

Budget Request: Supplemental Payment Pool Augmentation

May 18, 2021



OVERVIEW

Today, roughly 1,370 CHCs in California provide high-quality comprehensive care to 7.4 million people – that is 1 in 5 Californians. CHCs provide the full spectrum of care, from primary care to dental to behavioral health, to everyone who walks through their doors, regardless of their ability to pay, their immigration status, or their individual circumstances.

MEDI-CAL RX TRANSITION AND CHC IMPACT

From its inception, CHCs have voiced considerable concern with the Medi-Cal pharmacy benefit transition. In January 2019, Governor Newsom signed an Executive Order with the ambitious goal of consolidating the state's drug purchasing to leverage volume-based discounts with manufacturers and lower the state's drug costs. While CHCs support the Governor's overall goal of reducing drug costs, it was clear that the transition would have the unintended consequence of eliminating the ability of CHCs to reinvest savings into patient care that are acquired through the 340B Drug Pricing Program.

The 340B program has provided CHCs the opportunity to accrue savings that are used to expand patient services. In fact, by law, and by mission, health centers invest these 340B savings into activities that advance their goal of ensuring affordable access to critical health services for medically underserved patients. Pharmacy savings are essential to CHCs ability to provide comprehensive, quality care to low-income patients. Eliminating these savings would jeopardize patient access to critical support services such as dental, optometric, and behavioral health, health education, transportation services, close in-house pharmacies, disrupt access for patients, and in the long run, raise costs.

NON-HOSPITAL CLINIC SUPPLEMENTAL PAYMENT

POOL

We are grateful for the legislature's leadership that established the supplemental payment pool last year to remedy these losses. As we look back on a fund established with data that is now three years old, we

know the financial burden is far greater than we initially imagined. In response, CPCA partnered with a national accounting firm to administer a 340B survey to CHCs with the goal of capturing a truer reflection of the 340B savings CHCs stand to lose through the transition. Program launch is scheduled to happen during this next fiscal year.

We ask your support in guaranteeing that CHCs, who are at the center of California's COVID-19 response and recovery, are supported in continuing to serve California's most diverse communities now and long after this pandemic. Across the state, CHCs are the most qualified and trusted providers to overcome COVID-19's public health and race equity crises. Many communities they care for are disproportionately impacted by the pandemic, systemic racism, and poverty. CHCs proudly serve 1 in 3 of California's Medicaid recipients, and they prioritize fair access to care, including vaccines, for all patients.

The pandemic risks years of progress in addressing health disparities to the very same communities at highest risk of COVID-19 exposure, transmission, and death. At a time when access is needed most, and when CHCs are stretched this from a year of new financial burdens and operational challenges, we must guarantee that the Medi-Cal Rx transition does not undermine the financial stability of community health centers.

THE SOLUTION

By increasing the supplemental payment pool the legislature would ensure that the Medi-Cal pharmacy benefits transition, causes no harm to community health centers, the broader safety-net, or the patients they serve. We request an additional \$50M general fund commitment to strengthen the non-hospital clinic supplemental payment pool and recognize the full costs of the transition on California's health centers.

FOR MORE INFORMATION

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