

Snapshot: The FQHC Alternative Payment Methodology



Federally Qualified Health Centers (FQHCs) make up a key component of the nation's safety net and provide essential primary and preventive care in underserved communities across the country. Today, there are over **1,400** health center organizations providing care to over **29 million patients** in over **12,000** delivery sites nationwide. Of these, **nearly half are Medicaid beneficiaries, 20 percent are uninsured, and 10 percent are Medicare patients.** The vast majority of health centers receive federal funding from [Health Resources and Services Administration](#) (HRSA) to provide services in these communities or have been certified as meeting these requirements.

As part of those requirements, health centers are required to provide care, regardless of one's ability to pay, and thus rely on adequate payments to ensure they can appropriately provide care. In recognition of the important role health centers have serving Medicaid patients, Congress created the FQHC **Medicaid Prospective Payment System (PPS)** and **Alternative Payment Methodology (APM)** to ensure that FQHCs are appropriately reimbursed for the care that they provide. The PPS and APM are essential for health centers' continued viability, providing predictability and stability for health centers while protecting other federal investments.

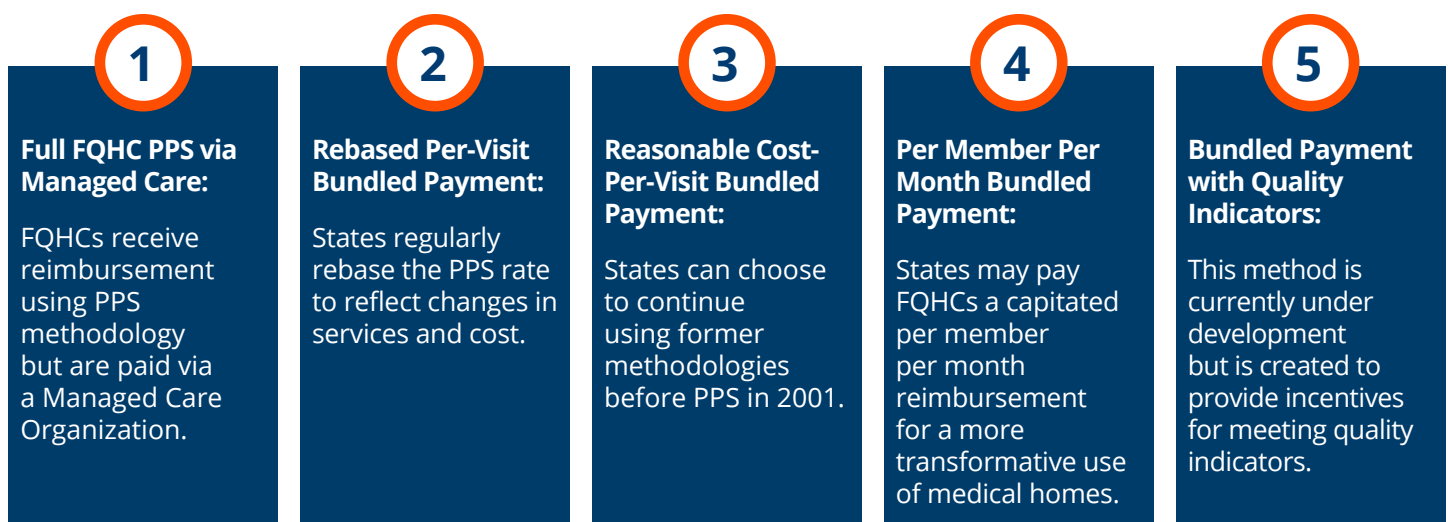
The **FQHC Prospective Payment System (PPS)** is a comprehensive, bundled payment, based on the historical costs of providing care. Alternatively, states are given the flexibility to design and implement an **Alternative Payment Methodology (APM)**, given that the appropriate statutory requirements are met. A successful APM must not be less than what a health center would have received under its PPS rate, and both the state and health center must agree to the APM.

Why APMs?

