

Support Public Health Care Systems' Request for State General Fund for COVID-19 Response

Overview

Since the beginning of the pandemic, public health care systems have been integral to the state's COVID-19 response. Without hesitancy, public health care systems have maintained ongoing access to testing and ramped up vaccination efforts, all the while responding to the unprecedented surges in COVID-19 cases across the state.

In order for public health care systems to continue their comprehensive, community-wide COVID-19 response efforts, while continuing to provide hospital care to the state's most vulnerable patients, **we are requesting a one-time allocation of \$300 million in State General Fund to offset costs associated with the increase in Medi-Cal Fee-for-Service (FFS) COVID-19 patients.**

Public health care systems care for nearly 40% of the state's uninsured and over 35% of Medi-Cal patients in their communities – numbers which will only increase as this crisis persists and our state recovers.

Dramatic Increases in Medi-Cal FFS Hospitalizations During COVID-19

Public health care systems experienced a dramatic increase in the number of Medi-Cal patients requiring COVID-19 hospitalization, particularly those requiring care in intensive care units. This trend is particularly true for Medi-Cal FFS patients, which include uninsured individuals that sign up for coverage while getting care (presumptive eligibility), undocumented individuals with limited scope Medi-Cal coverage, and other populations that are carved out of managed care.

Rising Unreimbursed Costs

As a federal-state partnership, Medi-Cal relies upon federal and state dollars to provide health coverage and care to low-income Californians. However, since 2005, the State has not provided public health care systems with any State General Fund dollars for Medi-Cal FFS patients who require hospitalization – these systems must cover the entire share not covered by the federal government themselves. Medi-Cal FFS patients comprise roughly 30% of public health care systems' hospitalizations. Yet, the federal portion only covers roughly 65% of these costs. As a result, as public health care systems' COVID-19 hospitalizations rise, so do their unreimbursed costs.

Insufficient Federal COVID-19 Funding

Even though public health care systems are leveraging all available COVID-19 federal funding sources, critical gaps remain threatening public health care systems' ability to maintain essential services and fulfill their essential community role. For Medi-Cal FFS expenses, federal rules prohibit public health care systems from claiming Provider Relief Funds or other federal funding sources to offset these expenses, a unique financing challenge that no other hospitals experience.

Financial Challenges Beyond the Pandemic

Prior to the COVID-19 pandemic, public health care systems were facing extraordinary financial threats and uncertainty. These systems self-finance a significant portion of care provided to Medi-Cal beneficiaries, and receive no State General Fund for the costs of those services. This results in a structure that creates an inherent deficit in which the cost of providing services can never be fully covered.

We urge your support of our 2021-2022 state budget request, which is championed by Senator Kamlager, to maintain a strong public health care safety net during COVID-19 and beyond.