National Landscape Scan of CHC Mergers & Acquisitions

Report prepared by JSI

July 30, 2026

Introduction

The Episcopal Health Foundation (EHF) partnered with JSI Research & Training Institute, Inc. (JSI) to conduct a national landscape analysis of community health center (CHC) merger and acquisition (M&A) trends over the past five years. The purpose of this analysis is to better understand the factors contributing to M&A for CHCs, including facilitators, barriers, and lessons learned, in order to identify ways in which philanthropic organizations such as EHF can support health centers in Texas that are interested in considering the process. This report presents findings from our literature review, details key themes gathered from interviews with national subject matter experts and health center leaders, and outlines recommendations based on this data.

Background

CHCs provide millions of people with high-quality primary and preventive care services each year, but financial sustainability remains a challenge. The cost of providing care is rising[1], and cost pressures continue to mount as CHCs brace for the impact of the changes resulting from H.R.1. Medicaid represents the largest source of patient care revenue for CHCs[2], and with recent federal policy shifts, Medicaid enrollment numbers are expected to drop, decreasing patient revenue. CHC funding from Congress has only slightly increased for fiscal year 2026[3], and with the loss of COVID-19 funding, as well as changes in 340B savings, many CHCs are operating with negative margins.[4] These financial pressures prompt exploration of mergers, acquisitions, or other shared services arrangements.

There are multiple ways for CHCs to partner, including via a subsidiary relationship, affiliation, joint venture, shared services, or M&A. The financial implications vary depending on the type of partnership.[4] Additionally, CHCs may partner with a variety of healthcare organizations including other CHCs, academic medical centers, behavioral health facilities, private physician practices,

---

[1] Rakshit, Shameek, Aubrey Winger, Lynne Cotter, Matthew McGough, Emma Wager, and Cynthia Cox. January 2026. "How Has U.S. Spending on Healthcare Changed over Time?" Peterson-KFF Health System Tracker.

[2] Ku, Leighton, Maddie Krips, Kristine Namhee Kwon, and Feygele Jacobs.2025. *Widening Holes in the Safety Net: Community Health Centers at Risk*. Washington, DC: Geiger Gibson Program in Community Health.

[3] Pillai, Akash, Jennifer Tolbert, and Clea Bell. February 2026. “Community Health Center Patients, Financing, and Services.” *KFF*. Kaiser Family Foundation.

[4] Forvis Mazars. 2026. “Navigating Financial Considerations for Mergers and Acquisitions,” PowerPoint presentation delivered to Texas Association of Community Health Centers, February 26.

or other outpatient medical clinics. In this report, we focus on mergers, acquisitions, and shared services between CHCs.

- A **merger** is defined as a voluntary business agreement where two organizations unite to form one legal entity. Typically, the organizations are of similar size and scope. One organization ceases to operate and merges their operations into the surviving organization.[5] The surviving organization assumes all assets and liabilities of the other.[5]
- In an **acquisition**, one organization purchases all or some of the assets of another organization on a negotiated basis,[6] and the acquired organization dissolves.[5] An acquisition differs from a merger in that the acquiring company (the acquirer) is typically larger than the asset or entity being purchased.[7]
- **Shared services** is an operational model in which CHCs pool resources such as IT networks, billing, or HR to reduce costs and increase efficiency. Shared services could be a precursor to a future merger or acquisition.
    - A **management services agreement** (MSA) is a contract between a CHC and a service provider who agrees to handle the operational, administrative, or managerial duties of the CHC in exchange for a fee. This allows CHCs to access these specialized services without the overhead of full-time hires. CHCs use MSAs to establish and govern their shared services arrangements.

It is critical that CHCs determine the right partner and type of partnership for their organization through rigorous self-assessment and strategic planning when contemplating one of the above arrangements.

In the healthcare industry, M&A transactions are common. According to Becker's Hospital Review, in 2025 there were 46 hospital and health system M&A deals announced,[8] with 39 finalized.[9] In the CHC space, M&A transactions are not publicly tracked, but it's clear that, while not all CHC M&As arise from financial distress, the changing federal policy landscape has necessitated proactive planning to strategically allocate resources and streamline operations to prepare for the coming years.

