



February 12, 2025

Members of the California Congressional Delegation:

Upcoming votes on a federal budget resolution and reconciliation package give you the power to preserve access to hospital care for 40 million Californians and help rural and other struggling hospitals stay open in our state. Today — before any budget cuts are made — more than half of all hospitals in California lose money providing care and dozens more barely break even.

The impact of your votes on those who need care, and the 1 million jobs California hospitals support, will be felt for decades.

Please reject budget proposals that threaten care, coverage, and California hospitals' continued viability.

#### **Protect California: Oppose Proposals that Target California**

Certain proposals — reducing the Medicaid Federal Medical Assistance Percentage (FMAP), changes to Medicaid financing, and changes to the Medicare Area Wage Index (AWI) — would target and gut care in California more than in other states.

- The federal share of Medicaid spending, the FMAP, varies between states. It is set at 50% for California, the lowest level allowed under current law.
- A change in the FMAP would decimate health care coverage in California and devastate the providers who care for Californians.
- States fund their share of the Medicaid program through a patchwork of financing mechanisms approved by Congress — 49 states rely on provider taxes to fund a portion of their state Medicaid program.
- California is an expensive place to live and work. Medicare recognizes disparate costs of living with a payment adjustment called AWI; budget neutral changes to AWI would cut payments to ALL California hospitals, not just rural hospitals.

**Please oppose proposals that will disproportionately hurt California.**

#### **Protect 15 Million Californians on Medicaid: Oppose Health Care Cuts for Seniors, Children, and More**

Medicaid is an efficient insurer and vital to Californians' access to care. The facts:

- 14.9 million Californians — 38% of the state's population — were enrolled in Medicaid in October 2024.

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- Nearly 50% of people living in rural California counties are enrolled in Medicaid — the largest source of health care coverage in rural communities.
- 5 million children — 50% of all kids — are covered by Medicaid.
- 40% of all births in California are covered by Medicaid.
- Three-quarters of Medicaid enrollees live in a household with someone working full- or part-time.

Adjusted for cost of living, California’s per enrollee spending ranks 14th lowest in the nation.

Hospitals are paid about 80 cents for every dollar it costs to care for a Medicaid patient and these payments make up an average of 33% of hospital revenues statewide. But in some areas, they can be as much as 80% of a hospital’s revenue. These resources are critical to keeping hospitals’ doors open to care for everyone in their communities.

**Please oppose cuts to the Medicaid program.**

**Ensure Patients Receive Appropriate Care: Reject Site-Neutral Payment Policies**

Legislation now before Congress would reduce payments to hospitals for certain procedures provided in hospital outpatient departments, making them equivalent to payments made for services provided in physician offices. Proponents of these “site-neutral” proposals suggest that the care provided is the same, regardless of setting, and therefore the price should be the same.

This argument neglects an important fact: Patients who receive care in hospital outpatient departments typically have more complex needs and benefit from the additional clinical services provided in those settings. Hospital-based services are more expensive for important and legitimate reasons, and they have more comprehensive licensing, accreditation, and regulatory requirements than independent physician offices or ambulatory surgery centers. The additional costs support a higher level of patient care.

Cutting reimbursement for certain services would make it difficult for hospitals to continue to provide this care — and because some services may not be offered elsewhere in the community, many patients would have difficulty accessing medically necessary health care.

**Please oppose legislation that restricts payments based on the physical location where care is provided.**

**Help Hospitals Stretch Resources, Improve Patient Care: Support the 340B Drug Pricing Program**

Congress created the 340B program to help stretch scarce resources, reach more patients, and provide more comprehensive services through the outpatient drug discount program. Despite having a 0.1% operating margin, California’s 175 340B hospitals provided more than \$7.1 billion in benefits to the communities they serve **at no additional cost to taxpayers**. Funding went to programs like medication therapy management, diabetes education and counseling, behavioral health services, opioid treatment services, and providing free or discounted drugs to those in need. Including the 340B discount, which only accounts for 3.1% of pharmaceutical company revenue, the top 10 manufacturers still had an average operating margin of more than 28%.

This program's enormous benefits are now at risk due to pressure from pharmaceutical companies seeking to bolster their bottom lines.

**Please support the 340B Drug Pricing Program.**

**Keep Insurance Affordable: Maintain Access to Premium Support**

In addition to Medicaid, more than 1.5 million Californians rely on federal support to pay for their exchange-based insurance premiums. Helping pay the premiums for hard-working Californians who could not otherwise afford coverage is vital to preserving their access to care and preventing the rise in uncompensated care for providers.

**Please oppose cuts to insurance premium support.**

California hospitals need your support to continue to care for the people we both serve. Your votes during the first few months of the 119<sup>th</sup> Congress can help protect the communities we share.

Sincerely,



Carmela Coyle  
President & CEO  
California Hospital Association