



March 3, 2022

The Honorable Susan Talamantes Eggman
 Chair, Senate Budget and Fiscal Review Committee, Subcommittee No. 3 on Health and Human Services
 1021 O St., Suite 8530
 Sacramento, CA 95814

The Honorable Dr. Joaquin Arambula
 Chair, Assembly Budget Committee, Subcommittee No. 1 on Health and Human Services
 1021 O St., Room 6240
 Sacramento, CA 95814

Subject: Increase Access to Equitable Health Care — Support CHA Request

Dear Senator Eggman and Assembly Member Arambula:

As a coalition, we are pleased to support the **California Hospital Association (CHA) proposal to increase access to equitable health care for Medi-Cal beneficiaries.**

Medi-Cal provides health coverage to low-income Californians — one-third of the entire state and nearly half of all children — and those who rely on Medi-Cal coverage are disproportionately people of color (two-thirds are non-white). But Medi-Cal beneficiaries are shortchanged: systemic underfunding means that those who care for Medi-Cal patients are reimbursed just 74 cents for every dollar they spend providing care, resulting in fewer resources for California's most vulnerable communities.

We will never make progress toward health equity in our state if Medi-Cal continues to underfund care for those with the greatest needs.

Current state law requires Medi-Cal inpatient fee-for-service reimbursement for nearly all (private and district) hospitals to be fixed at 2012-13 levels, while expenses for patient care — things like health care worker salaries and benefits, medical supplies, pharmaceuticals, utilities, and more — have increased by more than 45% during that same period.

The impact on communities of color is significant. Outdated payment methodologies and the state's overreliance on self-financed supplemental payment programs have led to substantial underfunding of the Medi-Cal program for patients and communities served by California's critical safety net providers, which disproportionately affects people who are often at the highest risk of poor health. The formula for reimbursing hospitals does not account for sicker, more disadvantaged communities and has not been increased since its inception a decade ago — all while the needs of communities with socioeconomic challenges have continued to grow.

Unfortunately, as the Medi-Cal program drives toward reform, continuing to rely on "provider-funded" Medi-Cal payments to help fill the increasing gap will perpetuate a cycle of health inequity. These policies have exacerbated the Medi-Cal shortfall and obscured the widening gap between health care resources for low-income communities and those for wealthier communities. It will take substantive changes to Medi-Cal reimbursement to course correct a deeply underfunded system.

For these reasons, CHA is proposing the following actions to address the systemic funding issues and take into account individual challenges patients face:

- Replace the policy that froze hospital APR-DRG (a schedule of payments for common procedures) rates at 2012-13 levels
- New, annual payment adjustments to account for the social and environmental challenges patients may be experiencing
- Converting public hospitals' Medi-Cal fee-for-service inpatient reimbursement to a value-based structure that includes state General Fund support

This proposal will modestly address the structural deficiencies in the current payment methodology — but still will not fully fund the dynamic and patient-centered care models needed to effectively help California's diverse Medi-Cal population. We look forward to discussing this proposal with you and your staff.

If you have questions, please contact Kathryn Austin Scott, CHA senior vice president, state relations, at (916) 812-7406.

Senator Eggman and Assembly Member Arambula
March 3, 2022

Sincerely,

California Hospital Association (CHA)
Adventist Health
Alliance of Catholic Health Care
Association of California Healthcare Districts
California Association of Public Hospitals and Health Systems
California Children's Hospital Association
Cedars Sinai
Children's Hospital of Orange County
Community Health System
Corona Regional Medical Center
Dignity Health
District Hospital Leadership Forum
Keck Medicine of USC
Loma Linda University Health
Mayers Memorial Hospital District
Palmdale Regional Medical Center
Private Essential Access Community Hospitals
Rady Children's
Scripps Health
Sharp
Southwest Healthcare System
Temecula Valley Hospital
Tenet Healthcare
University of California
United Hospital Association (UHA)

cc: Members, Senate Budget Subcommittee No. 3
Members, Assembly Budget Subcommittee No. 1
Scott Ogus, Consultant, Senate Budget Subcommittee No. 3
Andrea Margolis, Consultant, Assembly Budget Subcommittee No. 1
Anthony Archie, Senate Republican Caucus
Eric Dietz, Assembly Republican Caucus
Dr. Mark Ghaly, Secretary, Health and Human Services Agency
Richard Figueroa, Deputy Cabinet Secretary, Office of the Governor
Tam Ma, Deputy Legislative Secretary, Office of the Governor
Michelle Baass, Director, Department of Health Care Services