Our literature review highlighted that when successful, M&As enable CHCs to achieve economies of scale, grow their footprint and expand access to healthcare, share staff expertise, and effectively manage administrative burdens.[6] The value of M&A lies in CHCs stabilizing finances and operations in order to weather policy changes, as well as maximizing patient impact by leveraging strengths of the respective organizations.

---

[5] Feldesman LLP. 2025, "Examining Mergers, Acquisitions, and Corporate Consolidations for Health Centers," PowerPoint presentation, October 8.

[6] Boyle, Regina, Greg Facktor & Associates, and Curt Degenfelder. 2020. *Mergers and Acquisitions: A Practical Guide for Community Health Centers*. Oakland, CA. California Health Care Foundation.

[7] Akeu, Achilee. April 2022. "Defining Merger, Acquisition, Consolidation, and Divestiture." The Washington Valuation Group.

[8] Cass, Andrew. January 2026. "Why Hospital M&A Slowed in 2025, per Kaufman Hall." *Becker's Hospital Review*. Becker's Healthcare.

[9] Cass, Andrew and Madeline Scheetz. December 2025. "39 Hospital M&As Finalized in 2025." Becker's Hospital Review. Becker's Healthcare.

Lessons learned from two recent CHC mergers in California,[10] include the importance of:

- Operational and technological integration
- Aligned organizational cultures
- Strong executive leadership
- Board engagement

Without these factors, M&As are more likely to fail. Other common reasons for unsuccessful mergers include incomplete due diligence, overestimating synergies,[11] and strained relationships between C-suite leadership and the Board. From a financial perspective, "M&A success depends on proactive capital and liquidity planning"[4] because synergies can be quickly overshadowed if an organization is constrained by debt and upfront capital needs.[4] CHCs considering M&A must not underestimate the amount of due diligence required, nor the pivotal importance of relationship building within and between organizations. These are areas in which philanthropy can provide assistance. Foundations such as the Walton Family Foundation (WFF) have recognized that philanthropy can play an important role in supporting nonprofits through the M&A process. In service to their commitment to promoting organizational resilience, effectiveness, and economic opportunity in Northwest Arkansas and the Arkansas-Mississippi Delta, WFF conducted research on merger grants made since 2020, lessons learned from local mergers, and existing legal and nonprofit resources for merger guidance, summarizing findings and recommendations in a 2024 report.[12]

The financial challenges associated with the uncertain federal environment are not unique to healthcare entities. Nonprofit organizations in other spaces are also increasingly exploring M&As as a way to mitigate funding cuts and accommodate growing demand for services.[13] Providing financial assistance for related costs, supporting communication and evaluation, and capacity-building for staff, leadership, and the Board, were all identified as key areas for philanthropic assistance in the WFF report.[13] Though not specific to healthcare, these methods are well-aligned with findings from our conversations with CHC leaders, confirming there are ample opportunities for philanthropic organizations to support CHCs seeking to explore M&A.

Interview Methods & Approach

To gain a deeper understanding of the factors contributing to CHC M&A, and the potential role of philanthropy in supporting health centers in the current environment, JSI interviewed 8 national subject matter experts (SMEs) and 5 leaders of CHCs who had considered or fully executed mergers or acquisitions.

---

[10] Gomez, Rafael. 2023. *A Partnership of Equals: Early Lessons from Mergers of Similarly Sized and Positioned Health Centers*. Oakland, CA: California Health Care Foundation.

[11] Petrucelli, Ryan and Kinman Tong. February 2024. "Revenue cycle considerations for FQHC transactions" Baker Tilly.

[12] Strategy, Learning and Development Department and Home Region Program. 2024. *Nonprofit Mergers Supporting Organizational Resilience and Effectiveness*. Bentonville, AR. Walton Family Foundation.

[13] Gose, Ben. September 2025. "Mergers Have Become a Lifeline for Nonprofits. Will Foundations Help Cover the Costs?" Chronicle of Philanthropy.

