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APPROPRIATIONS
PUBLIC SAFETY
REVENUE AND TAXATION
UTILITIES AND ENERGY

April 4, 2022

Honorable Dr. Joaquin Arambula, Chair
Sub. 1 Health and Human Services
1021 O Street, Room 6240
Sacramento, CA 95814

The Honorable Phil Ting, Chair
Assembly Budget Committee
1021 O Street, Room 8230
Sacramento, CA 95814

Re: Increase Access to Equitable Health Care

Dear Budget Chairs,

As you know, 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 unfortunately for hospitals, systemic Medi-Cal 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. In an effort to address the persistent underfunding of our Medi-Cal program, I'd like to submit this proposal for the Legislature's consideration to include in the upcoming state fiscal year 2022-23 budget.

As California recovers from the pandemic, investing in the future of the Medi-Cal program will be critical. While the Medi-Cal program continues to drive toward person-centered care and increased quality and outcomes, we will never make progress toward health equity 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 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. And designated public hospitals use their own resources, instead of receiving state general funds, to provide care to Medi-Cal fee-for-service patients, resulting in reimbursement that only covers roughly half of the cost to care for hospitalized patients.

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 Outdated payment methodologies and the state's overreliance on self-financed supplemental payment programs have led to substantial underfunding of the Medi-Cal program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.

One example of the growing inequity is in my district—St. Rose Hospital, located in Hayward is an independent, not for profit hospital, which provides services to the most vulnerable in our community. St. Rose has a payer mix that reflects those services, where more than 80% of their revenue is from government payers (Medicare, Medi-Cal) which fails to come close to covering their costs. Regarding Medi-Cal, reimbursement levels are closer to 75% of their costs, which for more than 40% of their revenue, creates significant barriers to access, and the financial stability for a safety-net provider in our community.

For these reasons, I'd like to submit for consideration a proposal to:

- 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

Given the scope and statewide implications of this proposal, I am pleased that this proposal has the support of several of my colleagues. We recognize that this is a significant request and believe it will have an important impact in better serving our most vulnerable constituents who access healthcare services throughout the state through the Medi-Cal program.

Please see attached information regarding the specific budget request and proposed language. This request has the support from the several hospitals and hospital constituency groups including the California Hospital Association, the several associations representing public, private, district, and hospitals serving a high number of Medi-Cal patients.

Thank you for your consideration. Please contact my Capitol Director, Evan Gyorkos (evan.gyorkos@asm.ca.gov), if you have any questions.

Sincerely,



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Assemblymember, District 20



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Assemblymember, District 61



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Assemblymember, District 32



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