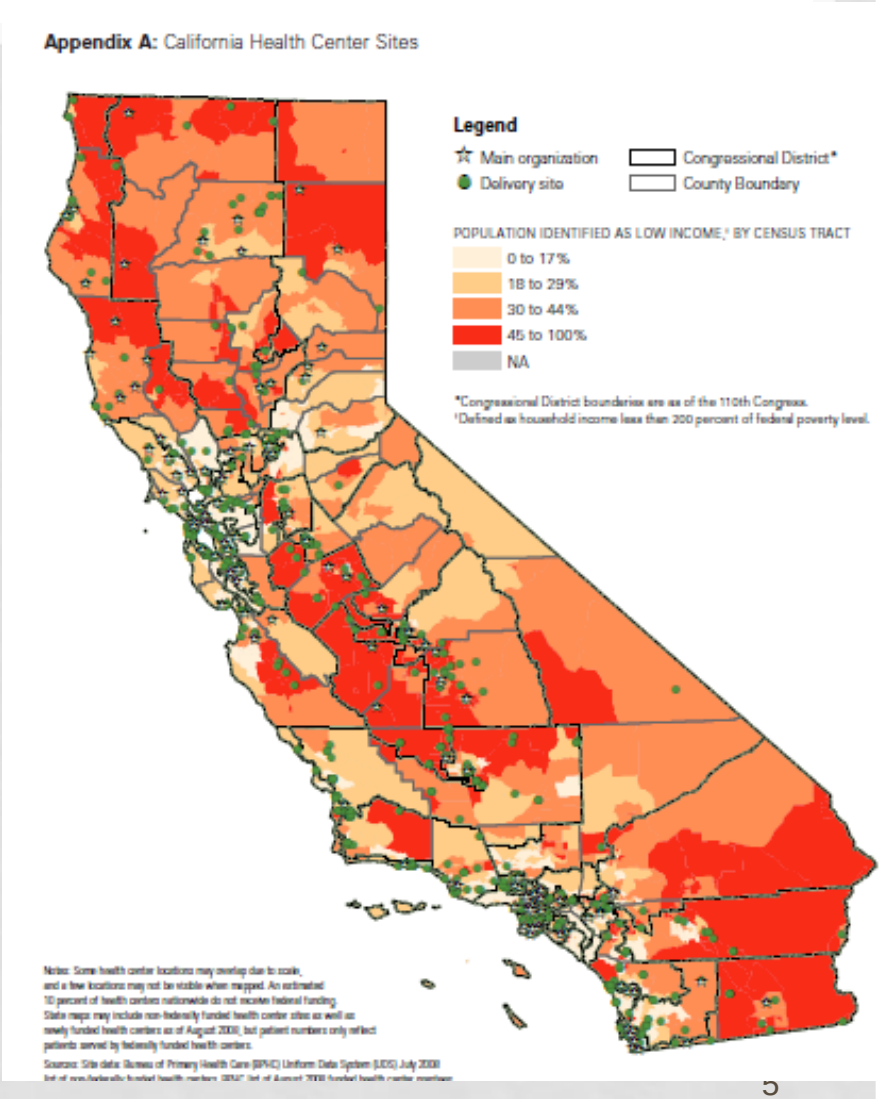




- Public and private sector are investing in primary care and PCMH as a strategy to achieve Triple Aim

FQHC PAYMENT TODAY

- Over 1000 FQHC sites in California providing 40-80% of Medi-Cal visits, depending on community
- Current FQHC payment = Prospective Payment System (PPS)
  - **Bundled, volume-based payment** for face-to-face visits with qualified providers within the four walls
  - Designed to prevent Medicaid from underpaying and thus forcing FQHCs to cross subsidize Medicaid with federal grant for