JSI developed an interview guide and conducted outreach to SMEs across the country with support from EHF. Our subject matter experts included:

- 2 legal experts, each with decades of experience in health center law, CHC M&A, regulatory policy, and governance.
- An expert from a regional primary care association (PCA)
- An expert on the Community Health Center program within the Bureau of Primary Health Care (BPHC)
- An expert on federally qualified health center (FQHC) finance and accounting, from a firm serving more than 500 CHCs nationally.
- An expert from the National Association of Community Health Centers (NACHC)
- An expert on CHCs and M&A from the California Health Care Foundation (CHCF)
- An expert from the Texas Association of Community Health Centers (TACHC)

In the next phase of data collection, the JSI team worked with the SMEs and our own national network to identify a short list of CHC executives who have considered or fully completed mergers or acquisitions. These interviews included:

- A CEO of a CHC in Florida that considered merging and decided against it
- A CEO of a merged CHC in California
- A CEO of a merged CHC with multiple locations in the Mountain region
- A CEO and a CFO of a merged CHC with multiple locations in the NorthEast

Two JSI team members partnered to conduct each interview. Interviews were recorded, and key themes were extracted and synthesized by two JSI team members during analysis.

Interview Findings

Recent National Trends in CHC Mergers & Acquisitions

The SMEs we interviewed described a dramatic national escalation of interest in mergers, and of actual M&A transactions, among CHCs since 2024. One called it an “exponential increase,” while another estimated they were seeing about ten times the CHC M&A activity compared to five years ago.

By far the most common reason for CHCs to consider M&A is financial distress. Many factors are currently contributing to these financial headwinds, including:

- The COVID-19 funding cliff
- Medicaid revenue pressure - federal policies leading to enrollment reductions and fewer visits from those who are enrolled
- The anticipated implementation of additional executive orders which will limit the people CHCs can treat and the services they can provide.

- State and federal level changes in Medicaid pharmacy programs and 340B reimbursements
- Increased state scrutiny on allowable costs
- Slow or inconsistent state and federal Medicaid payments
- Inflation
- Workforce challenges
- Burdensome CHC administrative costs

The finance and accounting SME we interviewed estimated that about 25% of the CHCs their firm serves nationally are on the cusp of financial distress due to the factors above. Many are experiencing or anticipating significant budget challenges, and starting to think strategically about partnerships to ensure services can continue in their communities.

Prior to the COVID-19 pandemic, CHCs maintained significantly stronger financial positions than they do today. One legal SME noted that in the past, CHC M&A activity was most likely to be a health center acquiring a medical practice or behavioral health clinic for program growth. Now, it's most common to see health centers merging with each other for survival.

Several SMEs noted that conversations about CHC M&A still outpace fully executed CHC mergers or acquisitions, though both have increased significantly. The M&A process is complex and time-consuming, and there are many ways it can fall apart. Nevertheless, our SME from the Bureau of Primary Health Care (BPHC) has received significantly more Successor in Interest applications, noting "It used to be that you would see 1-2 [applications] in your entire career. We currently have around 8 in progress."

Health Centers & Communities Most Affected

While the trends described above are national in scope, there are regional and contextual differences in how communities and CHCs are weathering these conditions. Many SMEs agreed that small CHCs, in particular those serving rural areas, are most likely to be pushed towards financial crisis in the current environment. Smaller CHCs often can't achieve economies of scale, and have fewer opportunities to spread costs. Yet, our financial and legal SMEs agreed, rural CHCs actually may not engage in M&A transactions because there is less likely to be another CHC with a close enough service area; rural CHCs are more likely to try to consolidate operations with a Critical Access Hospital.

On the other hand, Medicaid reimbursement changes affect CHCs in both rural and urban areas, and one SME noted that while smaller CHCs are more financially fragile, they can also be more nimble to adapt to changing circumstances than their larger counterparts. Several SMEs observed that when CHCs are in financial straits, they often seek to align with other organizations that are similar to them. Small CHCs may band together as a defensive strategy, hoping to resist being folded into a large organization.

Alternatives to Mergers

When CHCs are in financial distress, they have options to consider before committing to a full organizational merger, acquisition, or closure. The most common approach is for CHCs to arrange for shared services.

Sometimes these are time-limited arrangements to assist a CHC through a difficult interval, sometimes they are long-running arrangements. The finance and accounting SME we interviewed observed that their firm has been talking to CHCs about shared services for years. In the past, CHCs were often reluctant to relinquish any operational control and it was challenging to move them towards working collaboratively, but in the current environment there is more appetite from CHCs to commit to these arrangements.

