Budget

PPS - CHCs urge the Legislature to reverse the elimination of PPS for state-only Medi-Cal populations — or at minimum delay implementation for one full fiscal year.

- We respectfully ask the Legislature and the Administration to take one of the following actions:
    - Preferred: Fully reverse the elimination of PPS reimbursement for state-only Medi-Cal populations, including individuals with Unsatisfactory Immigration Status.
    - Minimum: Delay implementation for one full fiscal year, to July 1, 2027 to allow the Legislature, Administration, and stakeholders to develop a comprehensive, sustainable alternative.
- While full-scope Medi-Cal for all income-eligible Californians should remain our shared goal, if this is not feasible under today's budget environment, California must develop a comprehensive, sustainable statewide alternative that:
    - Preserves full and fair reimbursement for safety-net providers.
    - Protects patient data privacy and trust.
    - Maintains access to a standardized set of essential health benefits.
    - Allows flexibility to return to full-scope Medi-Cal when fiscal conditions improve.
- Without urgent and decisive action from the Legislature and Administration, the policies included in H.R. 1 and current state budget decisions — including the elimination of PPS for UIS communities — will rapidly destabilize California's safety net and trigger widespread loss of access to care for low-income and historically underserved communities.
- The elimination of PPS for state-only Medi-Cal populations, including individuals with Unsatisfactory Immigration Status (UIS), represents an estimated $1 billion annual cut to community health center funding beginning July 1, 2026.
- For clinics already operating on narrow margins, this is not a manageable reduction at the margin.
- California's CHCs are projected to lose at least $1.6 billion in FY 2026–27 alone, with losses growing exponentially in subsequent years.
- Patient Privacy and Immigration Enforcement Implementing differential billing for UIS patients would result in health centers identifying and retaining patients' unsatisfactory immigration status in their billing systems.

What Is PPS, and Why Does It Matter?

- The Medi-Cal Prospective Payment System is not a supplemental benefit or discretionary add-on. It is a federally mandated, cost-based reimbursement structure designed to prevent state Medicaid programs from underpaying safety-net providers.
- PPS sustains the comprehensive, team-based care model community health centers deliver, including primary care, dental, behavioral health, and enabling services, for populations with the greatest health needs and the fewest alternatives.

- California's nearly 2,300 CHC clinic sites serve 6.2 million Californians annually, representing nearly one-third of all Medi-Cal patients, and are often the sole providers of care in rural and underserved communities.
- CHCs are federally required and mission driven to serve all patients regardless of immigration status or ability to pay. When the state eliminates PPS for UIS patients, it does not relieve health centers of their obligation to provide care; it simply stops reimbursing them fairly for doing so.
- On average, less than 20% of reimbursement for a UIS patient visit comes from the managed care organization, and 80% comes from PPS. Eliminating PPS effectively means health centers would receive only 20 cents on the dollar for each UIS visit, for patients they remain contractually obligated to serve.

Gender-Affirming Care (GAC) – Support the $26M budget ask to secure state funding to protect gender-affirming care (GAC) services for individuals under the age of 19 and those who have lost access to healthcare coverage due to federal policy changes.

Funding will:

1. Create a state-only billing pathway under Medi-Cal for youth GAC services ($1M); and
2. Bolster the capacity of providers to scale up services for patients who have lost access to care due to hospital youth GAC clinic closures ($25M)

Health Enrollment Navigator Funding – Dedicate $8M in one-time state funding to expand a pool of public/private funding to restore funding for the Health Enrollment Navigators Project to support Medi-Cal outreach, enrollment, and renewal efforts given new and significant changes to the Medi-Cal Program.

- DHCS has the authority to collect up to $2M in private/foundation funding ($4M with federal match).
    - Currently $500K has been dedicated by the Centene Foundation ($1M with federal match).
- No state funding is currently dedicated to Health Enrollment Navigators in the upcoming fiscal year, despite current and implementing policy changes that will create new barriers to maintaining Medi-Cal enrollment.

Member Budget Prompts

- Discuss how using separate codes for specific populations (UIS or GAC) will put CHCs in harm's way with their Federal Funding (i.e. PRWORA).
- Discuss how your CHC is already seeing UIS patients not showing up for appointments.
- Discuss how this will add onto all the HR1 ramifications.
- How do you currently use health navigators and why they are so critical to your patients, especially as they are now required to do redetermination 2x a year. How CHCs help alleviate the burden for county and state staff.

Priority Legislation

We strongly support these bills.

AB 2386 (Alvarez): California Physician Expansion Act / Co-SPONSOR

- AB 2386 builds on the lessons of the Mexican Pilot Program by establishing a provisional license for international physicians.
    - Through this initiative, 30 licensed physicians from Mexico provided care in underserved community health centers in California.
    - Although the program demonstrated success, its three-year temporary license limit and restrictions on the number and specialty of participating physicians limited its lasting impact, leaving the broader physician shortage unaddressed.
- International physicians will still undergo California's rigorous application process, but with flexible requirements that recognize their training and experience abroad.
- After a successful provisional period, these physicians will be eligible for permanent licensure.

SD 1179 (Menjivar): Salvadorean Physicians Program/ Co-SPONSOR

- SB 1179 will replicate the existing proven framework for the Mexico Physicians Program and extend it to doctors from El Salvador to provide care in Federally Qualified Health Centers and any corresponding hospitals serving underserved communities for a maximum period of 3 years.
- The bill allows up to 60 physicians to participate in the first cohort of the program with the program expanding in future years
    - The physicians must be licensed, certified, or recertified and in good standing in the applicable medical specialty in El Salvador and meet the same requirements that were applied under the Mexico Physicians Program.
    - The physicians would be required to undergo the same orientation structure that includes medical protocols, Community Clinic history and operations, Medical Administration, Medical ethics, and California Medical delivery systems.
    - The participating locations would be required to work with a California Medical school or residency program to conduct secondary reviews and ensure compliance with the program and Medical Quality Assurance protocols.

AB 1768 (Bryan): LA County Tax Cap Exemption / SPONSOR

- The bill would authorize LA and Contra Costa Counties to increase its transactions and use tax at a rate of no more than 0.5 percent.
- For LA County, this bill would allow the ballot initiative, if passed in June, to be operationalized.
- The tax increase would have a five-year sunset.

Protect Patient Care - Ballot Initiative

- A dangerous statewide ballot measure threatens care for millions of patients who rely on community health centers and clinics for their health care.
- The measure diverts billions of dollars from patient care and could result in clinic closures and deep cuts to essential services millions of patients rely on.
- Research from health care economists at the Berkeley Research Group (BRG) found this proposition would divert **$1.7 billion** from community health centers and clinics at a time when clinics are already facing financial challenges and federal and state funding cuts.
- This proposition would **divert billions of dollars** away from patient care into a new state bureaucracy, forcing health centers to **reduce patient services and even close**, resulting in a devastating loss of care for millions, including seniors, veterans, and working families.
- It also **excludes funding for critical services** that support patients such as nurse and physician managers, translation services, health care coverage enrollment navigators, patient transportation, and community outreach and education.
- This ballot proposition is a **shameful power play by politically powerful union executives** who are weaponizing the ballot proposition process to force their demands.
- **Patients should never be used as pawns.** Pushing a dangerous ballot proposition that will shut down community health centers and harm millions of patients is wrong.
- Community health centers and clinics are **not-for-profit organizations**—focusing resources on patient care and community benefits, not profits or shareholders.
- Community health centers and clinics provide compensation for management and executives the same way they set compensation for nurses, caregivers and all employees—they pay competitive wages and benefits that allow them to recruit and retain the most qualified caregivers and leaders.

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