

**April 18, 2025 - President's Message**

Dear Public Health Care System Leaders,

Thank you for your continued partnership and advocacy as we work to protect Medicaid from the devastating cuts currently under consideration in the federal budget reconciliation process.

Many of you are meeting with your members of Congress during the spring recess; these conversations are a crucial opportunity to drive home a few key points:

- Proposals being framed as efforts to reduce “waste, fraud and abuse,” would in fact, cut legitimate and widely used financing structures that support care for low-income, vulnerable patients.
- Public health care systems, and the patients we serve, would be among the hardest hit, as we have some of the highest Medicaid payor mixes in the state.
- Lawmakers must oppose these cuts to protect health care for the people in their district.

It is clear that moderate Republicans are trying to appear as protectors of Medicaid. Representatives David Valadao and Young Kim recently signed a [letter](#) that states “cuts to Medicaid also threaten the viability of hospitals, nursing homes, and safety-net providers nationwide.” However, the letter also includes language such as, “efficiency and transparency must be prioritized for program beneficiaries, hospitals, and states. We support targeted reforms to improve program integrity, reduce improper payments, and modernize delivery systems to fix flaws in the program that divert resources away from children, seniors, individuals with disabilities, and pregnant women – those who the program was intended to help.” This latter statement appears to leave the door open to harmful proposals including FMAP reductions or a per capita cap on the Medicaid expansion population. We must keep the pressure on and make it clear that any such proposals would be disastrous to Medicaid enrollees.

Separately, the Trump Administration issued an [executive order](#) (EO) this week on drug pricing which may carry unintended consequences for the 340B program. CAPH is reviewing the EO in partnership with CHA and AEH to assess the impact and will continue to provide updates as we learn more.

Thanks again for your relentless advocacy on behalf of the millions of patients who rely on your care.

Sincerely,

Erica Murray

President and CEO  
California Association of Public Hospitals and Health Systems

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## State

### First Proposition 35 Advisory Committee Meeting Launches Funding Discussions

The [first meeting](#) of the Protect Access to Health Care Act (PAHCA) Stakeholder Advisory Committee was held on April 14, 2025, to advise the Department of Health Care Services (DHCS) on how to allocate Managed Care Organization (MCO) Tax funding as required by Proposition 35. During the meeting, DHCS provided an overview of the MCO tax, Medicaid financing, and considerations for disbursing funds. Several committee members urged DHCS to distribute the funds quickly, especially in areas that do not require federal approval. DHCS also shared they may form subcommittees to explore allocations around specific funding buckets. DHCS will reconvene the committee in May and is accepting public comment through April 25 to help inform early spending decisions for calendar years 2025–2026. CAPH plans to submit a letter to DHCS.

### Office of Health Care Affordability April Board Meeting

The Health Care Affordability Board will , to continue discussions—and possibly vote— on the Office of Health Care Affordability (OHCA's) [proposal](#) to set hospital sector spending targets, including significantly lower targets for hospitals identified as “high cost.” While no public health care systems are currently captured under OHCA's proposed methodology, changes are still possible. - CAPH submitted formal [comments](#) expressing concerns about OHCA's measurement approach and data limitations and requested a time-limited exemption for public health care systems from consideration for the high-cost hospital targets until the methodology and data concerns, unique to public health care systems, can be resolved. The Board will review stakeholder feedback and may vote on the current or a revised proposal during the April 22 meeting or postpone a decision to the May 27 meeting.

Also of priority, OHCA will provide an update on the hospital outpatient spending measurement methodology. CAPH, its members, and OHCA's Board previously expressed concerns with the original proposed approach to measuring hospital outpatient revenues. In response, OHCA revisited its methodology, and CAPH will continue to monitor and provide updates on any developments.

### New Law Requires Medi-Cal Coverage of Emergency Psychiatric Care and Other Changes for Hospitals

Beginning January 1, 2025, Assembly Bill (AB) 1316 (2024) establishes a clear Medi-Cal reimbursement pathway for behavioral health visits in hospital emergency departments. The law guarantees payment for emergency department services provided to patients with behavioral health conditions and enables hospitals to transfer these patients to inpatient psychiatric care without the transfer being subject to prior authorization. For additional information, see this [memo](#) from the California Hospital Association which outlines key provisions in AB 1316 and related hospital obligations under the new law.

### Medi-Cal Managed Care Plan Technical Specifications for Quality Measures Released

DHCS has released the [California Technical Specifications](#) (CaTS) to provide Medi-Cal managed care plans (MCPs) with operating instructions on how to produce numerators and denominators for DHCS programs that require site-level quality metric performance, including for PHS' Quality Incentive Program, the Alternative Payment Methodology for Federally Qualified Health Centers (FQHCs), and the Equity and Practice Transformation program.

The guidance largely aligns with how public health care systems currently report data on QIP. CAPH has reviewed the CaTS and has no concerns at this time.

### HCAI Issues Guidance on AB 1392 Reporting Requirements

Under AB 1392 (2023), hospitals are required to submit the first round of expanded Hospital Supplier Diversity Reports to the Department of Health Care Access and Information (HCAI) by July 1. [These expanded reporting requirements](#) took effect earlier this year. Under AB 1392, hospitals must report on both their current supplier diversity efforts and their future plans to improve them. To assist with compliance, HCAI has

[released a standardized reporting template](#). Hospitals that miss the reporting deadline may be subject to a penalty of \$100 per day. CAPH/SNI created a fact sheet to provide more information, which can be found [here](#).

