

Federally Qualified Health Centers (FQHCs) currently serve over 25 million patients, including more than 12 million (over 1 in 6) people covered by Medicaid. In recognition of the critical role FQHCs play and the value they deliver for Medicaid patients and state programs, Congress, on a bipartisan basis, created a specific payment methodology for health centers, the FQHC Prospective Payment System (PPS). This payment system is central to the successful relationship between FQHCs and Medicaid, and to health centers' continued viability.

Health Centers (FQHCs) are a unique type of Medicaid provider.

- FQHCs offer a full range of primary and preventive services, as well as dental, behavioral and vision services.
- Many services offered by FQHCs are often **not covered by fee-for-service Medicaid**, such as case management, translation, transportation, and some dental and mental health services.
- Each FQHC must locate in an **underserved area and care for all**, regardless of income or insurance status.
- By law and mission, no FQHC can restrict how many Medicaid patients it treats if payment is too low.

Congress created FQHC PPS to ensure predictability and stability for health centers while protecting other federal investments.

- Beginning in 2001, PPS rates were **calculated for each FQHC**, derived from the historical costs of providing comprehensive care to Medicaid patients to ensure each rate is appropriate and accurate.
- FQHC PPS ensures health centers are **not forced to divert their Federal Section 330 grant funds**, which support operations and care to the uninsured, to subsidize low Medicaid payments.

FQHC PPS is a bundled payment that drives efficiency, not cost-based reimbursement.

- Rather than being paid fee-for-service, **FQHCs receive a single, bundled rate** for each qualifying patient visit. This single rate pays for all covered services and supplies provided during the visit.
- Updates to **PPS rates have not kept pace with inflation**, or with changes to the range of services FQHCs provide – indeed on average, **PPS covers 82% of FQHCs' costs** of caring for Medicaid patients.

FQHCs – and PPS – cost Medicaid little, and save much.

- FQHCs account for **less than 2% of total Medicaid spending**, yet provide care to 16% of Medicaid enrollees.
- FQHC patients have **24% lower total health care costs** than similar patients who do not go to an FQHC.

Current law offers states significant flexibility in how to pay FQHCs.

- Instead of PPS, states may implement an **Alternative Payment Methodology (APM)** to reimburse FQHCs, as long as each affected FQHC agrees and total reimbursement is not less than it would have been under PPS.
- **More than 20 states currently use an APM** to reimburse FQHC for services to Medicaid patients.
- States and MCOs can – and currently do -- incorporate FQHCs into **value-based payment arrangements**, including those involving financial risk related to quality, outcomes and cost.