May 21, 2021

The Honorable Susan Eggman
Chair, Subcommittee No. 3, Senate Budget and Fiscal Review Committee
State Capitol, Room 5019
Sacramento, CA 95814

The Honorable Joaquin Arambula
Chair, Subcommittee No. 1, Assembly Committee on Budget
State Capitol, Room 6026
Sacramento, CA 95814

Subject: Support – $300M in Funding for Public Health Care Systems 2021-22 State Budget

Dear Chairwoman Eggman and Chairman Arambula:

On behalf of California's 21 public health care systems and the millions of patients they serve, **I am writing to urge you to approve the $300 million in one-time funding for public health care systems in the 2021-22 State Budget, as proposed in the Governor's May Revision, to support critical care delivery needs during and beyond the pandemic**.

Public health care systems have experienced a dramatic increase in their costs to care for Medi-Cal fee-for-service (FFS) COVID-19 patients. We have become increasingly concerned that public health care systems cannot sustain their robust, community-wide response efforts, while also continuing to provide hospital care to the state's most vulnerable patients, including nearly 40% of the state's uninsured and over 35% of Medi-Cal patients in their communities – numbers that will likely only increase as this crisis persists and as our state recovers. Even as we pursue all possible sources of support at the federal and state level, significant funding gaps for public health care systems remain and could worsen during the upcoming fiscal year.

To meet these needs, the Governor's May Revision includes a one-time investment of $300 million in funding for public health care systems in the 2021-22 State Budget proposal to offset unreimbursed costs associated with the increase in Medi-Cal FFS COVID-19 patients, described in further detail below. As we continue our pandemic response efforts, we implore you to approve the proposed funding for public health care systems, which we believe is critical to ensure we can effectively meet COVID-19 related demands and preserve vital infrastructure beyond the pandemic.

Background
As you know, California's public health care systems are the core of the state's health care safety net, delivering high-quality care to more than 2.85 million patients annually, regardless of ability to pay or insurance status. Most patients seen in public health care systems are either Medi-Cal beneficiaries or remain uninsured. These systems also operate over half of the state's top-level trauma and burn centers, and train half of all physicians in the state.

Public Health Care Systems' COVID-19 Response Efforts
As noted above, since the start of the pandemic, public health care systems, which include county-owned and -affiliated facilities, as well as the University of California (UC) medical centers, have played an integral role in the public health response effort. Working alongside their local public health departments and emergency personnel, and in many cases directly with the California Department of Public Health, public health care systems have executed a swift, thorough, and effective response to the pandemic. Some key response areas are highlighted below:

- Surge capacity: Public health care systems dramatically increased their surge capacity, overhauling their operations to respond to a record increase in hospitalizations. They found ways to free-up space within their facilities by converting non-clinical spaces into care settings, building mobile field tents, and expanding operations to additional vacant or unused buildings, including convention centers and other spaces. Expanding system capacity has corresponded with significant increases in costs including those related to increased staffing, supplies and protective equipment.

- Vaccines: Public health care systems are playing a vital role in vaccine development and distribution. The UC medical centers participated in all phase three trials for the Pfizer and Moderna vaccines, and all of our systems have been essential in the local planning, distribution, and administration efforts. With vaccine distribution underway, public health care systems are working closely with county partners to prioritize high-risk populations, set up community sites, and are deploying mobile vaccine clinics and home visits to administer vaccines, and are working with community and faith-based organizations, schools, unions, employers, and others to reach those most vulnerable, among other efforts. Similar to their testing strategy, public health care systems' vaccination efforts are extending beyond their patients to their broader local communities.

- Testing: Even while managing the surge and playing a key role in vaccinations, public health care systems continue to play a significant role in local testing. In many instances, in coordination with their local public health department, they are providing the majority of testing in their communities. Many systems have worked extraordinarily quickly to develop new technologies and bring in-house testing online, with turnaround times of less than 24 hours. Public health care systems were also some of the first sites in California or in their community to offer drive-through testing.

