



Representing California's Catholic Health Systems and Hospitals



November 12, 2024

To: The Honorable Gavin Newsom
Governor, State of California
1021 O St., Suite 9000
Sacramento, CA 95814

From: Association of California Healthcare Districts (ACHD)
California Association of Public Hospitals and Health Systems (CAPH)
California Children's Hospital Association (CCHA)
California Hospital Association (CHA)
District Hospital Leadership Forum (DHLF)
Private Essential Access Community Hospitals (PEACH)
United Hospital Association (UHA)
The Alliance of Catholic Health Care

Via email

RE: Urgent Need for the Department of Health Care Services to Finalize and Submit Proposals for 2025 Hospital-Financed Payment Programs

Dear Gov. Newsom:

California hospitals are a vital and indispensable source of care for all residents, including the nearly 15 million individuals and families covered under Medi-Cal. Their ongoing participation in the program and ability to provide quality and equitable care to Medi-Cal patients depends on the sufficiency of reimbursement, which in turn enables the state and its managed care plan partners to maintain adequate and compliant care networks. Financing California's Medi-Cal program and hospital reimbursement is largely sustained today through the below listed directed payment programs, which are self-financed by hospitals via either the hospital quality assurance fee levied on private hospitals or the intergovernmental transfer of local funds on behalf of public hospitals:

- Designated Public Hospital Enhanced Payment Program and Quality Incentive Pool
- District and Municipal Public Hospital Directed Payment Program and Quality Incentive Pool

- Private Hospital Directed Payment Program within the Hospital Quality Assurance Fee Program

Collectively, these payment programs are projected to secure approximately \$16 billion in Medi-Cal funding to California hospitals in 2025, resources that are integral to provide core services to Medi-Cal patients. Not only does the self-financing nature of these payments enable the state to allocate increasingly scarce revenues elsewhere in the budget, but also these programs provide a substantial fiscal benefit to the General Fund on an annual basis. In 2025 alone, they are estimated to provide approximately \$2.1 billion in direct support to the General Fund and existing Medi-Cal costs. Securing these funds is critical both to hospitals and the state, and we urge the Administration to take swift action.

With 2025 rapidly approaching, these essential payment programs have yet to be submitted to the federal government for approval. Time is of the essence, and there is a growing concern as we near the end of the year that delayed submissions could compound financial uncertainties faced by hospitals and the state. **As such, we respectfully request that the Department of Health Care Services finalize and submit the 2025 proposals for the above listed hospital payment programs to the Centers for Medicare and Medicaid Services (CMS) no later than Dec. 2, 2024.** Our respective organizations, as always, stand ready to assist the department and your Administration in any way we can to realize these shared opportunities.

We appreciate the Department of Health Care Services' collaborative efforts thus far in developing the contours of these integral payments for the 2025 calendar year and beyond. This upcoming rating period is particularly important as it marks the first under the revamped regulatory framework for Medicaid managed care pursuant to CMS' April 2024 final rule. Most notably, the final rule expressly allows hospital payment levels to be commensurate with those paid by commercial insurers, in recognition of, and in an attempt to remediate, longstanding disparities in access between public and private payers. This presents a crucial opportunity to solidify the financial viability of California hospitals through adequate reimbursement, address inequities in our systems of care, and further secure the fiscal underpinnings of the Medi-Cal program at large.

Sincerely,

Alliance of Catholic Health Care
Association of California Healthcare Districts
California Association of Public Hospitals & Health Systems
California Children's Hospital Association
California Hospital Association
District Hospital Leadership Forum
Private Essential Access Community Hospitals
United Hospital Association

cc: Ann Patterson, Cabinet Secretary, Office of Governor Newsom
Richard Figueroa, Deputy Cabinet Secretary, Office of Governor Newsom
Kim Johnson, Secretary, CA Health and Human Services Agency
Brendan McCarthy, Acting Undersecretary, CA Health and Human Services Agency
Kimberly Chen, Assistant Secretary, CA Health and Human Services Agency
Michelle Baass, Director, Department of Health Care Services
Sarah Brooks, Chief Deputy Director, Department of Health Care Services
Tyler Sadwith, State Medicaid Director, Department of Health Care Services
Joe Stephenshaw, Director, Department of Finance
Guadalupe Manriquez, Program Budget Manager, Department of Finance