| | |
|---|---|
| Policy: | GG.1660 |
| Title: | **Federally Qualified Health Center (FQHC) and Rural Health Clinic (RHC) Financial Incentives and Pay for Performance Payments** |
| Department: | Medical Management |
| Section: | Quality Analytics |
| *CEO Approval:* | */s/ Michael Hunn 12/20/2024* |
| Effective Date: | 05/07/2020 |
| Revised Date: | 12/01/2024 |
| Applicable to: | ☒ Medi-Cal<br>☒ OneCare<br>☐ PACE<br>☐ Administrative |

## I. PURPOSE

This policy outlines the guidelines CalOptima Health must adhere to when structuring, implementing, and executing the financial incentives and Pay for Performance (P4P) payments to Federally Qualified Health Centers (FQHCs) and Rural Health Clinics (RHCs) contracted with CalOptima Health.

## II. POLICY

A. Unless otherwise stated, this Policy shall only be applicable to FQHCs and/or RHCs who enter a contract, or who have an existing contract, with CalOptima Health.

B. Federally Qualified Health Centers (FQHCs) and Rural Health Clinics (RHCs) are reimbursed by the Department of Health Care Services (DHCS) for their reasonable costs in providing Covered Services to Members through the Prospective Payment System (PPS) Methodology.

C. CalOptima Health may contract with FQHCs or RHCs for financial incentive payments, such as risk pool payments, bonuses, or withholds; such financial incentive payments may also be referred to as Pay for Performance (P4P) payments.

1. All financial incentive payments, or P4P payments, provided to FQHCs or RHCs, as permitted under federal and state law, must be designed to ensure that they are not included in the calculations of wrap-around or supplemental payments made to the FQHC or RHC by the Department of Health Care Services (DHCS).

2. CalOptima Health shall not utilize financial incentives or P4P payments to pay an FQHC or RHC an additional rate per service or visit based exclusively on utilization.

D. In accordance with the DHCS guidance, CalOptima Health shall establish and maintain clear, objective criteria for the financial incentives and P4P payments disbursed to FQHCs and RHCs.

E. CalOptima Health may recognize outstanding performance and support ongoing improvement in the provision of quality health care to Members receiving services at FQHCs and RHCs. Specifically, the financial incentives and P4P payments may recognize and reward FQHCs and RHCs and their Providers for demonstrating quality performance.

F. CalOptima Health shall have written agreements in place with the FQHC or RHC prior to the start of the financial incentive or P4P payment period in which the financial incentive or P4P payment would apply.

1. The amount of the financial incentive or P4P payment may not be known in advance, as the amount may vary, based on the FQHCs or RHCs performance. However, the financial incentive or P4P payment agreement shall articulate the methodology that will be used to determine the financial incentive or P4P payment amount.

2. This requirement for written agreements shall be deemed to have been met if the CalOptima Health P4P payment guidelines published prior to the start of the program articulates the methodology and eligible providers for the financial incentive or P4P payments.

G. CalOptima Health shall evaluate the effectiveness of such financial incentive or P4P payments and adjust or discontinue them if they are determined ineffective upon evaluation.

H. CalOptima Health shall provide the DHCS, upon request, its written arrangement as well as policies and procedures for oversight and monitoring of financial incentives and P4P payments.

I. This Policy does not pertain to grant funding that CalOptima Health may provide to FQHCs or RHCs for the purposes of building suitable clinical infrastructure or adding clinical capacity to an FQHC or RHC, as such grants are not subject to reconciliation.

## III. PROCEDURE

A. CalOptima Health shall provide FQHCs and RHCs the following:

1. Industry benchmarks and data-driven feedback on the quality improvement efforts.

2. Comparative information on CalOptima Health's performance.

B. CalOptima Health may structure financial incentives and P4P payments as, but need not be limited to, risk pool payments, bonuses, or withholds, provided the arrangement meets all conditions applicable to the DHCS reconciliation audit process and the standard FQHC/RHC federal claims process.

