Protect Access to Health Care Act Stakeholder Advisory Committee Comments

Amy Moy, Vice Chair

January 28, 2026

As a member of the Protect Access to Health Care Act Stakeholder Advisory Committee (PAHCA-SAC) and recently elected PAHC-SAC Vice Chair, I applaud the Department of Healthcare Services (DHCS) for navigating a challenging and widely shifting landscape and am pleased to submit the following comments for consideration.

Support for seeking an extension on the MCO tax through the existing approval period of December 31, 2026:

I support the Department's efforts to seek an extension on the MCO tax through December 31, 2026. Any reduction in that time would result in harm to Medi-Cal patients and providers who are relying on the financial resources from the MCO tax according to the proposed spending plan. Upon release of a pending final rule from the Centers for Medicare and Medicaid Services (CMS) outlining federal guidance on provider taxes, released, DHCS must be prepared to expeditiously submit their proposal and convene the PAHCA-SAC and consult with the Proposition 35 coalition to advise on any details that require modifications to the proposed 2026 spending plan.

Support for prioritizing $90 million in reproductive health funding:

I strongly support DHCS' proposed plan to prioritize distributing the $90 million allocated to the reproductive health domain that is available through the end of the fiscal year. I also support leveraging the funding to address threats to reproductive health access and providers posed by the enactment of HR 1. In addition, I look forward to collaborating with DHCS and coalition partners to identify other appropriate uses for reproductive health funding in future years in alignment with the most pressing needs and funding available.

Recommendation that DHCS commit a portion of the MCO tax revenue earned between January 1, 2026, and June 30, 2026, to the CCDP program:

Community health centers play an essential role in providing primary care services to Medi-Cal beneficiaries. Federally Qualified Health Centers (FQHCs), FQHC Look-Alikes, and Rural Health Centers accounted for 43.7% of all Medi-Cal primary care visits in 2019 and have consistently delivered a disproportionate share of these visits year over year. I urge DHCS to dedicate a portion of 2026 spending plan to Services and Supports for Primary Care by allocating $25 million—equivalent to half of a year allocation—to the CCDP program considering the likelihood of federal approval.

UNIVERSITY OF CALIFORNIA HEALTH

University of California Health
1111 Franklin Street
Oakland, CA 94607

universityofcalifornia.health

January 28, 2026

Michelle Baass
Director, California Department of Health Care Services
Via email: DHCSPAHCA@dhcs.ca.gov

SUBJECT: Proposition 35 GME Funds in 2025 and 2026

Dear Director Baass,

On behalf of the University of California Health (UC Health) and as a member of the Protect Access to Health Care Act Stakeholder Advisory Committee, I am writing to provide input concerning proposed investments for 2025 and 2026 presented to the Committee on January 14, 2026.

UC Health's mission is to improve the health of all people living in California now and in the future by educating and training the inclusive workforce of tomorrow; delivering exceptional and equitable care; and discovering life-changing treatments and cures. All of UC's hospitals are ranked among the best in California and its medical schools and health professional schools are nationally ranked in their respective areas.

2025 GME Funds

UC Health would like to express appreciation for the $75 million of graduate medical education (GME) funding provided to UC in 2025. These funds are supporting 200 medical resident and fellowship positions in 162 different GME programs across the state, as well as direct technical assistance to GME-naïve health systems. In early December 2025, funding was awarded via CalMedForce+ to 162 GME programs, expanding both residency and fellowship positions across the state. More than $460 million in applications to CalMedForce and CalMedForce+ were submitted in the 2025 cycle, highlighting a significant shortfall in GME funding relative to demand.

In addition, seven programs were each awarded $500,000 via the new California Fund for Advancing Physician Education and Workforce Growth (also known as The Grow Grants program), which aim to transform how California recruits, trains, and retains its physician workforce. These programs will create new training pathways and curricula that prepare clinicians to serve Medi-Cal patients, rural and agricultural communities, justice-impacted youth, and older adults—addressing shortages in primary care, behavioral health, and other high-need specialties. In addition to addressing the immediate medical needs of Californians, these programs may also lead to the expansion of successful models that increase access to health care and improve the health of all Californians. The Grow Grants received more than 100 highly competitive applications, again illustrating the considerable unmet need for GME funding.

