



April 16, 2024

The Honorable Richard Roth
Chair, Senate Health Committee
State Capitol, Room 3310
Sacramento, CA 95814

SUBJECT: SB 1268 (Nguyen) — SUPPORT

Dear Senator Roth:

California hospitals represent an indispensable component of the state's health safety net, providing quality care to the most vulnerable populations and often serving as the sole or primary community outlet for meaningful access. Nowhere is this function more prominent than within the Medi-Cal program and its prevailing managed care delivery system, whereby roughly 99% of its nearly 15 million beneficiaries will be enrolled in this calendar year.

In light of this vital role within Medi-Cal, the California Hospital Association (CHA), on behalf of more than 400 hospitals and health systems, supports Senate Bill (SB) 1268 (Nguyen, D-Huntington Beach), which would clarify and strengthen requirements on Medi-Cal managed care plans to maintain network contracts with safety net providers who serve a significant number of Medi-Cal or indigent patients.

Current Medi-Cal policy, as embodied in contracts between the Department of Health Care Services (DHCS) and managed care plans, requires a plan to merely offer a network contract to a safety net provider in their service area, so long as the provider is willing to accept the same network terms as the plan requires of other similar providers. In this context, "safety net provider" is defined as either an acute inpatient hospital or comprehensive primary care provider that serves a significant number of Medi-Cal enrollees and/or individuals receiving charity, or who are medically underinsured, in relation to the provider's total number of patients. Negating the utility of this foundational policy, Medi-Cal managed care plans are currently permitted to terminate these contracts with safety net providers at will and without any regard to whether the provider remains willing to accept the network terms imposed by the plan. Instead, the subject plan must only provide notice of the action to DHCS within 60 calendar days of the effective date, and with no obligation to justify the reasons for the termination.

This existing framework, allowing plans to terminate safety net providers at will and without meaningful state regulatory oversight will continue to degrade access for the millions of Medi-Cal enrollees who rely on these providers for their care. In addition, the network volatility that results from the overly permissive termination policy places patients at unnecessary risk of worsening health conditions and left

to endure prolonged delays and bureaucratic challenges in securing the care to which they are entitled. This dynamic is even further pronounced when considering that DHCS is in the midst of a wholesale transformation of its managed care program pursuant to CalAIM where continuity of care is of the utmost importance as enrollees and providers navigate the various changes in contracted plans that became effective January 1, 2024. These consequences are among the reasons why the safety net contracting requirement was imposed in the first place, positioning Medi-Cal managed care plans to ensure adequate and meaningful networks and continuity as required by state and federal law.

If enacted, SB 1268 would restore the intended balance by requiring plans to maintain network contracts with qualified and willing safety net providers, while still ensuring that plans may terminate these contracts when appropriate under law.

For these reasons, CHA supports SB 1268.

Sincerely,



Meghan Loper,
Consulting Lobbyist, California Hospital Association

cc: The Honorable Janet Nguyen
The Honorable Members of the Senate Health Committee
Jen Flory, Principal Consultant Senate Health Committee
Joe Parra, Consultant, Senate Republican Caucus
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