1. CalOptima Health shall ensure all financial incentive and P4P payment arrangements meet the applicable conditions of federal and state laws to avoid duplicate payment to FQHCs/RHCs for services paid through federal claims.

C. CalOptima Health shall enumerate specific metrics and/or performance terms for the FQHC or RHC to attain the financial incentive or P4P payment.

1. The financial incentives for P4P payments shall be similar to, but not less than, the amount other financial incentives or P4P payments CalOptima Health makes to non-FQHC or non-RHC contracted Providers who provide similar services.

D. CalOptima Health's P4P financial incentives and P4P payments requirements shall include:

1. CalOptima Health shall distribute performance and improvement allocations upon final calculation and validation of each measurement rate.

2. To qualify for payment, the FQHC or RHC must have a minimum denominator in accordance with program definitions.

3. To qualify for payments, an FQHC or RHC must be contracted with CalOptima Health during the entire measurement period, period of pay for value accrual, and must be in good standing with CalOptima Health at the time of disbursement of payment.

4. Payments can be made annually or more frequently, at CalOptima Health's discretion, as defined in the P4P agreement.

E. On an annual basis, the CalOptima Health shall:

1. Evaluate the metrics in the P4P program and make recommendations for any program changes needed; recommended changes may be based upon the overall performance of the measure and the level of improvement left to achieve; and

2. Evaluate any changes to the measures that are important to CalOptima Health's National Committee for Quality Assurance (NCQA) accreditation status, Centers for Medicare & Medicaid Services (CMS) Star Rating Status, and/or overall NCQA health plan rating.

## IV. ATTACHMENT(S)

Not Applicable

## V. REFERENCE(S)

A. California Welfare and Institutions Code, Section 14132.100(h)
B. Centers for Medicare and Medicaid Services (CMS), State Medicaid Director Letter, Policy Regarding FQHCs/RHCs, Dated 09/27/2000
C. Department of Health Care Services (DHCS) All Plan Letter 19-005: Federally Qualified Health Centers and Rural Health Clinics Financial Incentive and Pay for Performance Payment Policy
D. Title 42, Code of Federal Regulations (C.F.R.), Section 405.2469(c)
E. Title 42, United States Code (U.S.C.), Sections 1396a(bb), 1396b(m)(2)(A)(ix)

## VI. REGULATORY AGENCY APPROVAL(S)

None to Date

## VII. BOARD ACTION(S)

| Date | Meeting |
|---|---|
| 02/07/2019 | Regular Meeting of the CalOptima Board of Directors |
| 05/07/2020 | Regular Meeting of the CalOptima Board of Directors |

## VIII. REVISION HISTORY

| Action | Date | Policy | Policy Title | Program(s) |
|---|---|---|---|---|
| Effective | 05/07/2020 | GG.1660 | Federally Qualified Health Center (FQHC) and Rural Health Clinic (RHC) Financial Incentives and Pay for Performance Payments | Medi-Cal OneCare Connect |
| Revised | 10/01/2021 | GG.1660 | Federally Qualified Health Center (FQHC) and Rural Health Clinic (RHC) Financial Incentives and Pay for Performance Payments | Medi-Cal OneCare Connect |
| Revised | 09/01/2022 | GG.1660 | Federally Qualified Health Center (FQHC) and Rural Health Clinic (RHC) Financial Incentives and Pay for Performance Payments | Medi-Cal OneCare Connect |
| Revised | 08/01/2023 | GG.1660 | Federally Qualified Health Center (FQHC) and Rural Health Clinic (RHC) Financial Incentives and Pay for Performance Payments | Medi-Cal OneCare |
| Revised | 12/01/2024 | GG.1660 | Federally Qualified Health Center (FQHC) and Rural Health Clinic (RHC) Financial Incentives and Pay for Performance Payments | Medi-Cal OneCare |