2026 GME Funds

We would also like to express support for the administration's proposal to provide an additional $75 million for GME in 2026. The continuing investment in GME will be essential to ensuring Californians get the care they need by growing the state's physician workforce in high-need areas and specialties—making care more accessible for patients with Medi-Cal coverage and those without insurance. UC looks forward to overseeing the distribution of these grants for the 2026 cycle, which we plan to launch in July 2026.

UC appreciates the opportunity to steward these resources to further our shared goal of expanding California's physician workforce and meeting the needs of medically underserved populations. Thank you for your continued partnership in this effort.

Sincerely,

Original Signed by

Tam M. Ma
Associate Vice President
Health Policy and Regulatory Affairs
UC Health
University of California Office of the President

UNIVERSITY OF CALIFORNIA HEALTH

University of California Health
1111 Franklin Street
Oakland, CA 94607

universityofcalifornia.health

January 28, 2026

Michelle Baass
Director, California Department of Health Care Services
Via email: DHCSPAHCA@dhcs.ca.gov

SUBJECT: Proposition 35 Hospital Investments in 2025 and 2026

Dear Director Baass,

On behalf of the University of California Health (UC Health) and as a member of the Protect Access to Health Care Act Stakeholder Advisory Committee, I am writing to provide input concerning proposed investments for 2025 and 2026 presented to the Committee on January 14, 2026.

UC Health and its six academic health centers and 21 health professional schools are part of California's public health care system that form the core of the state's health care safety net. UC Health is deeply committed to providing health care to the Medicaid population as the state's second largest provider of Medicaid inpatient services, despite having only 7 percent of the hospital beds in California.

Designated Public Hospitals

UC Health would like to express appreciation for the inclusion of $150 million in funding to designated public hospitals in 2025. Safety-net hospitals play a critical role in caring for Medi-Cal patients. This funding comes at an especially important time, as public hospital systems are facing severe financing challenges from H.R. 1 and Medi-Cal cuts included in the 2025 Budget Act. In light of these dire circumstances, UC Health urges the Administration to prioritize additional funding for designated public hospitals in 2026 under the alternative approach outlined in the last section of this letter.

Emergency Department Facilities and Physicians

UC Health would also like to express appreciation for the payment increases for emergency department physician services submitted to

CMS in September 2025. This investment is vital to preserving access to emergency care for Medi-Cal enrollees. The 2025 allocation presents opportunities to mitigate some of the damaging impacts of H.R. 1 on hospitals, and we encourage DHCS to work closely with representatives of the private, public, and district hospitals in implementing this allocation. Regarding emergency department funding in 2026, similar to the 2026 public hospital grants, we urge DHCS to consider an alternative approach detailed in the last section of this letter.

Behavioral Health Throughputs

The administration seeks committee feedback on $100 million in unallocated 2025 behavioral health throughput funding. California's shortage of behavioral health facilities has put significant strain on emergency departments statewide. While recent state investments will help grow acute psychiatric bed capacity, ongoing investments in rates are a necessary, but thus far absent, counterpart to these facility expansions. For many hospitals, these challenges will only grow with new staffing ratio requirements being contemplated by the California Department of Public Health. For these reasons, we urge the administration to direct throughput funding to improving rates for psychiatric services delivered in hospitals.

2026 Spending Plan

Recent Centers for Medicare and Medicaid Services (CMS) guidance communicated plans for a one-year transition period for MCO taxes rather than the maximum three-year period allowed by H.R. 1. Under this guidance, the state could keep the current MCO tax in place through June 30, 2026. Assuming only a half year of revenue, the administration's 2026 proposal prioritizes state General Fund benefit over additional funding for hospitals and other providers. We continue to urge DHCS to distribute permissible tax revenues proportionally across all allocations, including provider rate increases and designated public hospitals, rather than concentrating resources disproportionately on benefitting the state budget. Accordingly, we respectfully request DHCS to provide an explanation of the legal and policy rationale supporting the revised spending plan's alignment with Proposition 35 at the next Committee meeting.

I understand that organizations representing hospitals will be submitting similar input concerning the allocation of these funds, and I urge DHCS to expend Proposition 35 funds in alignment with our collective suggested approach. Thank you for considering our input and request.

