

May 23, 2025 - President's Message

Dear Public Health Care System Leaders,

As you know, there has been a flurry of activity related to Medicaid at both the federal and state levels. On Wednesday, the House passed the "[One Big Beautiful Bill](#)" with a 215-214 vote. While not surprising, it is still devastating to see the bill include deep cuts to Medicaid, SNAP, and other essential safety net programs.

At the same time, we fought hard to ensure that specific provisions that would have hit public health care systems directly and disproportionately were kept out of the bill that passed the House. As a result of

intense advocacy, the final bill did **not** include broad FMAP reductions or cuts to state-directed payments. We mention this not to diminish the deeply damaging cuts to Medicaid that were included, and there is certainly more work to do in the Senate. But we also wanted you to understand the importance of what ultimately WASN'T included.

Meanwhile, last week, the Governor released the much-anticipated [May Revise](#), proposing, among other things, to freeze enrollment for the undocumented patient population, eliminate PPS payments for their services, institute new monthly premiums, and eliminate other benefits. We are working closely with allies and the Legislature to explain the damage that these proposals could have on patients and the public health care safety net.

It is crucial that in both Washington D.C. and Sacramento we remain vigilant and vocal in our advocacy. We now move to the Senate where we must partner with states with Republican Senators to make improvements to the bill. And the State's June 15 budget deadline is approaching quickly. Our collective advocacy is more important than ever.

Thank you as always for your partnership and support.

Sincerely,

Erica Murray

President & CEO
California Association of Public Hospitals & Health Systems

**State
State Budget Update**

Last week, Governor Newsom released the [May Revise](#) addressing a projected \$12 billion deficit driven by lower-than-expected projected revenues and rising costs. Notably, the estimate does not account for possible federal cuts currently under consideration by Congress.

To close the deficit, the Governor proposes \$5 billion in funding cuts, sweeps most of the

MCO tax funding (excluding the \$150 million for PHS) into the General Fund, borrowing \$5.3 billion from other funds and reallocates \$1.7 billion from the Greenhouse Gas Reduction Fund to CAL FIRE Operations. The budget also maintains plans to withdraw approximately \$7.1 billion from the Budget Stabilization Account.

Many of the proposed reductions are focused on the Medi-Cal program. CAPH's detailed summary of the May Revise can be found [here](#).

CAPH testified in opposition to the May Revise proposals during hearing in Senate Budget Subcommittee #3 and Assembly Budget Subcommittee #1 this week. CAPH also submitted a letter outlining specific concerns related to UIS reductions, available [here](#).

The legislature must pass a budget by June 15 though we anticipate it may be a temporary budget while negotiations continue through the end of June. CAPH will continue to advocate against these harmful reductions.

Legislative Update

On Friday, May 23, both the Senate and Assembly Appropriations Committees are hearing bills on their suspense files, a key procedural step in the California Legislature. Bills with significant fiscal impacts are placed in a holding period to allow for further consideration of overall budget implications by the appropriations committees. It's essentially a pause, giving lawmakers time to assess and prioritize spending decisions through a more comprehensive review of potential budget implications.

However, the process is incredibly opaque. There is typically little explanation as to why some bills advance while others are held.

Bills that are "voted off suspense" advance to either the Senate or Assembly floor for further consideration and, if passed, move to the other house. Bills that remain in suspense are effectively dead for the year.

Today's hearing will provide a clearer understanding of our priority bills for the year. CAPH will share developments on key bills in the next update.

Updated Closed Loop Referral (CLR) Guidance

The Department of Health Care Services (DHCS) has released revised [Closed Loop Referral \(CLR\) guidance](#) in response to provider and MCP requests for clarification. The revisions include details on how the CLR requirements apply to Sobering Care and Transitional Rent Community Supports.

MCPs must launch the CLR requirements for Enhanced Care Management and Community Supports beginning July 1, 2025.

A recording of DHCS's all-comer webinar outlining the CLR requirements is available [here](#). Contact [DHCS directly](#) with any questions.

CDII Provides Data Exchange Framework Updates

On May 15, the Center for Data Insights and Innovation (CDII), hosted its latest Data Exchange Framework (DxF) Meeting to share updates on technical standards. Key updates relevant to public health care systems include:

- **[DxF Participant Directory](#):** CDII gathered feedback on how to prioritize ongoing updates and maintenance of the directory.
- **New Governance Committee:** CDII announced plans to replace the Data Sharing Agreement Policies & Procedures Subcommittee with a Policy, Operations, Privacy, and Security Committee, which will include members with expertise in data exchange, security, data privacy, policy, operations, and information systems.
- **Statewide Consent Initiative:** CDII introduced the Authorization to Share Confidential Medi-Cal Information, a statewide consent management initiative to streamline consent for sharing Health and Social Services information.
- **Participant Survey:** An anonymous survey will be sent to all DxF participants in May 2025, with a two-week response window. The survey will assess DxF progress to date, identify barriers to data exchange and explore opportunities to accelerate

CAPH will continue monitoring DxF implementation and notify members of key developments. Meeting materials are available on the [CDII website](#).

Federal

Federal Update: One Big Beautiful Bill Passes the House

On Thursday, May 22, the US House of Representatives narrowly approved the [One Big Beautiful Bill](#) Act (OBBB, HR 1).