## IX. GLOSSARY

| Term | Definition |
|---|---|
| Centers for Medicare & Medicaid Services (CMS) | The federal agency under the United States Department of Health and Human Services responsible for administering the Medicare and Medicaid programs. |

| | |
|---|---|
| Covered Services | Those health care services, set forth in W&I sections 14000 et seq. and 14131 et seq., 22 CCR section 51301 et seq., 17 CCR section 6800 et seq., the Medi-Cal Provider Manual, the California Medicaid State Plan, the California Section 1115 Medicaid Demonstration Project, the contract with DHCS for Medi-Cal, and DHCS APLs that are made the responsibility of CalOptima Health pursuant to the California Section 1915(b) Medicaid Waiver authorizing the Medi-Cal managed care program or other federally approved managed care authorities maintained by DHCS.<br>Covered Services do not include:<br>1. Home and Community-Based Services (HCBS) program as specified in the DHCS contract for Medi-Cal Exhibit A, Attachment III, Subsections 4.3.15 (Services for Persons with Developmental Disabilities), 4.3.20 (Home and Community-Based Services Programs) regarding waiver programs, 4.3.21 (In-Home Supportive Services), and Department of Developmental Services (DDS) Administered Medicaid Home and Community-Based Services Waiver. HCBS programs do not include services that are available as an Early and Periodic Screening, Diagnosis and Treatment (EPSDT) service, as described in 22 CCR sections 51184, 51340 and 51340.1. EPSDT services are covered under the DHCS contract for Medi-Cal, as specified in Exhibit A, Attachment III, Subsection 4.3.11 (Targeted Case Management Services), Subsection F4 regarding services for Members less than twenty-one (21) years of age. CalOptima Health is financially responsible for the payment of all EPSDT services;<br>2. California Children's Services (CCS) as specified in Exhibit A, Attachment III, Subsection 4.3.14 (California Children's Services), except for Contractors providing Whole Child Model (WCM) services;<br>3. Specialty Mental Health Services as specified in Exhibit A, Attachment III, Subsection 4.3.12 (Mental Health Services);<br>4. Alcohol and SUD treatment services, and outpatient heroin and other opioid detoxification, except for medications for addiction treatment as specified in Exhibit A, Attachment III, Subsection 4.3.13 (Alcohol and Substance Use Disorder Treatment Services);<br>5. Fabrication of optical lenses except as specified in Exhibit A, Attachment III, Subsection 5.3.7 (Services for All Members);<br>6. Direct Observed Therapy for Treatment of Tuberculosis (TB) as specified in Exhibit A, Attachment III, Subsection 4.3.18 (Direct Observed Therapy for Treatment of Tuberculosis);<br>7. Dental services as specified in W&I sections 14131.10, 14132(h), 14132.22, 14132.23, and 14132.88, and EPSDT dental services as described in 22 CCR section 51340.1(b). However, CalOptima Health is responsible for all Covered Services as specified in Exhibit A, Attachment III, Subsection 4.3.17 (Dental) regarding dental services;<br>8. Prayer or spiritual healing as specified in 22 CCR section 51312;<br>9. Educationally Necessary Behavioral Health Services that are covered by a Local Education Agency (LEA) and provided pursuant to a Member's Individualized Education Plan (IEP) as set forth in Education Code section 56340 et seq., Individualized Family Service Plan (IFSP) as set forth in California Government Code (GC) section 95020, or Individualized Health and Support Plan (IHSP). However, CalOptima Health is responsible for all Medically Necessary Behavioral Health Services as specified in Exhibit A, Attachment III Subsection 4.3.16 (School-Based Services); |

