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HOSPITAL
ASSOCIATION**

*Providing Leadership in
Health Policy and Advocacy*

May 21, 2020

The Honorable Richard Pan, MD
Chair, Senate Budget and Fiscal Review, Subcommittee No. 3 on Health and Human Services
State Capitol, Room 5114
Sacramento, CA 95814

SUBJECT: Policy Change 258: Medi-Cal Managed Care Efficiencies – OPPOSE

Dear Senator Pan:

On behalf of the more than 400 hospitals represented by the California Hospital Association (CHA), along with the communities these hospitals serve, we urge legislators to reject the Department of Health Care Services Policy Change 258: Medi-Cal Managed Care Efficiencies.

This proposal would negate years of progress in patient care coordination and choke resources for health care delivery at a time when hospitals are struggling with a massive financial crisis driven by the COVID-19 pandemic.

By requiring health plans to institute a reimbursement cap and setting Medi-Cal inpatient rates to 2012 levels, this proposal would eliminate the incentives that hospitals and Medi-Cal plans have to participate in managed care contracts. That means care that will be less coordinated, less patient friendly, and more expensive (today, nine of 10 Medi-Cal managed care hospital days are considered in-network, meaning far greater care coordination for enrollees).

For Californians enrolled in other health plans, this would mean higher monthly premiums, because as Medi-Cal pays less, other insurers will end up paying more.

The proposal also will jeopardize network adequacy for health plans. Creating a reimbursement ceiling for payments to hospitals in a managed care contract *but at non-contracted rates* eliminates any incentive to contract. If hospitals and plans are less likely to contract, it makes it harder for plans to have adequate numbers of hospitals in their networks.

Finally, balancing the books on the backs of hospitals, of which 38% were operating with negative margins *before* COVID-19, would be a draconian cut that hospitals simply can't absorb right now.

This proposal would cut as much as \$500 million in payments to hospitals every year, critical resources they rely on for patient care. Hospitals' short-term losses driven by the COVID-19 crisis are projected to be as much as \$14 billion this year alone, and this additional hit will force hospitals to continue to make hard decisions that result in furloughs, pay cuts, layoffs, and in some cases, service reductions..

For these reasons, CHA urges that you reject this proposal.

Sincerely,

A handwritten signature in cursive script that reads "Barbara Glaser".

Barbara Glaser
Senior Legislative Advocate

cc: Honorable Members, Senate Budget Subcommittee No. 3
Scott Ogus, consultant, Senate Budget and Fiscal Review Committee
Anthony Archie, consultant, Senate Republican Policy Office