

**Department of Health Care Services
Proposed Trailer Bill Language**

Eliminate Prospective Payment System Reimbursement for State-Only Services

FACT SHEET

Issue Title: Eliminate Prospective Payment System Reimbursement for State-Only Services. The Department of Health Care Services (DHCS) proposes to eliminate reimbursement at Prospective Payment System (PPS) per-visit rates for state-only services provided by Federally Qualified Health Centers (FQHCs) and Rural Health Clinics (RHCs), effective no sooner than January 1, 2026.

Background: Existing law requires DHCS to reimburse FQHC and RHC services, at PPS per-visit rates, conditioned upon the availability of federal financial participation (Welfare & Institutions (W&I) Code section 14132.100). PPS per-visit rates for FQHC and RHC services are typically higher than Medi-Cal Fee Schedule rates for equivalent services provided by non-FQHC and non-RHC providers.

For services provided by an FQHC or RHC pursuant to a subcontract with a Medi-Cal managed care plan (MCP), existing law requires MCPs to pay FQHCs and RHCs in a manner that is not less than the level and amount of payment that the MCP would make for the same scope of services if the services were furnished by a provider that is not an FQHC or RHC (W&I Code section 14087.325). Further, existing law requires DHCS administer a program providing per-visit supplemental reimbursement to FQHCs and RHCs for services provided pursuant to a subcontract with an MCP to ensure that total payments to FQHCs and RHCs comply with federal law (Title 42 of the United States Code sections 1396a(aa) and 1396b(m)(2)(A)(ix)).

Justification for Change: To address the state budget shortfall, DHCS proposes to change the definition of FQHC and RHC services eligible for PPS per-visit reimbursement to be limited to services that are eligible for federal financial participation, thereby eliminating PPS per-visit reimbursement for state-only-funded services, effective no sooner than January 1, 2026 (W&I Code section 14132.100). DHCS is also making a non-substantive technical cleanup in a provision related to marriage and family therapist visits to make terminology consistent with how a “visit” is currently defined this section of law (W&I Code section(g)(3)).

Following this change, FQHCs and RHCs would be eligible to receive reimbursement for Medi-Cal covered state-only services at the applicable Medi-Cal Fee Schedule rate in the Fee-For-Service delivery system and at the applicable negotiated rate between a Medi-Cal managed care plan (MCP) and the FQHC or RHC in the Managed Care delivery system. FQHCs and RHCs operating as subcontractors or providers of MCPs would no longer be able to seek supplemental reimbursement from DHCS for state-only services.

Summary of Arguments in Support:

- The proposal addresses the budget shortfall.

Estimate Issue # and Title: PC 226: Eliminate PPS for UIS Members