

Protect the Safety Net:
Preserving PPS to Keep Clinics Open
and Care Accessible



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OVERVIEW

California's community health centers (CHCs) are the backbone of the state's primary care safety net, operating nearly 2,300 clinic sites and serving 6.2 million Californians each year — including nearly one-third of all Medi-Cal patients. CHCs provide comprehensive primary, dental, and behavioral health services and are often the sole providers of care in rural and underserved communities.

Nearly 40% of CHC patients have limited English proficiency, underscoring the culturally and linguistically concordant care health centers deliver statewide. CHCs are federally required and mission-driven to serve all patients regardless of insurance status or ability to pay — making stable, cost-based reimbursement essential to sustaining access to care.

PROSPECTIVE PAYMENT SYSTEM (PPS) AND THE MEDI-CAL SAFETY NET

The Medi-Cal Prospective Payment System (PPS) is a cost-based reimbursement structure that ensures community health centers can provide comprehensive, team-based care to high-need populations. PPS supports:

- Primary, dental, behavioral health, and enabling services (supports that remove barriers and help people access care)
- Care for medically complex and underserved patients
- Financial stability for clinics operating on narrow margins

PPS is not a supplemental benefit — it is a federally mandated, cost-based financing system designed to prevent state Medicaid programs from underpaying safety-net providers and to ensure the financial and operational sustainability of community health centers. Eliminating PPS for any population undermines this federal framework by shifting financial risk onto providers that are legally and operationally required to serve all patients.

THE PROBLEM

Recent state budget actions would eliminate PPS reimbursement for state-only Medi-Cal populations, including individuals with Unsatisfactory Immigration Status (UIS), resulting in an estimated \$1 billion annual cut to community health center funding beginning July 2026. This policy threatens both patient access and the financial viability of clinics.

As Medi-Cal enrollment declines due to federal work requirements, more frequent redeterminations, and state coverage restrictions, uncompensated care costs will be shifted directly onto CHCs — who cannot segment care by immigration status without reducing services for all patients.

Additionally, eliminating PPS for UIS populations would require clinics to collect and retain immigration status information through their billing systems, exposing providers to heightened legal and operational risk amid evolving federal enforcement actions, and attempts to restrict access to care for UIS communities through federally funded programs. This policy further exposes patients to serious data privacy risks, as CMS continues to pursue Medicaid data sharing with the Department of Homeland Security and Immigration and Customs Enforcement (ICE).

When combined with other federal and state coverage losses, CHCs are projected to lose **at least \$1.6 billion in FY 2026–27 alone**, forcing reductions in staffing, services, hours, and potentially clinic closures. This policy destabilizes the entire safety net — not just care for immigrant communities.

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BUDGET REQUEST

CPCA Advocates urges the Legislature to **reverse the elimination of PPS for state-only Medi-Cal populations** — or at minimum delay implementation for one full fiscal year. The Legislature, following the May Revision, proposed delaying this budget decision until July 1, 2027. We urge a reconsideration of that decision while more comprehensive discussions continue on revenue generation or viable alternatives that keep the promise of access to care for all. 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.

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FOR MORE INFORMATION

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