## Legislative Update

The State Legislature is currently on Spring Recess and will reconvene on April 21. Upon their return, the focus will shift to wrapping up final policy committee hearings before shifting to appropriations, or fiscal committee, hearings and discussions. In the coming weeks, CAPH will publish a list of key bills we are tracking this session. At this time, CAPH has taken a formal opposition position on two pieces of legislation that pose significant administrative concerns for public health care systems.

[AB 339 \(Ortega\)](#) would require public entities, including public hospitals and health systems, with recognized employee organizations to provide written notice and meet and confer requirements before issuing requests for proposals (RFPs), requests for quotes (RFQs), revising job classifications or renewing or extending employment contract. CAPH opposes this bill due to the risk of delays to extending or renewing employee contracts and executing facility upgrades or special projects.

[SB 632 \(Arreguin\)](#) would indefinitely extend presumptive workers' compensation eligibility for respiratory and other infectious diseases, such as COVID-19. CAPH opposes this bill due to concerns that it could conflict with existing workers' compensation law and protections already in place for hospital employees.

## Federal

### Executive Order Directs Changes to the 340B Drug Pricing Program and Other Pharmacy Payment Policies

On April 15, President Trump issued an [executive order](#) introducing potential changes to the 340B Drug Pricing Program and broader federal drug payment policies.

Of priority to public health care systems:

- **340B Hospital Acquisition Cost Survey**

The order directs the U.S. Department of Health and Human Services (HHS) to publish a plan to conduct a survey of hospital acquisition costs for 340B-covered outpatient medications. Based on the findings, HHS is directed to consider and propose adjustments to align Medicare payments with the cost of actual acquisition. This potentially paves a pathway for the Administration to renew the Medicare Part B cuts that had previously been in effect from 2018 through 2022, which reduced rates for 340B-priced drugs by about 30%. Recall these cuts were determined to be unlawful by the Supreme Court in 2022 due to HHS's failure to conduct a survey of hospitals' acquisition costs as required by statute.

- **New Requirements for Section 330 Clinics**

HHS would be required to impose new conditions on clinics that receive Section 330 grants to offer insulin and injectable epinephrine at or below the 340B acquisition price to eligible patients including those with high cost-sharing, unmet deductibles or no health insurance. A similar policy was put in place during the prior Trump Administration; however, it was later rescinded by the Biden Administration prior to it being fully implemented.

- **Site-Neutral Payment Reform**

HHS is also directed to evaluate and propose Medicare site-neutral payment regulations, specifically aimed at discouraging the shift of drug administration services from physician offices to hospital outpatient departments.

CAPH is reviewing the executive order and will continue monitoring developments.

### CMS Cautions States on Medicaid Coverage for Gender Affirming Care for Minors

In a [memo](#) issued April 11, 2025, the Centers for Medicare & Medicaid Services (CMS) reminded state Medicaid agencies that payments for medical services—including those

related to gender affirming care for individuals under age 21—must align with federal standards for quality of care and the best interest of the patient.

The memo cites concerns about the long-term impacts of certain medical procedures such as puberty blockers, hormone therapy, and surgeries, emphasizing that current evidence remains limited and inconclusive. CMS also urged states to review their drug utilization review (DUR) programs to ensure alignment with federal law. Additional guidance on DUR requirements is expected soon.

CAPH is monitoring developments and working to understand potential impacts and will continue to provide updates.

In addition, below are two resources that provide background information on the earlier executive order and an overview of the California laws that currently protect access to gender affirming care.

- [January 2025 Executive Order on Gender-Affirming Care Overview and Federal Implementation Pathways](#) - outlines the order's directives across federal agencies and highlights the significant legal and constitutional challenges the order is expected to face.
- [Overview of California Laws Protecting LGBT Individuals and Access to Gender Affirming Care](#)

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## **Resources** Webinar: Responding to the Moment: Creating Inclusive & Promoting Safe Spaces for Immigrant Patients and Staff in Health Care Settings

Wednesday, May 7 | 12–1 PM | [[Register here](#)]

Join CAPH/SNI and Santa Clara Valley Healthcare for a timely webinar on how public health care systems can support immigrant patients and staff amid recent and potential federal enforcement actions. The discussion will include strategies to create inclusive and safe care environments, prepare for possible encounters with immigration authorities, and engage community partners. Open to all public health care system leaders, especially those in operations, policy, equity, communications, and government relations.

*In case you missed it: Access the [slides](#) from our recent webinar with Foley & Lardner on immigration policy changes and legal considerations for public health care systems.*

## **New CDPH Tools to Support Hospital Relicensing and License Changes**

The California Department of Public Health has released a series of checklists and information sheets to help hospitals and other licensed providers prepare for relicensing surveys and implement changes to their licenses, bed capacities, or services. To ensure hospitals can easily access these materials, CHA has compiled them on its [website](#).

## **Help Us Show Why Public Health Care Systems Matter**

We're calling on members to share powerful patient stories that show the real-life impact of your work—lives saved, families supported, communities strengthened.

These stories are essential to demonstrating why public health care systems deserve strong, sustained investment.

Have a story to share—or need help bringing one to life? Let's [connect](#).

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