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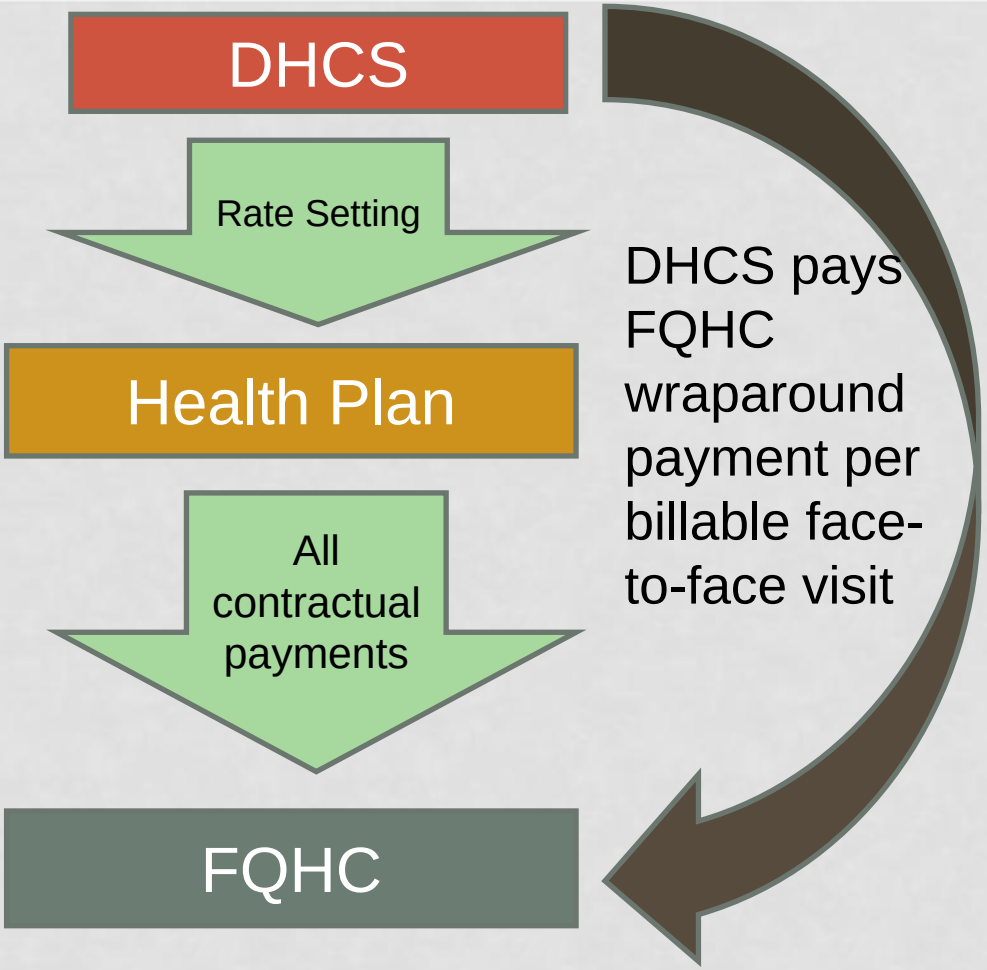
FQHC PAYMENT TODAY



FQHC/DHCS Reconciliation:

FQHC visits * PPS rate
-Less all capitated and FFS payments from plan
-Less all wraparound payments from State

Reconciliation Payment

WHY FQHC PAYMENT REFORM

NEED FLEXIBILITY TO TRANSFORM CARE AND ADAPT TO CHANGING HEALTH DELIVERY SYSTEM LANDSCAPE

Meet patient demand for primary care services – traditional and non-traditional

Behavioral health/primary care integration

Address workforce challenges (shortages, b

Predictable cash flow

ALTERNATIVE PAYMENT METHODOLOGY (APM)

- An alternative to paying the Prospective Payment System (PPS) rate
- Congress allows use of an APM as long as:
  1. It "results in payment to the center or clinic of an amount which is at least equal to the amounts otherwise required to be paid to the center or clinic" under PPS
  2. It is agreed to by the state and the individual FQHC or RHC