Today, nearly half of states use an APM to reimburse health centers for the care of their Medicaid patients. States and Primary Care Associations point to the following reasons why they consider an APM:

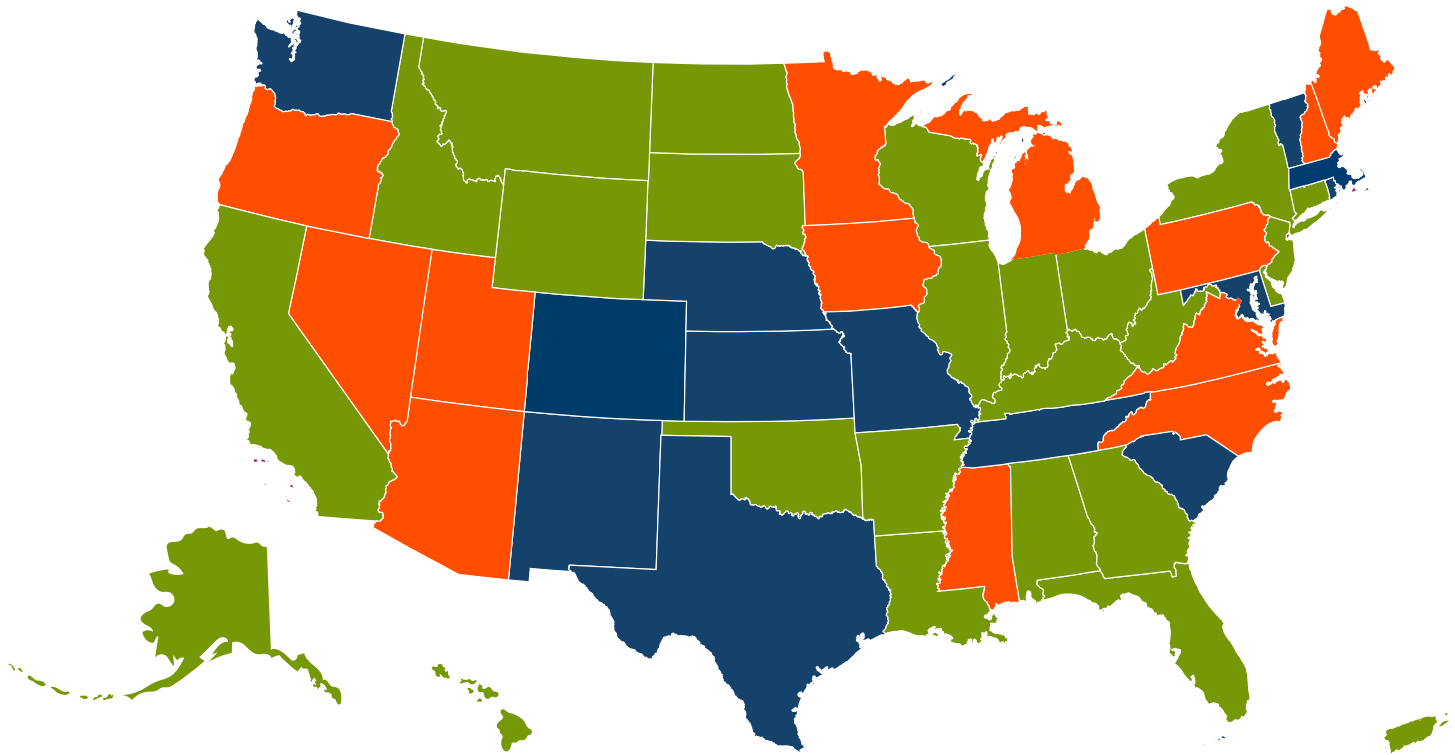
- › Can reduce the total cost of care
- › Leads to more predictable payment growth
- › Improves the quality of care at FQHCs
- › Allows FQHCs to explore new innovations and provider types

Types of APMs



State Medicaid Policies Reimbursement Methodologies

State Medicaid agencies, state legislatures, state budget officials, Primary Care Associations, Managed Care Organizations, and FQHCs work together to create an APM. Some states have moved entirely from PPS to APM, while other states have APM reimbursement for some FQHCs but not others.



- State uses PPS rate (25)
- State uses both PPS and APM rate (14)
- State uses APM rate (13)

CT	DC	DE
MA	MD	NH
NJ	RI	VT

RESOURCES

1. NACHC's [Medicaid FQHC PPS Manual](#)
2. NACHC's [Nuts and Bolts of Medicaid](#)
3. NACHC's Fact Sheet [Health Centers and Medicaid](#)

This project was supported by the Health Resources and Services Administration (HRSA) of the U.S. Department of Health and Human Services (HHS) under cooperative agreement number U30CS16089, Technical Assistance to Community and Migrant Health Centers and Homeless for \$6,375,000.00. This information or content and conclusions are those of the author and should not be construed as the official position or policy of, nor should any endorsements be inferred by HRSA, HHS or the U.S. Government.