Washington State Health Care Authority

VBP in federally qualified health centers (APM4)

Background

Federally qualified health centers (FQHCs) provide critical care to some of the highest-need patients in our health system, including 37% of Washington's Apple Health (Medicaid) patients each year. Since 2009, HCA, FQHCs, and the state Legislature have developed a series of alternative payment models (APMs) to allow these providers to participate in value-based payment (VBP) through Medicaid. The latest iteration (APM4) was implemented in July of 2017. APM4 is voluntary; clinics that chose not to participate remain in the previous payment arrangement, known as APM3, or in the prospective payment system (PPS). APM4 ended on December 31, 2022, and all APM4 clinics reverted back to APM3 in January of 2023.

What is an alternative payment model?

Traditional health care payment is called fee-for-service (FFS). In FFS, providers are paid for each patient they see and each service they provide. This means that providers receive the same pay whether the patient's health improves or not. FFS also incentivizes seeing a high volume of patients and providing more expensive specialty services.

Payment arrangements that are not FFS are called alternative payment models, or APMs. APMs vary widely, but most tie payment to cost or quality, incentivizing efficient, high-quality care.

What is APM4?

APM4 allows FQHCs and rural health clinics (RHCs) serving Medicaid Managed Care enrollees to earn rewards based on quality achievement. In APM3, clinics earned a payment each time a patient had an "encounter" with a medical provider. Under APM4, clinics are paid a flat rate each month for each member assigned to their care. APM4 clinics cannot be paid less than they would under APM3, but they can earn more based on performance on certain quality measures. Though no RHCs enrolled in the program, sixteen (16) FQHCs participated in APM4.

Results

HCA conducted an evaluation of cost and quality performance under APM4 from 2017–2020. **View the complete evaluation**. These are some of the key results of the evaluation:

- The goal of a sustainable, budget-neutral program was not achieved.
- From 2017–2020, Washington paid APM4 roughly $7.91 more per member per month (PMPM) than APM3 clinics, totaling $112.4 million beyond APM3 payments.
- Compared to nonparticipating FQHCs, patients assigned to APM4 FQHCs showed no statistical improvement on seven of nine quality measures in the original contract. There were statistically significant improvements in two diabetes outcomes measures (blood pressure and hemoglobin A1c control).
- APM4 participants and nonparticipants experienced similar decreases in the probability of an assigned member having an emergency department visit, a primary care visit, and in the total number of claims.

The future of APM4

APM4 ended on December 31, 2022, and all APM4 clinics reverted back to APM3 in January of 2023. HCA will work with the legislature, FQHCs, and other stakeholders as the next iteration of the program continues to evolve.