

Office of the President

TO MEMBERS OF THE HEALTH SERVICES COMMITTEE:

DISCUSSION ITEM

For Meeting of August 9, 2023

UC HEALTH POLICY / GOVERNMENTAL RELATIONS UPDATE

EXECUTIVE SUMMARY

UC Health will provide an overview of the division's new Health Policy and Regulatory Affairs (HPRA) Department, which develops and executes UC Health's policy and regulatory agenda. For this item, Associate Vice President Tam Ma will brief the Committee on UC Health's policy priorities and provide an update on State and federal policy advocacy efforts.

BACKGROUND

UC Health's Policy and Regulatory Affairs (HPRA) Department is a newly created unit charged with developing and executing UC Health's State and federal policy agenda. HPRA reviews and comments on proposed legislation and regulations, advocates for UC Health's policy and regulatory needs, builds and maintains relationships with State and federal policymakers, and facilitates opportunities for UC Health experts to provide expertise to policymakers and inform policy decisions. HPRA works closely and collaboratively with UCOP's State and Federal Governmental Relations offices and the campuses to accomplish systemwide goals.

UC Health's policy priorities align with the Strategic Investment Plan, which prioritizes partnership with the State to realize access and health improvements. The goals include engaging with the State on Medi-Cal access, augmenting workforce development and retention strategies, and pursuing other State and federal policy priorities.

Medicaid/Medi-Cal Advocacy

UC's academic health centers are the second largest provider of hospital services to Medi-Cal enrollees by most measures despite representing less than six percent of hospital beds. Medi-Cal patients comprise approximately 35 percent of hospital inpatient days and Medi-Cal rates do not cover the cost of care, leading to a \$1 billion shortfall each year. The UC Health Policy and Regulatory Affairs Department's advocacy efforts for resources to reduce these unreimbursed costs include clarifying to policymakers the crucial role UC plays in the healthcare safety net and as a provider for the Medi-Cal program, providing public responses to regulatory proposals that affect Medicaid financing, working with the State to grow Medi-Cal supplemental funding, and

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advocating for revenue from the Managed Care Organization (MCO) tax to be used to support Medi-Cal providers.

- *Educating Policymakers about UC's role in Medi-Cal:* UC Health has held briefings for legislative and administration staff to provide updates on UC's role as an essential Medi-Cal provider, the financing mechanisms UC Health relies on, and the financial challenges UC has with unreimbursed costs. HPRC also brought several UC hospital CEOs to the State Capitol for meetings with the legislators who lead the health and budget subcommittees and the Governor's Office.
- *Proposed Medicaid Rules:* UC Health provided written comment on two proposed rules proposed by the Centers for Medicare and Medicaid Services (CMS) that affect Medicaid financing, including the proposed rule to implement Section 203 of the Consolidated Appropriations Act of 2021 and the proposed rule on Medicaid Managed Care Access, Finance, and Quality.
- *Medi-Cal Supplemental funding:* UC's Medi-Cal financing consists of base rates (fee-for-service and managed care) and supplemental payments (again both fee-for-service and managed care) for hospital inpatient services, hospital outpatient services, physician services, and graduate medical payments. In collaboration with the California Association of Public Hospitals, UC Health is engaged in conversations with the Department of Health Care Services about opportunities to grow these supplemental payments, which will bring additional resources to support UC Health's Medi-Cal services. The nonfederal share of these Medi-Cal supplemental payments is funded by UC.
- *Medi-Cal investments using Managed Care Organization (MCO) tax revenue:* The recently enacted 2023-24 State Budget includes a reauthorized MCO tax with revenues used to support expanding access, quality, and equity in the Medi-Cal program and to promote provider participation. The MCO tax is expected to collect \$19 billion over the next three years, resulting in over \$32 billion available after federal matching funds are fully drawn down. The MCO tax spending plan includes annual funding (the bulk of which will begin in 2025) for public hospital systems, primary and specialty care, outpatient services, emergency department services, and behavioral health facilities. The MCO tax spending plan also includes \$75 million annually to UC to expand graduate medical education programs to increase the number of primary and specialty care physicians. Revenue from the MCO tax is expected to be available through 2029.

State Budget Advocacy - Workforce Programs

UC advocated for resources in the State Budget to support critical workforce programs:

Graduate medical education (GME): The 2023-24 State Budget dedicates \$75 million per year to UC to expand GME programs to increase the number of primary care and specialty care physicians in the state. These funds come from the MCO tax revenue, will be available in 2024-2029, and are in addition to the \$40 million UC currently receives from the Proposition 56 tobacco tax revenue for GME programs.

DDS-ASPIRE: The University advocated for \$1.8 million ongoing for the DDS-ASPIRE (Doctor of Dental Surgery Advocacy, Science, Public Interest and Research) Program, which builds on the success of the UC Programs in Medical Education (PRIME) to train and prepare dental students to provide care to diverse, medically underserved communities and to address oral health disparities. This proposal was included in UC's State budget request and was not funded in the State's final budget.