CPCA COMPREHENSIVE PAYMENT REFORM STRATEGY

Triple Aim P4P

PCHH Supplemental

PPS-Equivalent Capitation

Incentive

Investment

Flexibility

Delivery System Transformation

CPCA COMPREHENSIVE PAYMENT REFORM STRATEGY

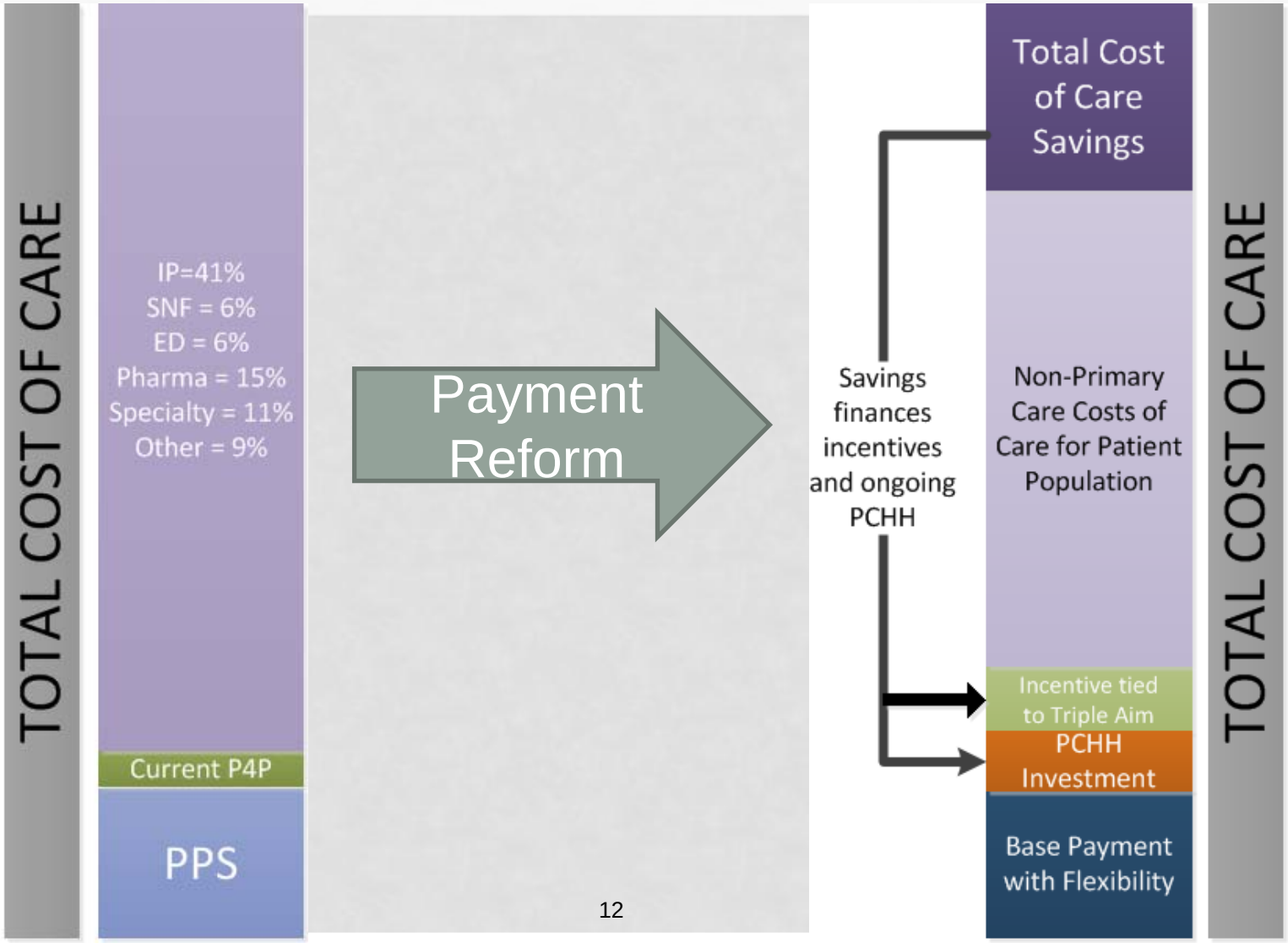
- Shift to global system focus
- 80-90% of TOTAL COST OF CARE are Non-Primary Care Costs

