

August 29, 2025 - President's Message

Dear Public Health System Leaders,

We are awaiting Congress' return from August recess to address a critical issue for California's public health care systems.

On Oct. 1, the beginning of the next federal fiscal year, Medicaid Disproportionate Share Hospital (DSH) cuts are scheduled to take effect, eliminating \$8 billion annually at the national level. For CAPH members, this would mean a loss of \$856 million annually unless Congress acts.

On the one hand, we have reason for optimism that we will succeed in delaying these cuts. We have done so successfully for 11 years, and over that time, the coalition of states and stakeholders has grown to a strong, bipartisan voice on behalf of safety net providers and their patients.

However, the inclusion of roughly a trillion dollars' worth of cuts to Medicaid in the recent budget reconciliation bill offers a reminder that we should not be complacent or overconfident that our track record on DSH will hold.

Our opportunity lies in the fact that, unlike the situation with HR 1, the Republicans must secure some Democrats to pass an end-of-year spending package. As a result, this is an "all-hands-on deck" moment for our community: in September we will intensify our federal outreach in close coordination with all of you and our national allies. Your engagement will be essential to ensuring our collective voice is heard in Washington.

Prior to this message, CAPH prepared and distributed a DSH advocacy toolkit to support your efforts.

CAPH remains steadfast in our commitment to advocate vigorously to protect funding for California's safety net and the communities we serve. We deeply appreciate the advocacy you and your systems provide in keeping your elected officials apprised of what's at stake and how they can help support you. I am confident that we will look back with satisfaction knowing we stood together and fought for what mattered most.

Sincerely,

Erica Murray

President & CEO
California Association of Public Hospitals and Health Systems

State**State Advocacy: A Look Ahead**

California's legislative session is quickly approaching its end, with adjournment scheduled for Sept. 13. Today, the Appropriations Committees in both the Assembly and the Senate voted on the "suspense file." These votes mark a pivotal moment where bills with

significant fiscal impacts face their final hurdle before advancing to floor votes.

In non-election years such as 2025, the Legislature sets its bill passage deadline in September, creating intense pressure during these final weeks as lawmakers work to complete their legislative agendas. Following the suspense file decisions, bills that advance proceed to final floor votes in both chambers. Any legislation that clears both houses goes to Governor Gavin Newsom's desk, where he has until mid-October to sign or veto.

CAPH continues to monitor legislation that impacts public health care systems, including the following high-priority bills:

- SB 81 ([Arreguin](#)) on immigration enforcement in health facilities. CAPH is monitoring. The bill is on its 3rd reading in the Assembly and will then go to the Senate for final passage.
- SB 596 ([Menjivar](#)) on nurse staff ratios. CAPH opposes. The bill passed out of suspense with amendments to remove timelines and will now go to the Assembly floor.
- SB 660 ([Menjivar](#)) on the Data Exchange Framework. CAPH is monitoring. The bill passed out of suspense with amendments to remove the governing board and will now go to the Assembly floor.
- AB 339 ([Ortega](#)) on local employment notice requirements. CAPH opposes. This bill was amended and passed out of suspense and will now go to the Senate Floor.
- AB 1312 ([Schiavo](#)) on charity care. CAPH is monitoring. This bill passed out of suspense and will now go to the Senate Floor.
- AB 543 ([Gonzalez](#)) on Medi-Cal Street Medicine. CAPH supports. This bill was amended and passed out of suspense and will now go to the Senate Floor.
- AB 618 ([Krell](#)) on Medi-Cal behavioral health data. CAPH supports. This bill was held on suspense.

The Legislature will now turn to floor votes in their respective Houses. Lawmakers must act on all bills by Sept. 12. Measures that advance will proceed to the governor's desk, where he has 30 days, or no later than Oct. 12, to sign or veto.

Office of Health Care Affordability Update

This week, the Health Care Affordability Board met to continue discussions on the Office of Health Care Affordability's (OHCA's) enforcement approach to the state's health care spending target. The Board is considering circumstances that would determine when a health care entity exceeding the spending target should proceed beyond technical assistance into its progressive enforcement process which may include public testimony, performance improvement plans, and/or financial penalties.

The Board will continue discussions on this and other aspects of OHCA's enforcement process through the spring of next year, with the goal of codifying the policies via a regulatory process during May through October of 2026. CAPH submitted initial comments on OHCA's enforcement considerations to urge OHCA and its Board to account for impacts that result from HR 1 and other high-priority issues for public health care systems, such as impacts from other state and federal policy and legislative changes, labor costs, and emerging high-cost/high-value pharmaceuticals.

Equity Report Submissions to HCAI Due Sept. 30

Beginning Sept. 30, 2025, all California hospitals are required to submit equity reports and plans to the California Department of Health Care Access and Information's (HCAI) submission portal, as required by AB 1204 (2021). To support this effort, CAPH/SNI has created an overview outlining key requirements, timelines, and available tools. Members can also access webinar recordings on HCAI's website for a walkthrough of the online submission portal.

HCAI Webinar on Rural Health Transformation Program

The Department of Health Care Access and Information (HCAI) is overseeing California's proposal for the Rural Health Transformation Program, the new \$50 billion program created by HR 1. To launch stakeholder engagement and help inform the development of California's application, HCAI will host a kickoff webinar on Sept. 4 to outline program goals, share additional resources, and provide a Q & A session.

Following the webinar, HCAI will collect stakeholder feedback via a survey and listening sessions scheduled toward the end of September. Members may register for the webinar [here](#).

