(916) 440-8050
CPCAadvocates.org
1231 I Street, Suite 400, Sacramento, CA 95814

March 4, 2024

Assemblymember Jesse Gabriel, Budget Chair
California State Assembly
1021 O Street, Suite 8230
Sacramento, CA 95814

Senator Scott Wiener, Budget Chair
California State Senate
1021 O Street, Suite 4130
Sacramento, CA 95814

RE: California Primary Care Association Advocates Budget Priorities

Dear Budget Chairs Gabriel and Wiener:

CPCA Advocates respectfully request your consideration and approval of its budget priorities during the 2024 session. CPCA Advocates is the advocacy affiliate of the California Primary Care Association (CPCA). CPCA represents nearly 1300 community health centers (CHCs) and clinics in the state. Those CHCs provide high-quality, comprehensive care to 7.8 million people in California each year. CHCs provide care to nearly 1/3 Medi-Cal patients in the state.

Health centers and clinics provide full spectrum care, from primary care, dental, and behavioral health services, including a variety of enabling and wraparound services. In many rural communities, CHCs serve as the only source of medical and wellness care for lower-to-middle class families in the region. In 2023, over 40% of our patient population identified as limited English proficiency speaking several languages reflecting the diversity of our state's population. Many of the patients that visit our health centers return to our health centers because of the trust our CHCs have in the community and the effort to employ providers that are culturally and linguistic competent.

CPCA Advocates has two major budget priorities: continued investment in primary care via the Managed Care Organization tax and a $1.2 billion request to support health center workforce in implementing the provisions of Senate Bill 525.

Managed Care Organization Tax

Services and Support for FQHCs and RHCs
CPCA was pleased to see the preservation of $50 million in MCO Tax revenues dedicated to services and supports for FQHCs and RHCs in the 2024-2025 Governor's Budget Proposed Plan and appreciates DHCS' partnership in the allocation of these funds. CPCA has been in conversation with DHCS for the past year discussing a transition of the $105M Supplemental Payment Program (SPP) for non-hospital 340B community clinics into a managed care directed payment arrangement. This program was designed to help offset some losses of 340B savings caused by the pharmacy transition, and this augmented funding would more accurately reflect the total losses that CHCs encountered when Medi-Cal Rx was implemented. Eligible CHCs can use these funds to help increase patient access and maintain services that were previously funded by 340B savings. The directed payment arrangement, as proposed by DHCS in the Medi-Cal TRI

(916) 440-8050
CPCAadvocates.org
1231 I Street, Suite 400, Sacramento, CA 95814

policy paper, reflects this collaborative process, and we look forward to finalizing the development of this program with the inclusion of increased funding.

Furthermore, the development of this directed payment arrangement lays the groundwork for the creation of future directed payment opportunities based on MCO tax funding that could reach all of California's CHCs, as this current program is limited to 340B entities.

Lastly, although we are grateful for the current supplemental payment program (SPP), we would be remiss if we did not recognize the payment issues within the program. CPCA and our member health centers remain available and committed to working with DHCS to resolve payment issues regarding missing payments, overpayments, and underpayments that CHCs have encountered through the SPP. It will be essential for these issues to be addressed prior to the transition to a directed payment.

Targeted Rate Increases

CHCs must be able to meaningfully access the investments in primary care, maternal care, and mental health care through the Targeted Rate Increases (TRI) for those investments to have a consequential impact on the capacity of the Medi-Cal system. California spends from 6.1 percent to 10.8 percent on primary care, while the average among OECD countries is 14 percent.[1] A Commonwealth Fund analysis identified this underinvestment in primary care as one of four fundamental reasons the U.S. health system ranks last among high-income countries.[2] Accordingly, in order for us to achieve better health outcomes, investments in primary care are critical, and must reach *all* Medi-Cal providers, including CHCs. In addition, investing in primary care can increase the supply of primary care providers which would increase access. For example, Rhode Island experienced an increased supply of primary care providers per capita during the period in which the state increased primary care investments.[3]

CPCA understands that almost all the payment increases effectuated in 2024 under the TRI, while initially flowing to federally qualified health centers (FQHCs) and rural health centers (RHCs), will ultimately be reconciled back to the Medi-Cal program. Given that FQHCs and RHCs are central partners in supporting the Department's goals of advancing access, quality, and equity for Medi-Cal patients, the 2025 TRI funding must take the FQHC/RHC PPS payment model into account and ensure these crucial Medi-Cal providers can access these investments in primary care.