CPCA COMPREHENSIVE PAYMENT REFORM STRATEGY

Relationship to Total Cost

- More **robust** primary care **integrator** as **center** of a more **integrated and coordinated** delivery system will drive **reduced inpatient utilization and system-wide savings**

CPCA COMPREHENSIVE PAYMENT REFORM STRATEGY



LAYER #1: PPS-EQUIVALENT PMPM

- **Goal**: Flexibility to transform care, adapt to health reform landscape, increase access to primary care
- **Delivery System Transformation:**
  - Meet patient demand for alternative modes of care
  - Address workforce challenges
  - Behavioral health/primary care integration (2 visits on same day)
  - Upfront and predictable cash flow
  - Maintain safety-net stability during time of change
- **Financing**: Same DHCS $ spent today
- **Update**: Trying to find path forward with DHCS and MCOs

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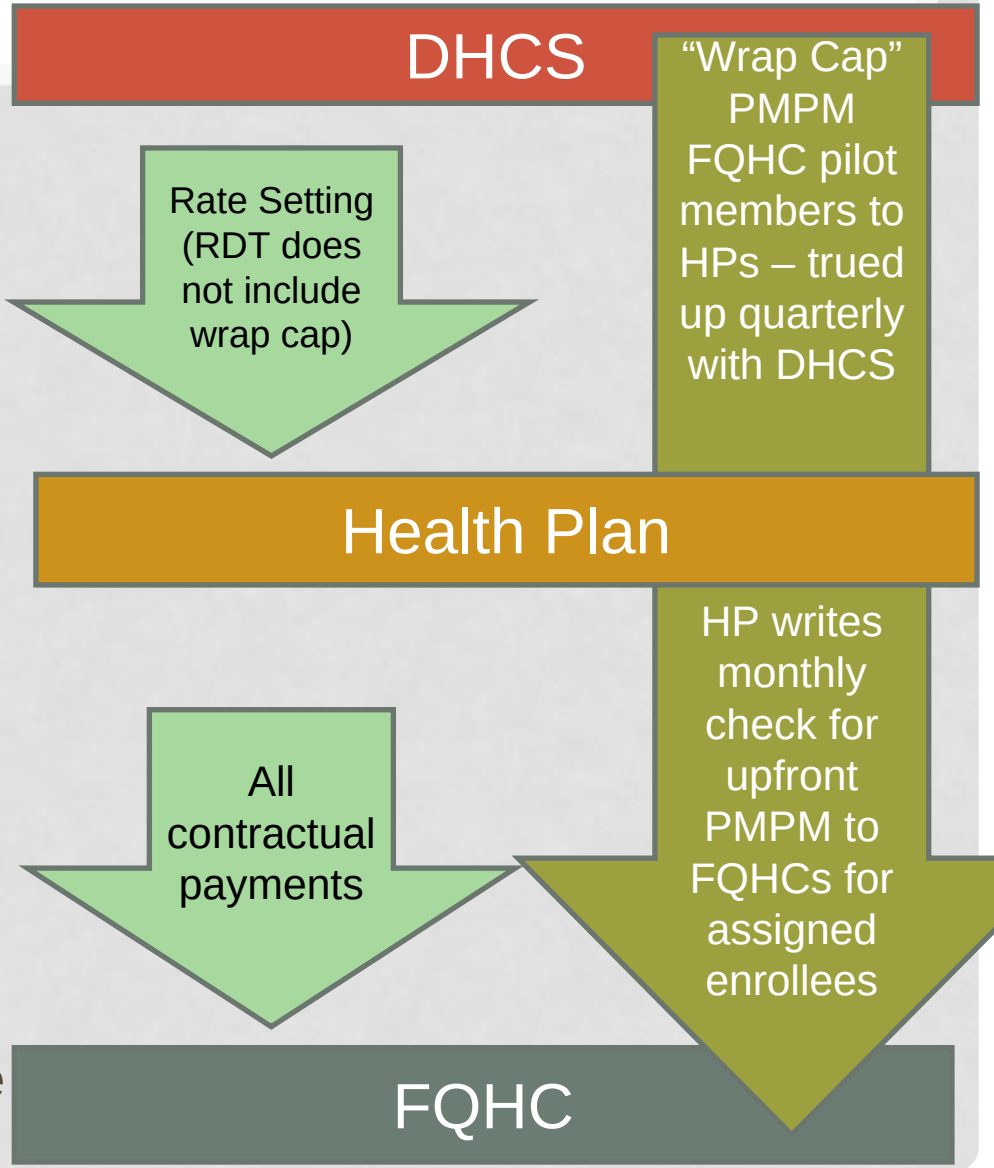
LAYER #1: PPS-EQUIVALENT PMPM

