



April 11, 2023

The Honorable Jim Wood
Chair, Assembly Health Committee
1020 N Street, Legislative Office Building, Room 390
Sacramento, CA 95814

Re: **AB 1549 (W. Carrillo) Support [as amended March 23, 2023]**

Dear Assemblymember Wood:

On behalf of [Health Center Partners of Southern California](#) (HCP) and its' members, I write in support of Assembly Bill 1549 (W. Carrillo). **AB 1549 aims to modernize the payment structure for Federally Qualified Health Centers (FQHCs) so they may continue to support a diverse workforce and provide high quality care.**

HCP, a family of companies, includes a [17-membership organization](#) of Federally Qualified Health Centers, Indian Health Services Organizations, both urban and sovereign, and Planned Parenthood of the Pacific Southwest, collectively serving [720,000 patients](#) each year, for 3.2 million patient visits, at 190 practice sites across San Diego, Riverside, and Imperial counties, with the seventh largest provider group in the region. HCP member organizations employ over 8,000 valuable health care professionals across the region.

Community Health Centers (CHCs) have a rich history of providing person-centered care that goes beyond physical health to invest in the social drivers that keep communities healthy by reducing chronic illness. State-led transformation initiatives under CalAIM to promote whole-person care are aligned with CHCs across this region. However, payment mechanisms have not kept pace with the changing health care landscape in the state.

The majority of CHCs in the state of California are FQHCs and are paid according to a complex structure governed by state and federal law. **FQHCs are paid a predetermined rate, their Prospective Payment System (PPS), that encompasses reimbursement for all services provided during a single visit.** PPS is restrictive and encounter-based, and an FQHC will only receive its PPS rate if 1) the service is 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 (with the exception that a medical and dental visit may be provided on the same day); and, 3) the service



is completed by a billable provider. The PPS rate is fixed, according to California statute, WIC 14132.100, unless the CHC receives approval for a change in scope of service request (CSOSR).

A CSOSR requires a qualifying event. Those currently do not allow for the expanded care team members needed to successfully implement CalAIM, the transition to whole-person care and population health management, nor the transition to value-based care and an alternate payment methodology. California's reimbursement strategy for CHCs that serve the state's most vulnerable must be updated to support these transitions for transformation to be successful.

AB 1549 seeks to modernize PPS to align with state-led care transformation initiatives.

The proposed language eliminates the Department of Health Care Services' (DHCS) ability to take a significant cost reduction when a CHC attempts to adjust its PPS rate. This is known as the "20% haircut." This cost reduction is substantial and does not allow CHCs to receive a true accounting of their costs for the services they provide. Additionally, the bill makes changes to clarify the intent of CSOSR. Current law says that CSOSR requests should capture any changes in the "type, intensity, duration, and amount of services" a CHC provides. However, in practice, DHCS has limited this broad requirement by applying an increasingly narrow interpretation that often leads to disapproval of CSOSR unless the CHC offers a new type of service at a service delivery site.

The bill ensures CHCs may successfully meet rising operational costs, support a thriving workforce, and continue providing innovative, quality, patient-centered, equitable care to their 7.2 million Medi-Cal members. For these reasons, Health Center Partners of Southern California strongly supports AB 1549 (W. Carrillo). I ask for your 'aye' vote on this critical legislation.

Sincerely,

A handwritten signature in blue ink that reads "Henry N. Tuttle".

Henry N. Tuttle
President and Chief Executive Officer