

Financial Impact of Recent and Proposed Policy Changes on California’s Community Health Centers

Recent federal and state policy changes are expected to reduce full-scope Medi-Cal enrollment in California. In a new report, [Assessing the Financial Impact of Recent and Proposed Policy Changes on California’s Community Health Centers](#), Chapman Consulting (Chapman) estimates the financial impact of those coverage losses on Federally Qualified Health Centers (FQHCs) and FQHC look-alikes (LALs). The report also separately estimates the effect of the proposed elimination of Prospective Payment System (PPS) reimbursement for state-only Medi-Cal populations (i.e., immigrants with unsatisfactory immigration status, or UIS). FQHCs and LALs are a critical part of California’s safety net, serving 28% of Medi-Cal enrollees (4.1 million) in 2024.ⁱ Statewide, Medi-Cal accounts for 70% of primary care clinic net revenue, totaling \$4.9 billion in 2023.ⁱⁱ

Financial Impact of Projected Medi-Cal Coverage Losses on FQHCs/LALs

Chapman estimates the impact of Medi-Cal coverage losses on clinic revenue by multiplying the share of enrollees projected to lose Medi-Cal coverage and who are likely served by FQHCs/LALs (28%) by average annual revenue collected per Medi-Cal patient, using federally reported data.

Financial Impact of Medi-Cal Coverage Losses on FQHC and LAL Revenue

Californians projected to lose full-scope Medi-Cal*	Share receiving care from FQHCs/LALs (28%)	Average annual revenue collected per Medi-Cal patient ⁱⁱⁱ	Estimated financial impact
2,270,000 ^{iv} (low)	635,600	\$1,718	\$1,092,000,000 (low)
2,980,000 by 2028 ^v (high)	834,400	\$1,718	\$1,433,500,000 (high)

**Low estimate based on selected DHCS policy estimates; high estimate based on UC Berkeley Labor Center/UCLA’s 2028 statewide scenario.*

Key Finding

Medi-Cal coverage losses could reduce FQHC/LAL revenue by an estimated **\$1.1 billion to \$1.4 billion** in the coming years.

Financial Impact of Proposed Elimination of PPS

California is also considering eliminating PPS for state-only Medi-Cal populations. Under current policy, FQHCs receive their managed care contracted rate plus a state wrap payment that brings reimbursement up to the PPS level. If PPS is eliminated for state-only populations, clinics would retain only the underlying contracted payment amount. Using federally reported 2024 data,^{vi} Chapman finds that 84% of clinics’ managed care member-months are in capitated arrangements, with a median capitation rate of \$15.91 per member per month (PMPM), or \$190.92 per member per year (PMPY). To illustrate the elimination of PPS at the patient level, Chapman compares average annual revenue collected per Medi-Cal patient today to managed care capitation rates (in the absence of wrap payments).

Estimated Per Patient Impact of Eliminating PPS

Current system	If PPS is eliminated	Impact on FQHCs and LALs
\$1,718	\$191	(\$1,527)
Average annual collection per Medi-Cal patient (MCP rates + DHCS wrap payments)	Median annual MCP capitation payment (no DHCS wrap payments)	89% decrease in annual revenue per Medi-Cal patient

Key Finding

If PPS were eliminated for state-only Medi-Cal populations, average per-patient revenue could decline from **\$1,718 to \$191 annually, a reduction of 89%**.

To illustrate this change at scale, Chapman applies the estimated annual revenue loss per patient to the estimated share of immigrants with UIS enrolled in Medi-Cal who are served by FQHCs/LALs. As a low estimate, Chapman assumes immigrants with UIS receive care from FQHCs/LALs at similar rates as the overall Medi-Cal population (28%). As a high estimate, Chapman uses 2024 survey data that shows 34.5% of non-citizens rely on community clinics, government clinics, and community hospitals as their usual source of care.^{vii}

Estimated Statewide Impact of Eliminating PPS

Immigrants with UIS enrolled in Medi-Cal	Share who receives care from an FQHC	Net change in revenue collected per patient	Estimated impact on FQHCs
2,118,287 (July 2024)	28% (low) 593,120	(\$1,527)	(\$905,694,240) (low)
	34.5% (high) 730,809		(\$1,115,945,343) (high)

Key Finding

Eliminating PPS for state-only Medi-Cal populations could reduce clinic revenue by an estimated **\$906 million to \$1.1 billion**, broadly consistent with the state’s estimate of **\$1 billion** in annual savings beginning in 2026-2027.

Discussion

Medi-Cal enrollment declines and eliminating PPS for UIS will significantly affect California’s safety-net clinics. A \$1-billion-per-year cut from PPS alone amounts to a 14% decrease in net clinic revenue. Likely downstream effects include reduced operating hours, fewer available services, delayed capital improvements, longer wait times, and, in some cases, clinic closures. The [full report](#) provides detailed methodology, assumptions, data limitations, and sources.

ⁱ Chapman analysis of Health Resources and Services Administration (HRSA) *Health Center Program Uniform Data System (UDS)* data (2024). Excludes county-based clinics classified as FQHCs.

ⁱⁱ Chapman analysis of Health Care Access and Information (HCAI), *Primary Care Clinic (PCC) Annual Utilization Data (2023)*. Includes county-based clinics that report data to HCAI.

ⁱⁱⁱ Chapman analysis of HRSA UDS data (2024).

^{iv} Chapman estimates based on Department of Health Care Services (DHCS), *H.R. 1 Implementation Plan on Eligibility Webinar* (February 5, 2026) and DHCS, *Medi-Cal November 2025 Local Assistance Estimate for Fiscal Years 2025-26 and 2026-27* (January 9, 2026). See full report for detailed estimates.

^v UC Berkeley Labor Center/UCLA, *Projected Reduction in Medi-Cal Coverage Due to Federal H.R. 1 and 2025–26 State Budget*, February 18, 2026.

^{vi} The PPS policy change applies to FQHCs and RHCs, but this analysis is limited to FQHCs/LALs due to data availability.

^{vii} UCLA Center for Health Policy Research, *AskCHIS*, accessed April 22, 2026.