Shared services can reduce costs and increase efficiency for CHCs, but several SMEs cautioned that CHCs often overestimate the benefits of these arrangements. The pressure point is still about control. BPHC can accept shared services among grantees, but needs to ensure CHCs remain compliant with program requirements. Under BPHC program requirements, CHCs and their independent autonomous Boards must retain decision-making authority on a variety of matters - this cannot be outsourced. As one legal SME emphasized, when an organization is still responsible for most of the decision-making, there is limited efficiency to outsourcing the other tasks.

Common Merger Scenarios

The financial pressures described above are some of the most significant factors that may push a CHC to explore merging with or being acquired by another organization. For CHCs making an acquisition, a related but distinct series of factors can be at play: CHCs with a high number of uninsured or undocumented patients may be interested in gaining more paying patients, and CHCs looking to expand their footprint may be seeking to establish a presence in a new geographic or service area without launching a new location from scratch. At times, a CHC may feel a moral obligation to acquire a struggling nearby CHC so services can be maintained in that community. Typically there are a mixture of contributing factors in any M&A arrangement.

At times organizations prefer to use the term “consolidation,” especially when the goal is a “merger of equals” in which two CHCs join forces for efficiency and mutual benefit, and both organizations wish to be heard and represented within the new structure. In these scenarios the result is often a blended Board, sometimes a blended C-suite, and a blended organization name. Several SMEs noted that while these arrangements are very appealing to CHCs, it is important to have realistic expectations; after the merger is executed, there can only be one CEO, and only one of the organizations retains their grantee status.

A common scenario that SMEs have observed is that a merger conversation may be prompted by succession planning for a retiring CEO. A leader nearing the end of their career who sees financial concerns on the horizon and wishes to leave their CHC on solid ground may approach a nearby CHC to discuss a merger. In these cases the blending of the organizations can

proceed more smoothly because the retiring CEO is not seeking to retain a position in the organization, which reduces tensions around filling leadership roles. However, the merging of the Boards still requires significant conversations and buy-in.

Factors That Prevent Successful Mergers

While the appetite for M&A has increased among CHCs, our national SMEs identified a number of factors that tend to slow or derail the CHC merger process, or make the merged organization less successful than it might have been.

- **CHCs underestimate the labor and cost involved with M&A:** When two organizations join, their assets, debts, and liabilities are also joined, and these must be transparently assessed before any agreement can be drafted. The financial and legal due diligence of preparing for M&A can be very time-consuming for CHC leadership and staff, and the costs to a CHC of retaining the necessary legal (both state and federal) and financial consultants are tremendous. Most CHC leadership and Board members are not experienced with this process and may not have accurate expectations.
- **Lack of transparency between organizations seeking to merge:** To speed the M&A process, CHCs are sometimes tempted to forego some of the recommended due diligence at the start of negotiations. If either organization is not completely transparent about debts and obligations, the merger can be derailed at a later stage when these liabilities emerge.
- **Misalignment between CHC leadership and Board:** Both the leadership and the Board of a CHC need to support an M&A process before it can proceed, but miscommunication or misalignment are common. CHC leadership sometimes withhold information from Boards, or begin M&A planning without their approval; Boards can neglect their role in proactively demanding transparency as part of their oversight function. Either side can feel reluctant to move forward with M&A when they see their roles disappearing as the result of a merger, or feel their community will lose their voice or access to services. These misalignments can either directly derail M&A negotiations, or extend negotiations until the deal falls through or resources run out.
- **Lack of experience and agility at HRSA to support CHC M&A:** Until very recently, M&A for CHCs was so uncommon that many CHC project officers (POs) at BPHC have very little experience with the complexities of this process. Some SMEs noted that delayed or incorrect guidance from BPHC (due to lack of experience) can add challenges for CHCs seeking to consolidate.
- **Stigma and shame for CHCs merging or being acquired by another organization:** Contemplating a merger or an acquisition offer can be painful for CHC leadership, who often feel they are failing their patients, Board, and staff. The process can feel humbling, and can elicit strong reactions from anyone committed to the CHC's history and mission. The national SMEs JSI interviewed shared several recommendations for addressing this barrier (detailed below).

