

November 7, 2025 - President's Message

Dear Public Health Care System Leaders,

The federal government shutdown has entered its sixth week and is officially the longest shutdown in history. The impacts are increasingly far reaching with federal government employees not being paid, delays in SNAP (CalFRESH in California) benefits, and funding interruptions forcing Head Start programs to close across the country. Conversations to resolve the shutdown have picked up, but the election results across the country may prolong it as party leaders seem more dug in following Tuesday's results. CAPH continues to advocate for the inclusion of a retroactive delay of DSH cuts and retroactive waiver of Medicare telehealth flexibilities in any spending bill. Thankfully, there continues to be bipartisan support for these provisions.

In California and many other states, communities are coming together to support those affected by the shutdown. The state has allocated additional funding to food banks, while counties and community organizations are leading local efforts. [San Francisco](#) and [Contra Costa](#) counties are providing grocery gift cards to CalFresh households; [Sacramento](#), [Santa Clara](#), [San Mateo](#) and [Los Angeles](#) counties are partnering with local food banks and community groups to distribute meals and supplies to families in need. Many other counties across the state are mobilizing similar supports; a meaningful reminder of how communities come together in challenging times.

This week's elections offer early signals about the policy landscape ahead. In Santa Clara County, Measure A passed, providing additional local support for Santa Clara Health System as the county prepares for reductions in federal funding under HR 1. The outcome reflects strong community commitment to maintaining essential services and could be a model for other counties seeking to support public health care systems and other safety net providers. In California, voters approved Proposition 50, which temporarily changes how congressional district lines are drawn in California. This aligns with efforts across the country to redraw congressional districts in an effort to influence which political party has control of the House of Representatives. This election outcome and election results across the country could serve as a bellwether for future federal elections.

Against this backdrop, our systems are leading by example, continuing to plan, adapt, and deliver uninterrupted care while navigating what state and federal funding cuts will mean for operations and access to care. This consistency is what communities count on, and these moments are evidence of the value of our public health care systems.

We will continue moving forward together, guided by our mission to strengthen the safety net and meet the needs of our communities. Thank you again for your continued leadership and partnership.

Sincerely,
Katie Rodriguez

Interim President & CEO
California Association of Public Hospitals & Health Systems

Note: *Erica Murray is currently on sabbatical. During this time, I will be sharing these updates with you on behalf of CAPH.*

State

Focus in Sacramento Shifts to 2026

Following passage of Proposition 50 on Nov. 4, attention is turning to both the policy and politics ahead in 2026.

With the Legislature in recess, state agencies are focusing on implementation and oversight of recently enacted laws, while legislators and staff begin identifying potential legislative solutions for the upcoming session. As Gov. Gavin Newsom enters his final year in office, focus is on developing his January budget proposal, which will set the stage for his last year as Governor.

The candidate slate for the November 2026 gubernatorial election continues to take shape. This week, after much anticipation, U.S. Senator Alex Padilla announced he will not run for governor. As the race develops, health care policy is expected to feature prominently alongside affordability, housing, and other key issues facing Californians

Office of Health Care Affordability

The Health Care Affordability Board [convened last week](#) to continue discussions on creating an enforcement process for the health care spending target. The Office of Health Care Affordability (OHCA) does not intend to allow a waiver process in the initial years of enforcing the spending target because it sees this as being a duplicative step in the progressive enforcement process with its assessment of enforcement considerations and determining when an entity could permissibly exceed the spending target.

There was also a discussion of a penalty structure for health plans that fail to meet data submission requirements. Overall, the Board did not think the penalties were high enough to incentivize compliance. OHCA will return with an amended proposal for the Board's consideration at the Nov. 19 meeting.

Mailing of Medi-Cal Notices to Certain Adult Immigrants

This month, the Department of Health Care Services (DHCS) will begin mailing a General Information Notice and Frequently Asked Questions (FAQ) to Medi-Cal members who have no immigration status or an unverified immigration status, or certain non-immigrant visa holders who are active on full-scope Medi-Cal. The notice discusses the freeze on new enrollments in "full scope Medi-Cal with no dental" beginning Jan. 1, 2026, and the elimination of dental services beginning July 1, 2026, for certain members.

The notice, FAQs, and Medi-Cal Eligibility Division Information Letter can be found [here](#). Additional information on upcoming Medi-Cal eligibility resulting from the 2025-26 State Budget is available [here](#).