California Medicine Scholars Program: The 2023-24 State Budget includes an additional \$2.8 million annually for the California Medicine Scholars Program, a seven-year pilot program that supports underserved students from community colleges to proceed through a four-year university, medical school, residency, and into California's health workforce. The program addresses the state's healthcare workforce shortage and seeks to reduce health disparities by increasing the diversity of primary care physicians who are trained and ultimately practice in the state and in their communities. UC's Schools of Medicine at UC Davis, UC Riverside, UCSF-Fresno, and UC San Diego operate four regional hubs for the California Medicine Scholars Program.

State Legislation

The Legislature has introduced 2,600 bills this session, about 25 percent of which pertain to healthcare issues. The UC Health Policy and Regulatory Affairs team is tracking approximately 160 bills that affect UC Health's operations and have collaborated with the Office of State Governmental Relations to take formal positions on ten bills. HPRAs also collaborate with the Office of State Governmental Relations and trade associations to address concerns regarding bills where UC does not have a formal position. UC Health works with experts across UC to understand the impact proposals will have on clinical operations, research, and health professions schools.

Sponsored Legislation: The University proactively pursues proposals that help it to deliver care, and UC Health coordinates the development of proposals. This session, the University is co-sponsoring SB 496, authored by Senator Monique Limón, which requires health plans and the Medi-Cal program to cover medically necessary biomarker testing.

The University is supporting a package of reproductive health care bills:

- AB 1707 (Pacheco) provides additional protections for healthcare professionals in California by prohibiting healing arts boards, licensed health facilities, and the California Department of Public Health from denying an application or disciplining a licensee solely on the basis of a disciplinary action occurring in another state.
- SB 385 (Atkins) expands the training options for physician assistants (PAs) seeking to perform abortions.
- SB 487 (Atkins) prohibits health plans and health insurers from terminating, discriminating against, or penalizing a provider based on a civil judgment, criminal

conviction, or another disciplinary action in another state if the disciplinary action is solely based on the application of another State's law.

In addition, the University is continuing to work closely on key bills that affect UC Health, including:

- ACA 6 (Haney) is a proposed constitutional amendment. If the measure passes with a two-thirds vote in each house of the Legislature, the proposed amendment will appear on the next general election ballot and, if passed by a majority of voters, will require that anyone who works, or performs work, for the University be subject to the same labor standards as State employees, including overtime, minimum wage, etc. Although the University already meets or exceeds these standards for most employees, the proposal could have detrimental effects on UC academic endeavors. The University is opposed to ACA 6.
- SB 27 (Durazo) is the reintroduction of last year's SB 1364. The bill would make it unlawful for any vendor to accept payment from UC pursuant to a contract for prescribed services if they are performing services or supplying the University with employees to perform services who are paid less than the higher of the total compensation rate specified in the vendor's contract with the University or as required by University policy. The University has an "oppose unless amended" position on this measure.
- SB 525 (Durazo) requires a minimum wage of \$21 per hour for healthcare workers, as specified, beginning June 1, 2024 and increases the minimum wage to \$25 per hour beginning June 1, 2025. The University is working with a broad coalition in opposition to this measure.

Federal Policy

UC Health's federal priorities include advocating for appropriate funding for Medicaid services by urging Congress to prevent Medicaid disproportionate share hospital (DSH) cuts scheduled to begin in October 2023 from taking effect. These cuts have been previously delayed due to the potential impact to hospitals, patients, and communities. If the cuts are implemented, the State of California estimates that reimbursements to UC hospitals will be reduced by \$228 million over the next two years. UC Health is supporting efforts to expand coverage of telehealth services through Medicare and making permanent COVID-19 telehealth flexibilities, which will make it easier for patients to connect with their doctors. UC Health is also closely monitoring proposals related to the 340B program and working to ensure that safety net hospitals can continue using 340B savings to provide crucial care and services to patients. Finally, the University submitted a comment letter in support of the Biden Administration's proposal to make Deferred Action for Childhood Arrivals (DACA) recipients eligible for coverage in federal health programs including Medicaid and the Affordable Care Act's marketplace exchanges.

Providing UC Expertise to Policymakers

UC Health is also providing policymakers with its vast expertise to inform and influence important policy decisions. Dr. Deena McRae, Associate Vice President for Academic Health Sciences, has been designated to serve on the State's Health Care Workforce and Education Training Council. Tam Ma, Associate Vice President for Health Policy and Regulatory Affairs, was selected by the Health Care Affordability Board to serve on its Advisory Committee. In May 2023, UC Health convened system experts to educate State policymakers about Hospital Care at Home Programs and discuss pathways to make these programs available in California. UC Irvine Health Chief Procurement Officer and Executive Director for Virtual Care Susanna Rustad provided expert testimony at the Assembly Health Committee's Informational Hearing.