

**September 12, 2025 - President's Message**

Dear Public Health Care System Leaders,

While much of our focus this year has been on federal advocacy, we have also worked with you and other partners on some key state budget and legislation. As the Legislature concludes its session today, I wanted to take a moment to reflect on some key successes and where some work remains.

For instance, in the most recent budget debate, we conveyed to the Legislature how damaging it would be to limit coverage for the UIS patient population and reduce payments to providers for their services. In the end, we were pleased that legislators mitigated some of the Governor's harmful proposals, such as reducing the proposed monthly premiums for the UIS population from \$100 to \$30 and delaying an elimination of PPS rates for the UIS population by size months. But we also know that the elimination of PPS payments next July will destabilize our FQHCs.

We also greatly appreciate your work in communicating the burden that costly new nurse staffing requirements, as proposed by SB 596, would place on your already-strained systems. As of this message, the bill is awaiting a final vote on the Senate Floor and CAPH is continuing our advocacy to try to prevent passage. If the bill passes, our attention will turn to the Governor to secure a veto.

On the federal side, our current focus remains on preventing DSH cuts, which are scheduled to begin October 1, 2025. While Congress has historically stepped in to prevent these cuts, the current political landscape presents new challenges. We're working closely with our federal partners to ensure our Members of Congress understand the impact these cuts would have on our ability to serve our patients and communities. Thank you to each of you for your advocacy on this as well.

On September 22, I will be stepping away for a two-month sabbatical and will return November 14. During this time, CAPH Vice President of Policy and Government Relations, Katie Rodriguez, will be serving as Interim President and CEO. I leave you in good hands with Katie and the rest of the CAPH/SNI staff who will continue our work advocating on your behalf and supporting your important work.

Sincerely,

Erica Murray  
President & CEO  
California Association of Public Hospitals and Health Systems

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**State****State Advocacy: A Look Ahead**

California's legislative session concludes today. Measures passing both the Assembly and the Senate will advance to the governor's desk, where he has 30 days, or no later than October 12, to sign or veto.

Often the last week of session presents a final opportunity for stakeholders to weigh in and advocate for, or against, their top priority legislation.

Additionally, CAPH worked to ensure that budget trailer bill language was amended to ensure vaccines remain available in California following the governor's announcement on a [multi-state health alliance](#). CAPH worked quickly alongside county health leaders to provide language that would protect providers from liability if administered vaccines lead to a medical issue or challenge for the patient. These protections are essential to minimize risk for providers in our safety net systems.

CAPH will provide an overview of bill statuses, impacts, and trends following the final floor votes.

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## Federal

### Federal Advocacy: A Look Ahead

Congress returned from the August recess and immediately began negotiating an end-of-year fiscal package, more commonly known as a continuing resolution (or CR). The CR contains funding designations to maintain federal government operations to avert the possibility of a federal government shutdown, which absent congressional action, will occur on October 1.

In past years, the CR has presented an opportunity for stakeholders to include key health care program extensions since funding for these services usually aligns with the expiration of federal funding. These policies, such as Medicaid Disproportionate Share Hospital (DSH) cuts are usually extended through government funding packages with broad bipartisan support. If not included, the current DSH cut delay will expire on September 30, 2025, resulting in an \$856 million annual loss of funding for California's public health care systems. Other notable health extenders expire on September 30, including Medicare telehealth flexibilities, the Hospital-at-Home program, and other programs.

The White House has requested that Congress pass a four-month CR to keep the government open through January 31, 2026. We have heard that Republican leadership is considering a shorter CR, which would go into November. Democrats have been pushing to include health provisions in any CR.

Delaying DSH cuts remains a top federal priority as we near the expiration of current flexibilities.

Thank you for your continued engagement and direct advocacy with members of Congress to highlight the importance of including a delay of DSH cuts in this year's fiscal package.

### CMS Releases Guidance on HR 1 Changes to State Directed Payments

This week, the Centers for Medicare and Medicaid Services (CMS) released [preliminary guidance](#) on new requirements pertaining to state directed payments (SDPs) made by HR 1. The law limits new SDPs for hospital and other services to 100% of the Medicare rate in states that have expanded Medicaid (including California) and grandfathers in certain approved and pending SDPs at their current rates while requiring a phase-down to Medicare rates starting for rating periods beginning on or after January 1, 2028. In the guidance, CMS clarifies the total dollar amount of a grandfathered SDP cannot increase in periods prior to the phase-down. This means, for public health care system, SDPs that are grandfathered in—such as the the Quality Incentive Pool Program (QIP) and Enhanced Payment Program (EPP)—cannot be adjusted for factors like inflation or new acquisitions. A number of questions remain around the mechanics of the phase-down and what changes, if any, can be made to preprints while still maintaining grandfathered SDP status; additional rulemaking by CMS is expected.

In addition, CMS released an [informational bulletin](#) indicating it will no longer consider a SDP preprint complete and eligible to begin federal review unless it includes minimum quality evaluation elements. For SDP renewals, preprints must also include interim or final evaluation results from prior submissions. CAPH is reviewing these new requirements and

will work with the California Department of Health Care Services to best position public health care system SDPs for compliance. We will keep members informed of any significant developments.

## District Court Grants Temporary Court Order Blocking Changes to Federal Public Benefits

On Wednesday, the U.S. District Court for the District of Rhode Island [granted a preliminary injunction](#) that blocks the federal government from enforcing new restrictions on access to public benefits based on immigration status in the plaintiff states, including California, while the litigation continues. The litigation and ruling are in response to a [notice released in July](#) by the U.S. Department of Health and Human Services that reinterpreted the definition of federal public benefits, expanding it to include the Health Center Program (among others), which could have eliminated access for many lawfully residing and undocumented immigrants. The California attorney general released a [statement](#) in response to the decision.\

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## Resources

### Registration Now Open for the CAPH/SNI 2025 Annual Conference

[Register now](#)—Dec. 3 - 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!

### Prop 35 GME Dollars – CalMedForce/CalMedForce+ Cycle Open

Physicians for a Healthy California (PHC), in partnership with the University of California, has opened the FY 2025–26 application cycle for CalMedForce (Prop 56) and CalMedForce+ (Prop 35).

Together, these programs provide \$75M to support California residency and fellowship training, including primary care, emergency medicine, and specialty programs.

#### Key Dates

- Webinars: Sept. 5 (recording available) & Sept. 22
- Office Hours: Sept. 9 & Oct. 3
- Deadline: Oct. 8 at 7 p.m.

Resources and application materials are available on the [CalMedForce website](#).

### Safety Net Innovation Summit – October 8–9, 2025

The Center for Care Innovations (CCI) is hosting the Safety Net Innovation Summit in Berkeley on October 8–9, 2025.

At a time of workforce challenges and shifting policies, this Summit brings together safety-net leaders, innovators, and community champions to share ideas, build connections, and chart a path forward.

Learn more and register on the [CCI website](#).

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