

AB 1549 Talking Points

- AB 1549 is authored by Assemblymember Wendy Carrillo and currently has no opposition.
- AB 1549 seeks to modernize California statute applicable to CHCs payment structure in order to align with state-led care transformation efforts as articulated in CalAIM.
- The statutory modernization will help CHCs provide better care for its patients by capturing expanded team members, highlighting the value of care coordination, and other efforts to improve patient care.
- Under federal law, FQHCs are subject to special cost-related payment structure known as Prospective Payment System (PPS). Under PPS, FQHCs are paid a predetermined rate that encompasses reimbursement for all services provided during a single visit. The state has flexibility in the scope of services considered in the PPS rate development calculation and must have a process to adjust PPS rates to reflect changes to the scope of services provided by the FQHCs.¹
- The proposed language attempts to address shortcomings in the existing reimbursement frameworks so CHCs receive true cost-based reimbursement for the services they provide.
- Specifically, the bill would do the following:
 - Eliminate the 20% haircut
 - Provided more specificity and clarity related to events that qualify for change in scope of service request (CSOSR), which is a health center's only means of updating their reimbursement rate to cost.
 - Make clear that statute is not an exclusive list, but provides a list of common examples of qualifying events. The state may issue regulatory guidance to further clarify the list of qualifying events.
 - Ensure changes in *intensity, duration, or amount* of services are given the same weight as change in the *type* of services modified
 - Establish CHCs are eligible for more than one rate adjustment for changes in technology

¹ To learn more about the PPS system, read this fact sheet from the California Health Care Foundation: [Medi-Cal Explained: How Health Centers are Paid](#) (May 2022).

- Recognizing value-based care by adding care coordination and similar strategies
 - Capturing compliance efforts with state law or regulation, or Medi-Cal managed care contracting changes that lead to increase or decrease in CHC costs
 - Making clear that PPS rates should be set at the “reasonable” cost of providing Medicaid covered services to beneficiaries to ensure state law is consistent with federal law
 - Update antiquated federal cost principles to use an up-to-date set of cost principles from the Office of Management and Budget the Uniform Guidance, to create more consistency for DHCS. The Uniform Guidance is routinely updated to provide more up-to-date guidance, whereas much of the Medicare policy manuals were originally promulgated in 1986 and are rarely updated to comport with practice change.
 - Clarification that any incentive payment is not to be offset in the wrap-around process
- Ultimately, AB 1549 modernizes PPS to align with state-led care transformation initiatives and ensures health centers can successfully meet rising operational costs, support a thriving workforce, and continue providing innovative, quality, patient-centered, equitable care to the 7.7 million members they serve.