

January 10, 2025 - President's Message



Dear Public Health System Leaders,

This year begins with profound challenges and devastating loss for some of our colleagues and friends in Southern California. The ongoing fires have decimated entire neighborhoods, displacing many and forced communities to confront unimaginable losses.

Our hearts are with all those affected, especially our colleagues and their loved ones who have lost their homes. We stand in solidarity with the staff at hospitals and clinics throughout Los Angeles and the surrounding areas. We know many clinics have had to close temporarily and others are working to stay

online with generators where possible. In the face of these heartbreaking challenges, their resilience and unwavering dedication embody the mission we all share. I know I share everyone's deep gratitude to these colleagues who are serving heroically amidst terrible tragedy.

Yours,
Erica Murray

President & CEO

California Association of Public Hospitals & Health Systems PS: Later today, we expect the release of the Governor's budget proposal. Our team will review its implications for public health care systems and share a detailed summary with you. Please stay tuned for that update.

State

Health Committee Chairs Announced for 2025-2026 Legislative Session

The 2025-2026 Legislative Session began on January 6, 2025. Ahead of the session, the Assembly and Senate leadership announced new committee chair appointments, including key health and other related positions. Additional updates to committee assignments are expected in the coming weeks.

- [Senator Caroline Menjivar](#) will serve as Chair of Senate Health Committee
- [Senator Anna Caballero](#) will serve as Chair of Senate Appropriations Committee
- [Senator Akilah Weber Pierson, M.D.](#) will serve as Chair of Senate Budget Subcommittee #3, Health and Human Services
- [Assemblymember Mia Bonta](#) will serve as Chair of Assembly Health Committee
- [Assemblymember Buffy Wicks](#) will serve as Chair of Assembly Appropriations Committee
- [Assemblymember Dawn Addis](#) will serve as Chair of Assembly Budget Subcommittee #1, Health

California Secures Federal Approval for Behavioral Health Waiver

Last month, CMS approved the Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment ([BH-CONNECT](#)) demonstration. This five-year initiative aims to create a comprehensive continuum of evidence-based community services for individuals with significant behavioral health needs. The demonstration authorizes up to

six months of transitional rent support for eligible members through their Medi-Cal managed care plans, allocates funding to expand the behavioral health workforce, and creates new opportunities for counties to receive federal support for short-term stays in institutions for mental diseases (IMDs) provided they commit to implementing specified community-based care models outlined in the waiver. The waiver will be rolled out in phases, beginning in July of this year. Additional details are available [here](#).

CMS Approves Managed Care Organization (MCO) Tax Waiver Amendment

On December 20, CMS [approved](#) California's Managed Care Organization (MCO) Tax waiver amendment, securing roughly \$7.2 billion in net funding. This funding may be used to support provider rate increases and offset General Fund spending in Medi-Cal over the course of the state's spending plan. Later this month, DHCS will convening a stakeholder advisory committee to begin discussing payment methodologies for provider rate increases, which are scheduled to take effect this year. CAPH estimates public health care systems will receive between \$300-400 million annually in net funding from the MCO Tax provider rate increases, including \$150 million specifically allocated for member systems. We continue to coordinate with stakeholders on the development of the payment methodologies and will share updates as they become available.

Federal

Next Federal Lobby Event February 24-25

In December, Congress passed a Continuing Resolution (CR) that will fund the federal government and key programs through April 1, 2025. The CR includes a delay of Medicaid DSH cuts through April 1, 2025, as well as an extension of telehealth waivers and COVID-19 flexibilities.

It will be important for PHS to continue to advocate for these important policies as well as to continue to make the case about the importance of Medi-Cal funding. We will have the opportunity to do that again February 24-25 when we join public hospitals from across the country during America's Essential Hospitals (AEH)'s federal lobby day. To secure meetings with your congressional representatives, please contact [Andrea Rivera](#). A preliminary agenda for AEH programming is now [available](#). Additionally, a [discounted hotel rate](#) is available at the Hilton Washington DC, Capitol Hill if booked before February 3. For further questions, please reach out to Andrea Rivera.

California Selected to Join New Maternal Health Initiative

The Centers for Medicare and Medicaid Services (CMS) [announced](#) California's participation in the Transforming Maternal Health (TMaH) value-based payment model, joining 14 other states and Washington, D.C. . This ten-year initiative aims to improve maternal health and birth outcomes while addressing gaps in maternal health care. Key goals include reducing unnecessary c-sections for low-risk mothers and expanding access to midwives, doulas, and prenatal care, particularly for individuals with chronic conditions like diabetes and hypertension. The Department of Health Care Services (DHCS) will implement the model in five counties identified as having greater needs for additional support, including Kern County.

HHS Rule Strengthens Data Sharing and Interoperability in Health Care

On December 11, the U.S. Department of Health and Human Services, through the Assistant Secretary for Technology Policy, issued the Health Data, Technology, and Interoperability: [TEFCA \(HTI-2\) final rule](#). This rule advances interoperability and enhances the access, exchange, and use of electronic health information (EHI). Building on proposals from the August 2024 proposed rule, this final rule focuses on provisions related to the Trusted Exchange Framework and Common Agreement (TEFCA) to enhance reliability, privacy, security, and trust in data sharing.

The rule includes clarification of the TEFCA manner exception within information blocking regulations. Further, it confirms that limiting EHI exchange to TEFCA does not constitute information blocking if specific conditions are met. Additionally, it defines terms to support compliance and codifies criteria for entities to qualify and operate as Qualified Health Information Networks (QHINs) with processes for onboarding, compliance, suspension,

and appeals. Additionally, the rule includes updates and corrects the ONC Health IT Certification Program to streamline the exchange of health information. Additional information can be found [here](#).

Medicare Drug Pricing Program and Impacts to 340B

On October 2, CMS [finalized guidance](#) on how manufacturers and providers of Medicare-covered drugs can implement the maximum fair price (MFP) under the Medicare Drug Negotiation Program. Authorized by the Inflation Reduction Act, Medicare will begin applying the MFP on January 1, 2026, for the [first ten drugs selected](#) for negotiation, with additional drugs added in subsequent years. The guidance outlines how manufacturers must sell negotiated products to pharmacies and how dispensers will realize the MFP for eligible beneficiaries.

CAPH has initial concerns that the program could limit members' financial benefit from participation in the 340B Drug Pricing Program for selected drugs since the associated Medicare payments will be significantly reduced. In addition, it could create other issues like duplicate discounts.

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