Wrap Cap

- PPS*Visits/Member months=PPS-Equivalent PMPM
- Wrap Cap PMPM = PPS-Equivalent PMPM less all HP payments to FQHCs (PMPM basis)
- Leaves all HP-FQHC contractual arrangements in place
- Prevents perverse incentive to steer patients away from FQHCs
- Health plans participating in the pilot in non-COHS counties can maintain a rate advantage
- Health plans pass PMPM wrap cap to FQHCs
- FQHCs prefer all plans to participate



LAYER #1: PPS-EQUIVALENT PMPM

What about the risk?

- Nature of membership risk
  - Membership true up for HPs
- Utilization risk
  - Different rates for different aid categories (Adult/Family, SPD, Dual, Medi-Cal Expansion)
  - Rare event of reconciliation – FQHCs bear risk for non-traditional care
- **When it comes to the safety net, can flexibility to transform begin with limited risk to prepare for future of greater risk bearing?**

LAYER #2:
PCHH SUPPLEMENTAL PAYMENT

- Goal: **Catalytic investment** in primary care results in total system savings
- **Incentive Payment:** Per member per month (PMPM) prospective supplemental payment for PCMH/PCHH services
- **Delivery System Transformation:**
  - New types/levels of care coordination, care and case management, emphasis on care transitions, use of care teams
  - Being used by other states as key component of duals strategy
  - PCMH is for everyone. PCHH focus on high-risk patients.
- **Financing**: Based on presumed shared savings
  - Transformational payment: State, foundation or health plan
  - Sustained payment: Ex. ACA Section 2703 Federal funding (90/10 match) – chronic conditions only
- **Update**: Senate Bill 361 passed. Health Homes part of Cal SIM grant.

LAYER #3:
TRIPLE AIM PAY FOR PERFORMANCE

Goal: Align financial reward with achieving system-wide savings, quality outcomes, and improvements in patient experience

- Builds on traditional P4P by incorporating rewards for achieving reductions in per capita total cost of care
- PC perspective: IP utilization is proxy for PC impact on total cost of care
- Access to total health system data is critical
- Limited metrics can focus efforts
- Triple Aim P4P metrics coincide with many DST/PR evaluation metrics

Financing: Shared savings can be a financial incentive and financing source for P4P

Update:

- Individual FQHCs and networks still negotiating with plans separately
- FQHCs still need better access to total health system data

SUMMARY

- *FQHCs want to transform as part of a system meeting the Triple Aim.*
- *Flexibility, investment and aligned incentives will help them make the transformation safely.*

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