



March 3, 2023

The Honorable Dave Cortese
Chair, Senate Committee on Labor, Public Employment, and Retirement
1021 O Street, Suite 6740
Sacramento, CA 95414

Re: **SB 525 Oppose Unless Amended**

Dear Senator Cortese:

On behalf of [Health Center Partners of Southern California](#) (HCP) and our members, I regretfully oppose, unless amended, Senate Bill 525 (Durazo).

Health Center Partners of Southern California, 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 848,000 patients each year, for 3.4 million patient visits, at 192 practice sites across San Diego, Riverside, Imperial counties, with the seventh largest provider group in the region. HCP member organizations employ over 8,100 valuable health care professionals across the region.

I appreciate the bill's intention to support California's health workforce, but without a sustainable funding source, SB 525 would negatively impact Community health centers (CHCs) which are the state's care delivery system for its most vulnerable communities. CHCs are designed to primarily serve individuals on Medi-Cal and are governed by state and federal law to provide a safety net. Most of the CHCs in our consortium are Federally Qualified Health Centers (FQHCs), funded through a Prospective Payment System (PPS) that is a fixed revenue stream. The bill's requirement to increase wages across the board by January of 2024 would create a cascading financial hardship across the state and would lead to significant impacts on access to health care for millions of Californians. Because of this, I oppose SB 525 unless amended.

SB 525 increases costs for health centers that operate with little to no margin. Federally Qualified Health Centers (FQHCs) receive a fixed funding amount through a Prospective Payment System (PPS) that can only be changed through a triggering event, and increased costs due to wage increases do not qualify. The PPS rate for each health center site is pre-determined and requires the service to be a singular, billable, allowable encounter, provided by a limited list of providers. The current funding model results in slim to no margin for health centers and increased costs due to wages with no avenue to adjust revenue amounts will result in cuts and more limited access to care. I proposed amending the legislation to delay implementation for CHCs until the state seeks and receives approval from CMS granting CHCs the ability to complete a change in scope of service request (CSOSR) and appropriately adjust the PPS rate based on state-mandated wage increases.

SB 525 compresses salaries and wages. The legislation, as proposed, creates wage compression which can impact employee retention in an already understaffed market. By requiring the minimum wage of \$25 per hour to increase annually by at least 3.5% and all salaried employees to make at least \$104,000 all



employee wages must be reviewed and adjusted to ensure equity across each organization. With stagnant revenue, health centers would likely need to reduce staff, employ more hourly versus salaried employees, and potentially reduce patient services.

California is facing a health care workforce crisis, and while I respect the intention of this bill to raise wages to support our health care heroes, it fails to consider the reality of implementation and its impact on vulnerable communities served by community health centers. I stand alongside my colleagues in community clinics across the state in opposition to this bill unless amended as follows:

- Include language delaying implementation until funding is appropriated by the Legislature or another funding mechanism;
- Include language delaying implementation for CHCs contingent on CMS providing the necessary regulatory approval;
- Include language permitting CHCs to make a change in scope of service request to increase its PPS rate to meet the requirements of this legislation;
- Remove the provision requiring employees earn a monthly salary equivalent to no less than double the minimum wage in order to qualify as exempt from the payment of minimum wage and overtime laws (Section 1182.14(f));
- Remove the annual increase in the minimum wage a year after implementation (Section 1182.14(d)(1)); and
- Remove language capturing independent contractors (Section 1182.14(b)(1)(A)(i));

Unless amended, SB 525 will harm community health centers and impact the vital role they serve in advancing health equity. The health workforce is in crisis and I support efforts that will result in recruitment and retention of clinical and non-clinical professionals. SB 525, as currently drafted, is not the solution. I respectfully request your partnership to work on legislation that will result in sustainable change for the benefit of health care workers and their patients.

Sincerely,

Tim Fraser

Tim Fraser
VP Government Affairs
Health Center Partners of Southern California
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CC: Senator Maria Elena Durazo
Members of Senate Committee on Labor, Public Employment, and Retirement