Federal

Federal Government Shutdown Continues

The federal government shutdown, which began Oct. 1, 2025, is now the longest in U.S. history. The impasse centers on partisan disagreements over funding legislation, with Democrats seeking to include an extension of ACA premium tax credits set to expire at year-end, while Republicans oppose linking health subsidies to the continuing resolution.

While major entitlement programs including Medicaid continue to operate, California's public health care systems experienced reduced DSH payments this quarter due to the ongoing shutdown. DSH funding remains a core advocacy priority for CAPH, which continues to [coordinate with other hospital constituencies](#) to advocate for a retroactive delay of DSH cuts, and a waiver of Medicare telehealth flexibilities in any spending bill.

CMS Update on Medicare Telehealth Claims Processing During the Shutdown

The Centers for Medicare and Medicaid Services (CMS) released updated guidance on how it will process telehealth claims during the federal shutdown. CMS has instructed Medicare Administrative Contractors (MACs) to pay telehealth claims with dates

of service on and after October 1, 2025, when CMS can clearly identify the claims are for behavioral or mental health services, or otherwise meet requirements under current law. In the absence of Congressional action, those requirements have reverted to the statutory limitation that applied to Medicare telehealth services before the COVID-19 pandemic.

CMS noted that while categories of claims are payable under current law, it has not yet been able to identify all such claims. As a result, some claims are currently being held. CMS will begin returning claims submitted on or before No.r 10, 2025, with dates of service on or after Oct. 1, 2025. Practitioners may resubmit claims that meet current law following CMS's updated submission instructions. For claims that do not meet current law, practitioners may either continue to hold claims or submit them with a GY modifier, which will result in denial. These claims will be denied, but that denial allows both the patient and the provider to keep their right to appeal. If Congress later acts to reinstate broader Medicare telehealth coverage, CMS will issue additional guidance on whether claims submitted with the GY modifier will need to be resubmitted.

Additional details and submission instructions are available on the [CMS website](#).

California Submits Rural Health Transformation Fund Application

The Department of Health Care Access and Information (HCAI) submitted California's application to the Centers for Medicare & Medicaid Services (CMS). The application prioritizes three broad initiatives: Transformative Care Models, Workforce Development, and Technology & Tools. Within that framework, HCAI highlights a few key models:

- Establishing “hub and spoke” regional networks that use hospitals as the anchor institutions (“hubs”) and coordinating with clinics and tribal organizations to strengthen delivery essential services and improve health outcomes for chronic disease and maternal health.
- Expanding rural workforce capacity through training, recruitment, and retention in rural settings including prioritizing investments in allied health professions, Graduate Medical Education (GME), and loan repayment programs.
- Expanding telehealth and e-consult services by investing in telehealth infrastructure to improve access for patients and enable real-time specialty care services and monitoring.

CAPH signed [a joint letter](#) addressed to CMS in support of the framework, alongside other hospital constituencies in California. Additional details are available in [this memo](#) from HCAI.

HCAI hosted a series of stakeholder engagement events, including a survey and listening sessions focused on program goals, to gather input for California's application under the Rural Health Transformation Program. The Fund, established under HR 1, could provide up to \$500 million over five years for eligible initiatives. The application was submitted to CMS on Nov. 5, 2025, awardee notices are expected by Dec. 31, 2025. While eligibility has not yet been confirmed, California's application positions the state to be considered for a share of the available funds, including up to \$25 billion in discretionary allocations.

HRSA Announces Approved 340B Rebate Model Plans

The Health Resources and Services Administration has approved [eight plans](#) for participation in the 340B Rebate Model Pilot Program beginning Jan. 1, 2026. Under the program, 340B covered entities must initially purchase selected drugs above the 340B ceiling price and later receive rebates after the drugs are dispensed to qualifying patients.

The plans will apply to all covered entity types. All of the manufacturers have chosen the same software: the [Beacon Platform](#), to manage claims. Novartis, another eligible manufacturer, was not included in the notice but it may choose to opt in later.

Coverage Ambassador Webinar

DHCS will host its next Coverage Ambassador Webinar on Nov. 20 from 11am to noon. The webinar will focus on the upcoming Medi-Cal undocumented adult enrollment freeze, the reinstatement of asset limits, and upcoming changes to the Medi-Cal Rx pharmacy benefit. Registration for the webinar is available [here](#).

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

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