[1] Investing in Primary Care: A State-Level Analysis, Patient-Centered Primary Care Collaborative and Robert Graham Center (July 2019), available at https://www.pcpcc.org/sites/default/files/resources/pcmh_evidence_report_2019.pdf.
[2] Eric C. Schneider and David Squires, From Last to First – Could the U.S. Health Care System Become the Best in the World?, THE COMMONWEALTH FUND (July 17, 2017), available at https://www.commonwealthfund.org/publications/journal-article/2017/ jul/last-first-could-us-health-care-system-become-best-world.
[3] *Supra* at 1.

(916) 440-8050
CPCAadvocates.org
1231 I Street, Suite 400, Sacramento, CA 95814

The Department should not only focus on targeted rate increases that raise the overall primary care payment rates but also supplement it with payments to providers through Medi-Cal Managed Care Plans for population health management (PHM) and quality incentives. Investing in primary care along with PHM and providing incentives to continue driving quality metrics would support providers in expanding their care teams to include services of staff who are appropriately trained and credentialed to provide critical care coordination and other support services, such as Community Health Workers, who are not currently billable provider types for FQHCs/RHCs. This type of care team funding and expansion frees up primary care providers to work at the top of their scope, creating greater access to primary care providers across the Medi-Cal network. As a whole, these investments would promote access to care and health equity, improve patient outcomes and experience, increase the supply of primary care providers, and reduce health care spending.

Regardless of whether the Department opts to couple the rate increases with PHM and quality funds, these investments must reach FQHCs/RHCs to meaningfully support the full breadth of Medi-Cal providers and patients. Targeted rate increases should flow through a structure that allows for the payments to build on existing primary care expenditures rather than supplant existing funding, and that can be utilized by FQHCs/RHCs to increase primary care capacity rather than flowing back out during PPS reconciliation. Funds must be exempt from the reconciliation process to ensure equitable inclusion of FQHC/RHC providers and increase primary care capacity for the entire Medi-Cal system.

Senate Bill 525 Implementation
CPCA Advocates requests $1.2 billion dollars from the state's General Fund to support minimum wage increases and corresponding salary adjustments for employees at Federally Qualified Health Centers (FQHCs), community clinics, intermittent clinics, and rural health clinics following the signing of Senate Bill 525 (Chapter 890, 2023).

During the 2023 legislative session, the Legislature passed, and the Governor signed into law, SB 525. During the bill's final negotiations, we sought to include a mechanism for health centers to financially support the requirements of the bill but were unsuccessful in their advocacy efforts. The bill increased the minimum wage for a 'covered health care employee' at a 'covered health care facility.' The provisions of the bill included health centers and their employees. The bill also required salaried employees to make double the statewide minimum wage or 150% of the healthcare worker minimum wage, whichever is higher. The implications of this change are truly challenging in 2027 when a salaried employee will be required to make $78,000, which is 150% of the healthcare worker minimum wage at $25/hour minimum wage.

Community health centers are paid for the care they provide through a complex structure governed by state and federal law. FQHCs are paid a predetermined rate, their Prospective Payment System (PPS) rate, which encompasses reimbursement for all services provided during a single visit. PPS is restrictive and encounter-based, and a FQHC will only receive its PPS rate if 1) the service is

(916) 440-8050
CPCAadvocates.org
1231 I Street, Suite 400, Sacramento, CA 95814

defined as an allowable encounter or set of services as defined under PPS, 2) only one billable service is provided to a patient per day (exceptions exist for a medical and dental visit that can be provided on the same day), and 3) the service is completed by a billable provider.

Current law only allows a CHC to make a change in scope of service request (CSOSR), requesting a reevaluation of its PPS rate, under nine strict circumstances. Those nine 'triggering events' do not include state-mandated wage increases. The Centers for Medicare and Medicaid Services (CMS) strictly prohibits a CSOSR strictly to due wage increases. In practice, PPS places our CHCs on a 'fixed income' that is not easily modified to meet industry pressures or state-mandated wage increases. Thus, for CHCs to implement SB 525, there needs to be changes to federal law (or receive a federal waiver) and state law and funding to help support the costs associated with the minimum wage increase.

This budget request will provide the necessary funding to support health centers and clinics to continue providing quality and timely access to care without having to reduce or cut services or staff, or in extreme circumstances, close altogether. When the health center workforce can receive the support they need, all Californians will benefit from access to affordable, equitable, and high-quality health care being sustained in the long-term.

Thank you for your consideration with this request. If you have any questions, please contact Dennis Cuevas-Romero, dennis@cpcaadvocates.org.

Sincerely,

Dennis Cuevas-Romero
Vice President of Government Affairs
California Primary Care Association Advocates