Federal

Federal Advocacy: A Look Ahead

As Congress returns from its August recess next week, it faces a packed and politically charged agenda. Funding for the government is slated to expire at the end of the fiscal year (FY) on Sept. 30, 2025. Congress will have to pass a continuing resolution (CR) or the full FY 2026 spending bills to avoid a government shutdown.

A key public health care system (PHS) issue with immediate fiscal impacts is Congress' further delay of Medicaid Disproportionate Share Hospital (DSH) payment cuts, which will go into effect on Oct. 1. Without the delay of DSH cuts, California's PHS will see an immediate fiscal impact of \$856 million annually.

Additionally, the Medicare telehealth flexibilities that have been in place since 2020 would expire on Sept. 30. Absent Congressional action, Medicare telehealth rules would largely return pre-pandemic era policies starting in October.

Generally, the DSH cut delays and extension of the Medicare telehealth flexibilities have been secured with substantial bipartisan support; however, America's Essential Hospitals (AEH) and CAPH are both engaged in advocacy efforts to ensure they are secured again.

CMS Announces Initiative on Immigration Status Verification in Medicaid

Last week, the Centers for Medicare and Medicaid Services (CMS), announced a new "oversight" initiative to send states a monthly list of Medicaid and Children's Health Insurance Program (CHIP) enrollees for whom states will have to take additional steps to reconfirm they meet citizenship or immigration status requirements.

In a [letter to states](#), CMS indicates it will run a sample of states' enrollment data through the Systematic Alien Verification for Entitlements (SAVE) program to attempt to verify citizenship and immigration status of enrollees. When CMS cannot verify citizenship or immigration status, the agency will provide states with a monthly report requesting verification. CMS says the list may include individuals that only have coverage for emergency Medicaid, but that states should not take additional steps to verify these individuals' immigration status. CMS will request a report from each state on procedures and outcomes associated with conducting eligibility redeterminations for individuals contained in these lists.

States are already required to run applicants' information through the SAVE database for federally supported, full-scope Medicaid to determine eligibility and this additional verification will be duplicative of current protocols. There are initial concerns that this change will create a new administrative burden for states and counties and potentially result in individuals losing coverage because of the increased opportunities for administrative barriers and data issues.

Litigation Updates on Federal Immigrant Health Issues

Last month, the U.S. Department of Health and Human Services (HHS) issued a [notice](#) to significantly expand programs that are considered a federal public benefit, including the Health Center Program that Federally Qualified Health Centers participate in, among many others. This expansion would restrict eligibility to a narrow set of "qualified immigrants" and exclude many lawfully residing and undocumented immigrants. A number of states, including California, sued the federal administration to block this change. At the end of July, HHS agreed to pause any enforcement and application related to this new interpretation until Sept. 10. At the hearing last week on the motion for preliminary injunction, the judge questioned the government on the need to make the sudden change and indicated she would issue a ruling by Sept. 10.

In a separate case led by California challenging the federal government's use of Medicaid data for immigration enforcement, the U.S. District Court for the Northern District of California recently granted a preliminary injunction. The preliminary injunction blocks Department of Homeland Security (DHS) from using Medicaid data obtained from plaintiff states for immigration enforcement purposes, and blocks HHS from sharing Medicaid data obtained from these states with DHS for immigration enforcement purposes until the termination of the litigation or 14 days after both DHS and HHS have demonstrated a "reasoned decision-making" (or rulemaking) process.

CAPH is continuing to monitor developments in these cases closely and will keep members informed of any important updates.

HRSA 340B Rebate Model Pilot Program Update

The Health and Human Resources Administration (HRSA) has released new [frequently asked questions \(FAQs\)](#) on its proposed 340B Rebate Model Pilot Program, set to begin January 1, 2026. The program would require covered entities to participate for one year and initially apply to 10 drugs included in the Medicare Drug Price Negotiation Program. The FAQs clarify program details such as steps entities should take if rebates are not received within 10 days of submitting claims, the specific list of eligible drugs, and the manufacturers expected to participate. Drug manufacturers must apply by Sept. 15, 2025, with detailed plans that include providing covered entities at least 60 days' notice before rebate implementation. HRSA also specifies that manufacturers cannot deny rebates based on concerns related to diversion or Medicaid duplicate discounts. When the pilot program goes into effect, HRSA will set up a process for entities to provide feedback on the rebate model. HRSA's Office of Pharmacy Affairs is [accepting comments](#) on the pilot program until Sept. 8. CAPH is monitoring the program and will keep members informed on this issue.

Resources

Registration Now Open for the CAPH/SNI 2025 Annual Conference

[Register now](#) – Dec. 3 through 5 in San Diego at the [Westin San Diego Gaslamp Quarter](#). This year's theme, *Anchors of Care Amidst Waves of Change*, honors the resilience and leadership of California's public health care systems as they navigate uncertainty, drive equity, and remain steadfast in their mission to serve.

Expect powerful keynotes, thoughtful breakout sessions, and meaningful connections with peers from across the state.

Reserve your room now and stay tuned for more details—we can't wait to see you there!

Grant Opportunity: HCAI Primary Care Residency (PCR) Program

The Primary Care Residency Grant Program is still accepting applications. This grant provides funding to organizations that train primary care residents in underserved communities. Webinar recordings are available on the [program's website](#). Applications are open through Sept. 8, 2025.

Toolkits to Improve Care for Dually Eligible Patients

America's Physician Groups (APG) has released a [series of briefs](#), sponsored by the California Health Care Foundation, to support improvements in care for dually eligible patients. The briefs share insights and experiences from APG's accountable physician organizations that are applicable for health systems, policymakers, and health plans aiming to improve care for seniors.



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