Health Centers Face Risks as Government Funding Lapses

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About 1,500 federally funded health centers that serve millions of low-income people face significant financial challenges, their leaders say, as the government shutdown compounds other cuts to their revenue.

Some of these community health centers may have to cut medical and administrative staff or reduce services. Some could eventually close. The result, their advocates warn, may be added pressure on already crowded hospital emergency rooms.

“This is the worst time in all the years I have been working in health care,” said Jim Mangia, president and CEO of St. John’s Community Health, a network of 28 clinics that serves more than 144,000 patients in Los Angeles, Riverside, and San Bernardino counties in California. “We are facing federal cuts and extreme state cuts that will impact services.”

St. John’s and other federally qualified health centers offer primary care and a wide range of other services free of charge or on a sliding fee scale. Nationwide, they see nearly 34 million patients in the country’s most underserved areas.

The federal funds come through two primary routes, both of which face challenges: grants paid in part through the federal Community Health Center Fund and reimbursements for patients’ care through programs like Medicaid, which provides health insurance for low-income people and people with disabilities. Medicaid is jointly funded by states and the federal government.

Congress has approved the grant money in dribs and drabs recently. In March, lawmakers extended the funds until September 30. That money expired after the Republican-controlled Congress did not pass a funding law, leading to a government shutdown.

Advocates say the health centers need long-term funding to help them plan with more certainty, ideally through a multiyear fund.

The centers received $4.4 billion in grants in early 2024. The National Association of Community Health Centers is advocating for at least $5.8 billion in grants annually for two years to keep the

centers fully functional.

The health center safety net faces “multiple layers of challenges,” said Vacheria Keys, vice president of policy and regulatory affairs for the association.

The new spending law that Republicans call the “One Big Beautiful Bill Act” will significantly cut Medicaid, raising the second set of threats for health centers.

Medicaid accounted for 43% of the $46.7 billion in health center revenue in 2023.

Advocates said lower Medicaid payments will exacerbate a gap between funding and operational costs.

Funding for workforce programs also is needed to support the delivery of health care services as centers struggle to hire and retain workers, said Feygele Jacobs, director of the Geiger Gibson Program in Community Health at George Washington University.

The first clinics of this type opened in places such as Massachusetts in the 1960s. Congress typically has funded them with bipartisan support, with minor fluctuations.

The struggle this year began when the Trump administration froze domestic aid through a January memo, which prevented some centers from receiving already approved grant money. As a consequence, some health centers in states such as Virginia closed or merged operations.

The upcoming cuts also are set to arrive at a time when patients will face new demands and challenges. The Medicaid changes in President Donald Trump’s tax-and-spending law include requirements for Medicaid enrollees to report their work or other service hours to keep their benefits.

Meanwhile, more generous tax credits the Biden administration and Congress provided consumers to help pay for Affordable Care Act health insurance are set to expire at the end of the year. Some consumers’ costs will spike if Congress doesn’t renew them.

One reason the government shut down is that Democrats want to extend the tax credits, which protect consumers from higher insurance costs. The Republican funding bill did not include an extension; Republican congressional leaders say the issue should be addressed separately.

Consumers “will need more support than ever,” said Jacobs, noting that Medicaid cuts and the expiration of the higher tax credits will both “potentially throw people out of coverage.”

Ninety percent of the centers’ patients have incomes that are twice the federal poverty level or less, and 40% are Hispanic.

“We are also receiving 300 calls per day from patients concerned about their coverage,” said Mangia, from St. John’s.

Republicans are not directly targeting the centers, although they supported the Medicaid cuts that will affect the clinics' finances. Many Republicans say Medicaid spending has ballooned and that reducing the program's growth will make it more sustainable.

State and Local Support

While advocating for longer-term federal funding, the centers also are looking to their community and local governments for backing.

Some states already took action while finalizing their annual budgets. Connecticut, Minnesota, Illinois, and Massachusetts allocated money for centers. Maryland, Oregon, and Wisconsin also provided support for the health centers.

The question is how long the money will last.

While some states boosted their support of the centers, others are going in the opposite direction. Anticipating the impact of Medicaid cuts, states such as California made their own cuts to the program.

California Gov. Gavin Newsom's office, the federal Department of Health and Human Services, and the federal Health Resources and Services Administration did not respond to requests for comment.

In Los Angeles, Mangia said, one potential solution is to work with partners at the county level, noting that L.A. County has about 10 million residents.

"We can tax ourselves to increase funding for health care services," he said.

Health center leaders are building a coalition that "hopefully" will include the main stakeholders in the county's health care system — community health centers, clinics, hospitals, doctors, health plans, unions — to begin the process to fill out a ballot petition, Mangia said. The goal: Put the question about taxes for health centers on the ballot and let voters decide.

"We are learning that the federal government and the state government are not reliable when it comes to continuing to fund health care," Mangia said.

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