The bill closely resembled the version passed by the Energy and Commerce Committee, reflecting significant advocacy and efforts by moderate Republican to block additional cuts to Medicaid, including broad FMAP reductions or cuts to state directed payments. However, several amendments were added, including:

- **State Directed Payments (SDPs):** Non-expansion states would be allowed to cap their future SDPs at 110% of Medicare payment rates, as compared to 100% for expansion states.
- **Work Requirements:** The implementation date for Medicaid work requirements would move up to December 31, 2026, rather than the originally planned date of January 1, 2029.
- **Gender-Affirming Care:** The bill expands the ban on the use of Medicaid dollars for gender-affirming care from minors to include adults.

The bill advanced without a final budget score from the nonpartisan Congressional Budget Office (CBO), raising concerns among some lawmakers about its potential fiscal impacts. [Early estimates from the Kaiser Family Foundation](#) project reductions in federal Medicaid funding to California by approximately \$9.8 billion annually and between 1.2 million and 1.9 million Californians at risk of losing Medicaid coverage.

The bill now heads to the Senate, where additional revisions are expected. Any changes made in the Senate, which has set an internal deadline of July 4 to complete its work, will need to be approved again by the House before final passage.

CMS Proposes Changes to Medicaid Health Care-Related Taxes

Earlier this month, the Centers for Medicare and Medicaid Services (CMS) released a [proposed rule](#) revising how it determines whether health care-related taxes are uniformly applied, aiming to close what it refers to as a loophole in current regulations. Generally, federal law requires health care-related taxes to be broad-based (applying to all non-governmental providers in a class) and uniform (taxing providers at the same rate), though states may waive these requirements if certain statistical tests are met. The tests are designed to demonstrate whether the tax is generally redistributive, meaning taxes collected from non-Medicaid services are used as the state's share of Medicaid payments.

CMS is now proposing additional requirements, in addition to the statistical test, to further assess whether a health care-related tax is generally redistributive, even if it passes the statistical test, such as prohibiting health care-related taxes where the tax rate is higher for Medicaid plans or providers than non-Medicaid plans or providers, among other new requirements.

If finalized, the rule could pose risks to California's Managed Care Organization Tax and the Hospital Quality Assurance Fee Program. It's important to note that this language is also in the budget reconciliation bill passed by the House. What this tells us is the Administration is signaling that it will pursue these changes whether or not Congress does.

CAPH is reviewing the proposed rule in greater detail and will continue to update members as new information becomes available. CMS is accepting comments on the rule until July 14.

New Executive Order Targets Drug Costs

On May 12, 2025, President Trump [signed the latest](#) in a series of executive orders on

drug pricing. The order takes two main approaches. First, the administration must provide pharmaceutical manufacturers with price targets within 30 days, based on prices in comparably developed countries. If drug manufacturers do not comply voluntarily with these targets, the administration has outlined escalation measures, including formal rulemaking processes to impose the prices.

Second, the order tasks the Secretary of Health and Human Services (HHS) with establishing a mechanism to allow patients to purchase medications directly from manufacturers at a Most-Favored-Nation price, bypassing intermediaries. The impact of this order on drug pricing is unclear, as it initially depends on voluntary price reductions by manufacturers.

CAPH is monitoring developments and will update members as new details emerge.

Resources

HCAI Health Workforce Development Opportunities

The Department of Health Care Access and Information (HCAI) has several funding and training opportunities to support the health care workforce. Key programs and deadlines are listed below:

- **BSN Loan Repayment Program (BSNLRP)**

Applications are now open and due June 13, 2025.

Supports Registered Nurses providing direct care in qualified facilities.

Visit the [BSNLRP website](#) for more information.

- **LVN Loan Repayment Program (LVNLRP)**

Applications are now open and due June 13, 2025.

Supports Licensed Vocational Nurses in similar settings.

Visit the [LVNLRP website](#) for more information.

- **Steven M. Thompson Physician Corps Loan Repayment Program (STLRP)**

Applications are now open and due June 13, 2025.

Provides loan repayment for licensed physicians and surgeons delivering care in qualified facilities across California.

Visit the [STLRP website](#) for more information.

- **Medi-Cal Behavioral Health Residency Training Program (MBH-RTP)**

Applications open July 2025

Provides up to \$250,000 per slot to support new residency and fellowship programs.

Visit the [MBH-RTP website](#) for more information.

- **Medi-Cal Behavioral Health Student Loan Repayment Program (MBH-SLRP)**

Applications open July 1, 2025 - August 15, 2025.

Part of the BH-CONNECT initiative, this program offers up to \$240,000 in loan repayment for behavioral health professionals committed to serving underserved populations.

Visit the [MBH-SLRP website](#) for more information.

- **Song-Brown Primary Care Residency (PCR) Grant Program**

Applications open July 2025 - September 2025.

Funds training of primary care residents to serve in underserved communities. Informational webinars will be held on July 30.

Visit the [PCR website](#) for more information.

CHCF Health Care Leadership Program

Deadline Extended to June 6th – [Apply Now!](#)

The California Health Care Foundation's (CHCF) Health Care Leadership Program is now accepting applications through June 6. This two-year, part-time fellowship supports up to 32 clinicians annually in building their leadership skills and driving health care improvement across California.

The program is open to physicians, behavioral health providers, nurses, dentists, pharmacists, and other clinically trained health care professionals with at least five years of leadership experience who live and work in California. This program is widely recognized as a transformative experience for clinicians who want to expand their leadership capacity and support health care improvement in a competitive, complex environment.

[Learn more](#) about the program and [apply](#) by June 6.

CAPH | 70 Washington Street, Suite 215 | Oakland, CA 94607 US

[Unsubscribe](#) | [Constant Contact Data Notice](#)



Try email marketing for free today!