- **Cultural or operational mismatch between merging organizations:** A merger or acquisition may be successfully executed, but the partnership can still ultimately fall apart if there has not been adequate investment in aligning mission, culture, and operations within the blended organization. Factors to address can include use of behavioral health vs. medical terms, use of acronyms, agreeing on an organizational name change, ensuring remaining staff feel integrated, ensuring the missions of both organizations are visible and valued, keeping the focus on the benefits to the patients. On the operational side, integrating technology platforms and practice management systems, shifting staffing models and service lines, may require investments of time and money that were not foreseen during M&A planning.

According to one respondent: *"I think the culture piece…is vastly, vastly underestimated by people, and I hear this over and over and over again, that the thing that trips them up in a merger isn't necessarily the business, tactical, HRSA stuff…the part that trips them up is the integration of organizational cultures. What is our mission? What is our name? What is our history? Do we understand one another?"*

Another respondent noted: *"They underinvest on those parts of the merger, because it's just like, well, we're looking at the finances, or we're deep in legal, right? And you forget… these other pieces that sound kind of fluffy are actually pretty mission-critical to culture stabilization."*

Key Considerations - Operations, Culture, & Stigma

National SMEs agree that when two organizations begin M&A negotiations, it is crucial to have the "hard conversations" early in the process - both within and between organizations. The finance and accounting SME reflected that most CHCs want to kick off M&A conversations with financial modeling, but in fact most M&A transactions will look like a financial "win" on paper; there are other considerations that typically drive the final decision about whether to move forward.

- **Staffing:** The finance and accounting SME emphasized that part of the cost savings from M&A derives from streamlining staff roles, so some loss of employment is inevitable. Many CHCs hope to keep all current employees through an M&A process and offset costs by seeking additional funding. Yet in the current environment there is no additional funding available, so this plan is not realistic. The CA CHC we interviewed shared that they made a promise to staff that they would not let anyone go, and they kept it for the first year post the merger. However, after that they needed to do layoffs because of funding cuts, and staff were very upset given that earlier commitment. If they would be able to go back, they would not make that promise. Transparency with staff about the merger and its possible implications is important.
- **Operations:** An operational analysis early on can help identify where operational integration will be needed between two organizations, allowing for this process to be adequately supported and funded.

- **Culture:** CHCs working through an M&A process would benefit from training and technical assistance to manage integration of two organizational cultures and missions can help make a merger more successful in the long term.
- **Leadership:** Governance, management style, and leadership roles should all be discussed early in the process. It is helpful for everyone involved to know which CEO, which CFO, and which Board members will continue into the blended organization and which will not.

While mergers and acquisitions are often lumped together under umbrella terms, an acquisition feels very different than a merger for the leaders, Board, staff, and community of an organization that is being acquired. As one SME reflected, letting go of a name, a history, a mission can be "heartwrenching," and that process cannot be rushed. At the same time, the stigma CHCs feel in exploring M&A is real. Fortunately, in the past two years increased public discussion of M&A has started to normalize the topic for CHCs. Given the importance of how the M&A is communicated and to whom and when, we asked interview respondents for messaging recommendations:

- Destigmatize the M&A conversation by keeping the focus on mission and the benefit to the patients and protecting long-term community access to services.
- Understand and convey the value of a merger, and shift the conversation towards seeing a merger as an opportunity or an evolution, not a failure.
- Message that mergers can be a strategic, business-minded joining of two equal organizations with aligned missions.
- Being proactive in starting the M&A conversation before the situation becomes desperate sets CHCs up for greater success. The M&A process is less challenging and shameful when neither organization is in a true financial crisis, and both parties are on equal footing.

The Role of Philanthropy: Recommendations

Philanthropic organizations can play many roles to support CHCs through the exploration of M&A. A memo by the Walton Family Foundation[13] provides relevant examples of specific ways that philanthropic organizations can support M&A for non-profits, including: dedicated support for merger-related costs; organization and staff capacity building; technical assistance; communication and outreach support; monitoring and evaluation; staff, infrastructure and facilities support. These areas were also highlighted in our interviews. Respondents recommended focusing philanthropic support in the following areas:

Support for Legal, Financial, & Other Consultant Services

All of those interviewed mentioned the tremendous costs to CHCs of exploring M&A, whether or not the transaction is ever fully executed. For health centers experiencing financial difficulties, the costs of even exploring their options can be prohibitive. There are some general TA and process-overview resources that CHCs can tap into, but individualized legal and financial work must still be completed. As one respondent put it "*A merger is a very complex and expensive*

process. Organizations need to pay for lawyers, CPAs, PR people. From a legal standpoint, there is federal compliance, state compliance, a lot to coordinate."