Original Signed by

Tam M. Ma
Associate Vice President
Health Policy and Regulatory Affairs
UC Health
University of California Office of the President

January 27, 2026

Michelle Baass, Director
California Department of Health Care Services
1501 Capitol Avenue
Sacramento, CA 95814

Sent via email to: DHCSPAHCA@dhcs.ca.gov

Re: Comments on Proposed 2026 Protect Access to Health Care Act (PAHCA) Spending Plan Proposal

Dear Director Baass,

As the clinic representative on the Protect Access to Health Care Act (PAHCA) Stakeholder Advisory Committee (SAC), I am honored to represent nearly 2,300 community health center (CHC) sites that provide high-quality, comprehensive care to more than 6.2 million unique California patients annually. I am writing in response to the January 14, 2026, PAHCA SAC meeting in which the Department of Health Care Services (DHCS or Department) outlined the status of the potential transition period for California's Managed Care Organization (MCO) tax and the proposed spending plan in the event California is or is not granted a transition to December 31, 2026. I offer the following feedback to the Department with supporting details:

1. **I support DHCS seeking an extension on the MCO tax through the existing approval period of December 31, 2026.**
2. **I urge DHCS to reconsider their prioritization of the proposed 2026 spending plan (absent transition period) to proportionally allocate the Services and Support for Primary Care funds to the Community Clinic Directed Payment (CCDP) program.**
3. **I recommend that DHCS commit a portion of the MCO tax revenue earned between January 1, 2026, and June 30, 2026, to the CCDP program.**
4. **I support DHCS prioritizing the investment of $90 million for Reproductive Health in the proposed 2026 spending plan.**
5. **I support DHCS bringing the MCO tax into compliance with new guidelines and urge the Department to collaborate with the Proposition 35 sponsors on determining the structure in a way that maximizes the amount of revenue collected.**

1. I support DHCS seeking an extension on the MCO tax through the existing approval period of December 31, 2026.

The current MCO tax waiver was approved through December 31, 2026, and any reduction in that time harms healthcare providers and their patients. Providers are relying on the financial resources from the MCO tax according to the proposed spending plan. I understand DHCS has been instructed by the Centers for Medicare and Medicaid Services (CMS) to wait for the final rule outlining federal guidance on

provider taxes. When released, DHCS must be prepared to expeditiously submit their proposal and convene the PAHCA SAC to advise on any details that require modifications to the proposed 2026 spending plan. If there is an opportunity to extend the transition period beyond the current approved waiver period, I urge DHCS to proactively seek this opportunity.

2. **I urge DHCS to reconsider their prioritization of the proposed 2026 spending plan (absent transition period) to proportionally allocate the Services and Support for Primary Care funds to the Community Clinic Directed Payment (CCDP) program.**

As the clinic representative, I appreciate DHCS' investment in primary care by augmenting the CCDP program with $50M from the MCO tax in calendar year 2025. I am also pleased to see the 2026 spending plan (with a transition period) proposal includes a $50M allocation to the CCDP program from the Services and Support for Primary Care bucket. These resources are critical at a time when CHCs are bearing the brunt of federal and state policies that will shrink Medi-Cal enrollment, limit access to healthcare, and significantly reduce reimbursement for CHCs, along with other potentially existential circumstances.

I understand DHCS is in a difficult position trying to plan for MCO tax spend down without full confidence in the amount of available revenue, depending on CMS granting a transition period. That said, I am disappointed and concerned DHCS did not include the Services and Support to Primary Care within the listed priorities should the Department not receive a transition period. Proposition 35 specifies the allocations for calendar year 2025 and 2026, including $50M allocated to Services and Supports for Primary Care. Any other allocation is counter to the language of the law that passed with overwhelming support from voters.

Proposition 35 was designed to strengthen the Medi-Cal delivery system by establishing a dedicated funding stream to increase reimbursement rates and other supports for providers treating Medi-Cal patients. Given the Department's previous policy decision to exclude health centers from receiving investments in the targeted rate increases, CHCs are notably absent in the prioritized spending plan for 2026 without the transition period.

This is especially alarming given that CHCs are the backbone of the primary care network for Medi-Cal members. It is imperative that the MCO tax revenues in 2026 are distributed in a way that aligns with the Medi-Cal delivery system's footprint and the State's goals of increasing primary care spend. CHCs provide care for 1 in 4 Medi-Cal patients and therefore are a critical component of California's Medi-Cal healthcare delivery system. Moreover, Federally Qualified Health Centers (FQHCs), FQHC Look-Alikes, and Rural Health Centers (RHCs) delivered 43.7% of all Medi-Cal primary care visits in 2019, and that year after year, clinics continue to provide a higher proportion of all Medi-Cal primary care visits.[1] Given the State's goal of increasing investments in primary care, MCO tax revenue must prioritize health centers, otherwise the State will not meet their goals of promoting access to care and health equity, improving patient outcomes and experience, increasing the supply of primary care providers, and reducing health care spending.