| Term | Definition |
|---|---|
| | 10. Laboratory services provided under the State serum alpha-feto-protein-testing program administered by the Genetic Disease Branch of California Department of Public Health (CDPH);<br>11. Pediatric Day Health Care, except for Contractors providing Whole Child Model (WCM) services;<br>12. State Supported Services;<br>13. Targeted Case Management (TCM) services as set forth in 42 USC section 1396n(g), W&I sections 14132.48 and 14021.3, 22 CCR sections 51185 and 51351, and as described in Exhibit A, Attachment III, Subsection 4.3.11 (Targeted Case Management Services). However, if Members less than twenty-one (21) years of age are not eligible for or accepted by a Regional Center (RC) or a local government health program for TCM services, CalOptima Health must ensure access to comparable services under the EPSDT benefit in accordance with DHCS APL 23-005;<br>14. Childhood lead poisoning case management provided by county health departments;<br>15. Non-medical services provided by Regional Centers (RC) to individuals with Developmental Disabilities, including but not limited to respite, out-of-home placement, and supportive living;<br>16. End of life services as stated in Health and Safety Code (H&S) section 443 et seq., and DHCS APL 16-006; and<br>17. Prescribed and covered outpatient drugs, medical supplies, and enteral nutritional products when appropriately billed by a pharmacy on a pharmacy claim, in accordance with DHCS APL 22-012.<br><br>OneCare: Those medical services, equipment, or supplies that CalOptima Health is obligated to provide to Members under the Centers of Medicare & Medicaid Services (CMS) Contract. |
| Department of Health Care Services (DHCS) | The single State Department responsible for administration of the Medi-Cal program, California Children Services (CCS), Genetically Handicapped Persons Program (GHPP), Child Health and Disabilities Prevention (CHDP), and other health related programs. |
| Federally Qualified Health Center (FQHC) | An entity defined in Section 1905 of the Social Security Act (42 United States Code Section 1396d(l)(2)(B)). |
| Member | A beneficiary enrolled in a CalOptima Health program. |
| National Committee for Quality Assurance (NCQA) | Medi-Cal: An organization responsible for the accreditation of managed care plans and other health care entities and for developing and managing health care measures that assess the Quality of Care and services that Members receive.<br><br>OneCare: An independent, not-for-profit organization dedicated to assessing and reporting on the quality of managed care plans, managed behavioral healthcare organizations, preferred provider organizations, new health plans, physician organizations, credentials verification organizations, disease management programs and other health-related programs. |
| Pay for Performance (P4P) | Pay-for-performance is an umbrella term for initiatives aimed at improving the quality, efficiency, and overall value of health care. These arrangements may provide financial incentives to hospitals, physicians, and other health care providers to carry out such improvements and achieve optimal outcomes for patients. |

| Term | Definition |
|---|---|
| Prospective Payment System (PPS) | A Prospective Payment System (PPS) is a method of reimbursement in which Medicare payment from CMS is made based on a predetermined, fixed amount. The payment amount for a particular service is derived based on the classification system of that service (for example, diagnosis-related groups for inpatient hospital services). CMS uses separate PPSs for reimbursement to acute inpatient hospitals, home health agencies, hospice, hospital outpatient, inpatient psychiatric facilities, inpatient rehabilitation facilities, long-term care hospitals, FQHCs, RHCs, and Skilled Nursing Facilities. |
| Provider | Medi-Cal: Any individual or entity that is engaged in the delivery of services, or ordering or referring for those services, and is licensed or certified to do so.<br><br>OneCare: Any Medicare provider (e.g., hospital, skilled nursing facility, home health agency, outpatient physical therapy, comprehensive outpatient rehabilitation facility, end-stage renal disease facility, hospice, physician, non-physician provider, laboratory, supplier, etc.) providing Covered Services under Medicare Part B. Any organization, institution, or individual that provides Covered Services to Medicare members. Physicians, ambulatory surgical centers, and outpatient clinics are some of the providers of Covered Services under Medicare Part B.M |
| Rural Health Clinic (RHC) | Medi-Cal: An entity defined in Title 22 CCR Section 51115.5. |