In addition to legal and finance expertise, support for CHCs to engage other consultant services early in the M&A process could significantly contribute to the long-term success of a merger or acquisition (as discussed in an earlier section of this report). These services could include:

- An **operational analysis** to support integration of organizational systems and processes.
- **Training and technical assistance** to support integration of distinct **organizational cultures** and missions.
- **Financial benchmarking** studies to help C-suite and Boards understand how their CHC compares to peers, and highlight what is working and what isn't.

Several respondents pointed to the need to establish clear expectations between a funder and a CHC about which services will be supported, for how long, how deeply the funder will be involved, and any expected outcomes or return on investment. As one respondent put it:

"There's a whole piece of work that has to happen before you even get to a board vote. That takes some time, takes some facilitation…I recommend resources for that process, because that lays the foundation for future success, so a foundation could say: 'I'm going to invest X number of dollars to support an exploratory period. And it's very time-defined. It's from inception of idea to Board vote. There's the investment, but at least the leadership teams and the Boards have some resources and support to do that piece of work, which can include the due diligence of the financials…that could be super helpful. And then…this is the part where I think it's hard with philanthropy, people could go through a 6-month exploratory process and decide not to merge. So there has to be that acceptance or understanding or transparency that you're not investing in a merger, you're investing in a process that has maybe no return. Just…help people explore [the possibilities]."

SMEs and CHCs we interviewed agreed it is critical that any support for CHCs to explore M&A must be responsive to CHC and community needs. An M&A process cannot conclude successfully until all parties are ready and fully committed, and urging CHCs towards merging is fraught with negative outcomes. The most effective strategy is to ensure CHCs are aware of their menu of options and have support to make the best decision. Sometimes a merger is not the right fit; sometimes it may be best for a CHC to close or pursue other options.

Messaging, Education, & Advocacy

Foundations can be supportive beyond direct funding to CHCs. Supporting broad messaging to reduce the stigma around mergers, normalize strategic conversations about M&A, and build community support and understanding for the process could have a major impact. Foundations can also support CHCs through presentations and educational programs, such as learning collaboratives, to explore the variety of options available to CHCs, including shared services, in a safe environment.

Reflecting on the many regulatory processes that must be managed during M&A, respondents noted that it can take two years before a CHC merger proposition can be presented to BPHC. The process of gaining federal recognition for a CHC merger can be arduous and time-consuming, and while careful regulatory oversight is important, foundations could support policy or legislative advocacy to allow CHCs greater nimbleness, flexibility, and creativity to pursue M&A in the current environment.

Conclusion

The past two years have seen a significant increase in M&A activity for CHCs nationally, due in large part to financial pressures created by shifting federal and state policies. CHCs facing financial challenges have a variety of options, including shared services, mergers, and acquisitions, to find greater efficiencies while maintaining services in their communities. Exploring and pursuing these options, particularly engaging in a merger or acquisition, can be time-consuming and expensive, and support for financial and legal services is one way that foundations can support CHCs at this critical juncture. Beyond these services, CHCs exploring M&A must recognize the crucial importance of establishing cultural and operational alignment between two organizations. Investing in this alignment is another way that foundations can support the long-term success of CHC M&A, and ensure services can continue in the communities that most need them.

Similarly to the findings from the national landscape, in Texas the current community health center landscape is increasingly challenging, as the expiration of COVID-19 funding has unmasked severe financial vulnerabilities, particularly for smaller sites and look-alikes. Retiring legacy CEOs have driven some merger discussions, however movement has been slow given governing boards frequently resist consolidation due to fears of losing their community voice and viewing the process as a failure. Our interviewee from TACHC shared that philanthropy can best support health centers by funding neutral discussion forums, providing necessary legal and technical services, and continuing to collaborate directly with Primary Care Associations.

This report is supported by funding from:

EPISCOPAL HEALTH FOUNDATION