Serving Vulnerable Populations and Communities of Color
Public health care systems' mission and mandate to serve everyone, regardless of ability to pay or other circumstance, has never been more visible or important than during this pandemic. As noted, these systems are caring for many of the state's most vulnerable patients, including low-income essential frontline workers, immigrants and communities of color, and those with other complex social and medical needs. Some of their work in this area includes:

- Outreach to immigrant communities: Many public health care systems have implemented specific outreach plans that target especially high-risk populations to provide testing, health services, and education. For example, Natividad Medical Center in Monterey County visited local farms to provide testing for immigrant workers, train the workers on mask wearing and social distancing, offer onsite health services, and provide assistance with signing up for nutrition support and accessing CalFresh.

- Supporting nursing home workers and patients: Public health care systems also worked closely with nursing homes as part of local outreach teams. Together, these teams have provided training on the

use of personal protective equipment, infection procedures, and assistance with operational needs to support staff and patients in preventing infection and minimizing potential spread.

- Homelessness: As core safety net providers and lead entities of Whole Person Care (WPC) pilots, public health care systems are working closely with their county partners, community-based organizations, and social service agencies, among others, to prioritize vaccine distribution and care for the homeless population during the COVID-19 crisis. For example, public health care systems are partnering to deploy street outreach and mobile clinic teams to vaccinate individuals experiencing homelessness at a range of locations, including shelters, congregate settings, food banks or distribution centers, encampments, safe parking sites, hotels (including those offered through Project Roomkey), and transitional housing. In coordination with their counties and local housing partners, WPC pilots are also working to secure longer-term supportive housing for these patients. We are hopeful that the additional Project Homekey opportunities proposed in the budget may further support these efforts.

Insufficient Federal COVID-19 Funding
Public health care systems are leveraging all available COVID-19 federal funding sources, including federal Provider Relief Funds, Federal Emergency Management Agency support, allocations for health care providers under the Coronavirus Aid, Relief, and Economic Security Act, and emergency Medicaid 1115 waivers. However, given the magnitude of their experience, even when we total up these funding sources, critical gaps remain and fall short of enabling public health care systems to maintain essential services and fulfill their essential community role.

State Support for COVID-19 Medi-Cal FFS Patients
We appreciate the Administration's and Legislature's leadership and swift action over the last year to respond to this pandemic and invest critical resources when needed. **We urge you to approve the one-time $300 million allocation proposed in the May Revision to the 2021-22 State Budget to offset public health care systems' costs associated with the increase in Medi-Cal FFS COVID-19 patients.**

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. According to state reports, this has been especially 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. For Medi-Cal FFS patients, which comprise roughly 30% of public health care systems' hospitalizations, public health care systems receive no state General Fund; they must provide the entire non-federal share. Yet, the federal portion only covers roughly 65% of public health care systems' costs. As a result, as public health care systems' COVID-19 hospitalizations rise, so do their unreimbursed costs. At the same time, due to federal rules, public health care systems cannot claim other federal sources like the Provider Relief Fund to offset these – a financing challenging that no other types of hospitals share. State funding would be used to help offset these costs and support public health care systems' efforts to continue providing much-needed services for Medi-Cal FFS patients with COVID-19.

Financial Challenges Beyond the Pandemic
Even prior to the COVID-19 pandemic, public health care systems were facing extraordinary financial threats and uncertainty. As described above, they self-finance a significant portion of the care they provide to their Medi-Cal patients – an increasingly challenging and unsustainable model for public health care systems to maintain, as it creates an inherent deficit in which the costs of providing care can

never be fully covered. Beyond pandemic-related costs, public health care systems have concerns over their longer-term structural financing challenges, and we look forward to continuing to work with you to address these challenges.

Conclusion
Public health care systems remain committed, more than ever, to provide high quality care and effectively serve their communities, including California's most vulnerable patients. We urge you to approve the $300M in funding proposed in the May Revision to support public health care systems and appreciate your commitment to maintaining a public health care safety net during COVID-19 and beyond.

Thank you for your consideration. We would be pleased to discuss our position with you and answer any questions you may have. Please contact Kelly Brooks-Lindsey, our Sacramento representative, at 916-272-0011 if you would like more information.

Sincerely,

Erica B. Murray
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cc: The Honorable Members of the Senate Budget and Fiscal Review Subcommittee No. 3
The Honorable Members of the Assembly Committee on Budget, Subcommittee No. 1

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