NOTICE OF GENERAL PUBLIC INTEREST

RELEASE DATE: 8/7/2026

FQHC/RHC OUTREACH & EDUCATION PPS REIMBURSEMENT GUIDANCE

This notice provides information of public interest about proposed guidance from the Department of Health Care Services (DHCS) regarding allowability of outreach and education costs in the Federally Qualified Health Centers (FQHC)/Rural Health Centers (RHC) Prospective Payment System (PPS) reimbursement rate, effective October 6, 2026.

Pursuant to Welfare & Institutions Code (WIC) section 14132.100(e)(3) and Title 42 of the United States Code, section 1396a, RHC and FQHC PPS rates are set using Medicare reasonable cost principles. Medicare reasonable cost principles are established in Part 413 (commencing with Section 413.1) of Title 42 of the Code of Federal Regulations and further guidance is provided in the Medicare Provider Reimbursement Manual.

DHCS is providing additional clarification regarding outreach and education activities that are reimbursable costs in the calculation of the Medi-Cal PPS rate. DHCS has included a non-exhaustive list of common reimbursable and non-reimbursable outreach and education activities under this framework. The draft guidance also addresses required documentation.

Stakeholder Review and Input

WIC section 14132.100, subdivision (r) authorizes DHCS, notwithstanding any other law, to implement, interpret, or make specific this section by means of a provider bulletin or similar instruction without taking regulatory action pursuant to Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.

DHCS is requesting input from interested parties and appropriate stakeholders regarding the proposed guidance. In accordance with WIC section 14132.100, subdivision (r), DHCS will:

1. Schedule at least one meeting with interested parties and appropriate stakeholders to discuss the proposed guidance.
2. Provide a draft of the proposed guidance at least 10 business days prior to the meeting described above.
3. Accept written input regarding the proposed guidance and provide summary written responses in conjunction with the issuance of the applicable final guidance.

The draft proposed guidance is attached to this Public Notice. This Public Notice, information regarding the interested parties and stakeholders meeting, and any further updates, will be published at the following website: FQHCs and RHCs.

DHCS is requesting feedback and input from interested parties and appropriate stakeholders regarding the proposed guidance. Please submit feedback and input to FQHCBenefitsandRates@dhcs.ca.gov by August 21, 2026 using the stakeholder feedback matrix posted on the FQHCs and RHCs website. Please indicate "FQHC/RHC Outreach & Education Policy" in the subject line. Please note that comments will continue to be accepted after this date, but DHCS may be unable to assure consideration prior to finalizing the proposed guidance.

DRAFT FQHC/RHC OUTREACH REIMBURSEMENT POLICY

Medi-Cal Reimbursement of FQHC/RHC Outreach & Education Activities

Pursuant to Welfare & Institutions Code section 14132.100(e)(3) and Title 42 of the United States Code, section 1396a, Federally Qualified Health Centers (FQHC) and Rural Health Centers (RHC) Prospective Payment System (PPS) rates are set using Medicare reasonable cost principles. Medicare reasonable cost principles are established in Part 413 (commencing with Section 413.1) of Title 42 of the Code of Federal Regulations and further guidance is provided in the *Medicare Provider Reimbursement Manual* (CMS Publication 15-1) which is hereby adopted to apply to the Medi-Cal program by reference.

The Medi-Cal PPS rate is generally calculated based on all-patient allowable costs divided by all-patient visits. Allowable costs are based on the reasonable cost of services that would be covered for a patient under the Medi-Cal FQHC/RHC benefit. Reasonable costs include all necessary and proper costs incurred in furnishing Medi-Cal covered services under the FQHC/RHC benefit.

Section 330 of the Public Health Service Act requires RHCs and FQHCs to conduct extended outreach and education to patients and the general population which are in some cases beyond the scope of the Medi-Cal FQHC/RHC benefit. Therefore, not all outreach and education activities performed by RHCs and FQHCs are allowable for the purposes of the Medi-Cal PPS reimbursement rate.

A non-exhaustive list of examples of reimbursable and non-reimbursable outreach and education activities include the following:

Examples of Medi-Cal Reimbursable Outreach & Education Activities

- Referral of individuals seeking care at the RHC or FQHC, who are not enrolled in health coverage, to third-party enrollment resources
- Distribution of health education materials
- Health education provided to RHC and FQHC patients as an "incident to" a visit
- Personalized outreach (for example, phone calls) related to accessing care
- Onsite education about Medi-Cal benefits and available RHC and FQHC services
- Basic informational advertising (services offered, hours, location)

Examples of Medi-Cal Non-Reimbursable Outreach & Education Activities

- Broad public outreach (health fairs, public events, mass advertising, social media)
- Group wellness activities (exercise, nutrition, cooking and other mass education classes)
- Outreach partnerships or subcontracting with community organizations
- Cash or cash-equivalent incentives
- Free or subsidized non-health related services
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- Payments for referrals or member recruitment
- Publicized enrollment incentives and promotional commercials
- Public relations activities
- Staff leisure or retreat activities
- Enrollment assistance or eligibility support performed by clinic or contracted staff
- Unlicensed medical screenings
- Political or religious activities

Documentation Requirements

Proper documentation is essential for demonstrating compliance with applicable state and federal requirements as well as ensuring alignment with Medi-Cal policy. RHCs and FQHCs must maintain clear and accurate documentation demonstrating that outreach activities are reimbursable under the Medi-Cal program, as described above.

All documentation must be complete, verifiable and available for review upon request by DHCS or during a state and/or federal audit. Failure to produce records may result in sanctions, audit adjustments, recovery of overpayments, or suspension of the provider in accordance with Title 22 California Code of Regulations section 51476, WIC sections 14123 and 14124.2, and the Medi-Cal Provider Agreement.

For clinic staff members who perform both reimbursable and non-reimbursable outreach and education activities, the allocation of staff time must be properly documented. Any time studies utilized must comply with the *Medicare Provider Reimbursement Manual* (CMS Publication 15-1, section 2313.2 (E)) and must be conducted during the fiscal year under audit.