



NOTICE OF GENERAL PUBLIC INTEREST

RELEASE DATE: May 8, 2026

Addendum to Changes to Reimbursement of State-Only Services in Federally Qualified Health Centers and Rural Health Centers

DHCS is issuing this addendum to the Public Notice dated April 24, 2026 to provide additional preliminary information regarding forthcoming guidance from the Department of Health Care Services (DHCS) regarding Federally Qualified Health Centers (FQHCs) and Rural Health Centers (RHCs) reimbursement for state-only services transitioning from the Prospective Payment System (PPS) to non-PPS methodologies, effective for dates of service on or after July 1, 2026. This addendum is intended to provide preliminary information, and additional more-detailed implementation guidance will be issued addressing operational, billing, and reimbursement requirements. Please refer the original public notice at the following link for additional information:

<https://www.dhcs.ca.gov/Documents/FQHC-PPS-for-State-Only-Public-Notice.pdf>

Background

Assembly Bill 116 (Chapter 21, Statutes of 2025) amended Welfare & Institutions Code (WIC) section 14132.100, subdivision (c), effective July 1, 2026, to specify that only services that are eligible for federal financial participation shall be reimbursed using the PPS methodology. The forthcoming guidance will effectuate the necessary changes to reimbursement methodologies, billing procedures, and other requirements to transition reimbursement for FQHC and RHC services that are ineligible for federal financial participation to non-PPS methodologies, effective for dates of service on or after July 1, 2026.

State-only services are services ineligible for federal financial participation under the federal Medicaid program, but are covered under California's Medi-Cal program, including services provided to members with federal Unsatisfactory Immigration Status (UIS) other than pregnancy and emergency-related services, as well as other Medi-Cal services.



This change will not apply to the following Indian Health Care Programs: Indian Health Services Memorandum of Agreement Clinics (IHS-MOA), Tribal FQHCs, and Urban Indian Organizations.

Phased Implementation

To implement billing and payment system changes, DHCS is considering operationalizing these changes in a phased approach. To the extent any system changes are operationalized after July 1, 2026, they will be applicable retroactively to dates of service on and after July 1, 2026. Furthermore, system changes may be operationalized on different dates for medical and dental services. FQHCs and RHCs should continue billing the DHCS Fiscal Intermediaries (FI) and Medi-Cal Managed Care Plans (MCPs) in accordance with current guidelines and requirements until further notice from DHCS. DHCS may implement changes in the following phased approach:

- **Phase 1: Managed Care Delivery System:** For state-only services provided to members in the managed care delivery system, MCPs will reimburse FQHCs and RHCs at the applicable rate negotiated between the FQHC and RHC and the MCP, subject to any state, federal, or contractual requirements. For dates of service on or after July 1, 2026, managed care visits for state-only services will be ineligible for PPS-differential “wrap” payments from DHCS and will be excluded from the annual PPS reconciliation. Note, DHCS will continue to reimburse differential “wrap” payments for federally-eligible pregnancy and emergency-related services identified through complete and appropriate service-level coding including procedure codes, diagnosis codes, and emergency indicator on the claim consistent with the Medi-Cal Provider Manual. DHCS may first sequence system changes that would deny PPS-differential “wrap” payments paid by DHCS’s FI for state-only services billed for MCP members. To the extent that these system changes are operationalized after July 1, 2026, DHCS will void and recoup PPS-differential “wrap” payments made for state-only services with dates of service on or after to July 1, 2026.
- **Phase 2: Fee-For-Service (FFS) Delivery System:** DHCS may next sequence system changes to reimburse state-only services provided to members in FFS at the FFS rate otherwise applicable to community clinic providers or dental providers effective for dates of service on or after July 1, 2026. Accurate reimbursement will depend on complete and appropriate service-level coding including procedure codes, diagnosis codes, and emergency indicator on the claim consistent with the Medi-Cal Provider Manual. To the extent that these

system changes are operationalized on or after July 1, 2026, DHCS will void PPS payments made for state-only services with dates of service on or after to July 1, 2026, and will reprocess or allow these claims to be rebilled at the applicable FFS rate through the DHCS Medi-Cal FFS FI or Dental FI, as applicable. DHCS will provide further guidance regarding procedures for reprocessing or rebilling claims, including applicable timelines and requirements.

Complete Claim Information

To ensure accurate payment, FQHCs and RHCs must include complete and appropriate service-level coding including procedure codes, diagnosis codes, and emergency indicator on all claims in accordance with the Medi-Cal Provider Manual. Incomplete or non-specific coding may result in reduced or disallowed payment.

- **Identifying Federally Eligible Services Reimbursable at PPS Rate:** DHCS may utilize procedure codes, diagnosis codes, and/or emergency indicators reported on the claim to identify emergency and pregnancy related services for members with federal UIS that continue to be eligible for PPS reimbursement.
- **Reprocessing or Rebiling Claims for Members in FFS:** DHCS may utilize procedure codes, and diagnosis codes, and/or emergency indicators to reprocess or rebill claims applicable for members in FFS at the correct FFS rate otherwise applicable to community clinic providers or dental providers for those services.
- **Accurate Payments from MCPs:** Pursuant to Welfare and Institutions Code (WIC) section 14087.325(d), MCPs must reimburse contracted FQHCs and RHCs in a manner that is no 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 another non-FQHC or RHC provider. Because state-only services will not be eligible for PPS-differential “wrap” payments from DHCS, FQHCs and RHCs are encouraged to proactively work with contracted MCPs to ensure accurate billing and compliance with payment requirements.

Stakeholder Review and Input

DHCS is sharing this additional preliminary information to help FQHCs and RHCs prepare for the transition of state-only service billing to non-PPS methodologies. Final guidance is subject to change based on further technical requirements and the stakeholder review process described below.

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 changes. 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 will be published at the following webpage as an addendum to this public notice: [FQHCs and RHCs](#).

Please email FQHCBenefitsandRates@dhcs.ca.gov with your name and organizational affiliation (if any) if you would like to be notified of the draft guidance once it is available, and to be invited to participate in the interested parties and stakeholders meeting once it is scheduled. Please indicate "FQHC/RHC State-Only Services" in the subject line or message.

To be assured receipt of the draft proposed guidance and invitation to the interested parties and stakeholder meeting, the request must be received no later than May 14, 2026. Please note that requests will continue to be accepted after May 14, 2026, but DHCS may be unable to assure consideration prior to distributing the draft proposed guidance and convening the interested parties and stakeholder meeting.