3. **I recommend that DHCS commit a portion of the MCO tax revenue earned between January 1, 2026, and June 30, 2026, to the CCDP program.**

[1] H. DuPlessis and M. Goddeeris, What Portion of Medi-Cal Primary Care Visits Are Provided by Health Centers? (May 17, 2022) California Health Care Foundation, available at https://www.chcf.org/publication/portion-medi-cal-primary-care-visits-provided-health-centers/#related-links-and-downloads.

If tax revenue in Q1 and Q2 2025 are any indicator of potential 2026 revenue, DHCS can expect approximately $2.6B in revenue. At the January 2026 PAHCA SAC meeting, DHCS outlined a spending plan (absent transition period) that allocated only $2.539B (acknowledging DHCS did not include estimates for the managed care capitation base rate increases). There is a potential $61M unallocated. I urge DHCS to prioritize a proportion of this revenue to the Services and Supports for Primary Care by allocating $25M, or half a full allocation, to the CCDP program.

DHCS representatives noted their proposed spending plan prioritizes programs that can be expeditiously implemented and that are not dependent on new federal approval. I do not agree with this approach. DHCS should use PAHCA funding to prioritize areas of the Medi-Cal funding that have the most impact in areas that are most affected by revenue fluctuations and reductions. Additionally, DHCS can maximize the MCO tax revenue by matching it with federal dollars.

While CCDP does require federal approval for each year of funding, updating the total expense amount is straightforward and federal approval is likely. If they start now, DHCS staff could update the 2026 CCDP state directed payment pre-print amount to include Services and Support for Primary Care allocations and submit an updated pre-print for deliberations with CMS. CMS is familiar with the CCDP framework, given their deliberations with DHCS about the program structure over the last year. The state has every reason to expect that approval will be granted.

Of course, I am hopeful that the state does receive the transition period and is able to move forward with full investment of $50M in the CCDP program, as outlined in the alternative spending plan proposal.

4. **I support DHCS prioritizing the investment of $90 million for Reproductive Health in the proposed 2026 spending plan.**

As the Chief Medical and Transformation Officer at Planned Parenthood of the Pacific Southwest (PPPSW), I have seen firsthand the challenges providers of reproductive health care must navigate in the face of ongoing federal attacks in order to continue providing comprehensive, timely, high-quality care to their patients. I appreciate DHCS's allocation of $90 million to protect and expand reproductive health care impacted by H.R. 1 in 2025 and support the proposal to prioritize investing $90 million for reproductive health care in 2026. These investments in California's abortion and family planning provider network are more critical than ever to ensure Californians can continue to access this vital care.

5. **I support DHCS bringing the MCO tax into compliance with new guidelines and urge the Department to collaborate with the Proposition 35 sponsors on determining the structure in a way that maximizes the amount of revenue collected.**

It is anticipated that the final rule will include details on how to bring California's MCO tax into compliance with updated laws and regulations. It will take time for California to work with CMS to get approval for a new tax structure under the new requirements in H.R. 1 and implementation of regulations for a revised version of our current tax. I encourage the Department and the Administration to begin planning for these conversations and outlining a series of options.

The PAHCA SAC is one of the appropriate bodies to vet the revised structure. In addition, I respectfully ask DHCS and the Administration to collaboratively work with the coalition of stakeholders who sponsored Proposition 35 to compliantly restructure the state's MCO tax in a way that maximizes the amount of revenue collected. As you know, this coalition sponsored a voter-approved initiative that passed the November 2024 ballot with 67.9% voter support. The State has a mandate that MCO tax revenues need to be clearly and definitively directed back into patient care under California's Medicaid program in a way that is transparent, additive, and promotes better health outcomes.

Thank you for considering my comments to ensure the additional investments in Medi-Cal provided for in Prop. 35 includes CHCs so that the investments have a consequential impact on the capacity and outcomes of the Medi-Cal system. I look forward to my tenure on the PAHCA SAC and working with your staff and other stakeholders to ensure we achieve our collective goal of advancing access, quality, and equity for Medi-Cal patients.

Respectfully,

Original Signed by

Antoinette Marengo, MD, FACOG
Chief Medical and Transformation Officer
Planned Parenthood of the Pacific Southwest