

Protect Access to Health Care Act Stakeholder Advisory Committee

Meeting

Agenda

9:30 – 9:40 a.m.

1. Welcome, Opening Comments & Roll Call

9:40 – 9:45 a.m.

2. Committee Member Feedback from May 19, 2025 Meeting

9:45 – 9:55 a.m.

3. Federal Updates

9:55 – 11:00 a.m.

4. Protect Access to Health Care Act (PAHCA) Implementation

11:00-11:15 a.m.

BREAK

11:15 – 11:30 a.m.

5. Revisions to All Plan Letter (APL) 24-0007 Targeted Provider Rate Increases

11:30 a.m. or earlier

6. Public Comment

2:00 p.m. or earlier

7. Meeting Adjournment

Welcome, Opening Comments, & Roll Call

California Department of Health Care Services (DHCS) & Introductions

- » **Lindy Harrington**, Assistant State Medicaid Director
- » **Rafael Davtian**, Deputy Director, Health Care Financing
- » **Alek Klimek**, Assistant Deputy Director, Health Care Financing
- » **Aditya Voleti**, Division Chief, Fee-For-Service Rates Development Division
- » **Michelle Tamai**, Assistant Division Chief, Fee-For-Service Rates Development Division
- » **Mathew Landing**, Section Chief, Capitated Rates Development Division
- » **Hatzune Aguilar**, Stakeholder and Community Engagement Manager, Office of Communications
- » **Eduardo Lozano**, Stakeholder Engagement & Outreach Analyst, Office of Communications

Committee Members (1/2)

- » **Linnea Koopmans**, Committee Chairperson, Chief Executive Officer, Local Health Plans of California
- » **Sergio Aguilar-Gaxiola, MD, Ph.D.**, Professor of Clinical Internal Medicine, UC Davis Health; Founder and Director, Center for Reducing Health Disparities
- » **Kristen Cerf**, President and Chief Executive Officer, Blue Shield of California Promise Health Plan
- » **Tam Ma**, Associate Vice President for Health Policy and Regulatory Affairs, UC Office of the President, University of California Health

Committee Members (2/2)

- » **Beth Malinowski**, Government Relations Advocate, SEIU California
- » **Amy Moy**, Co-Chief Executive Officer, Essential Access Health
- » **Jason Sorrick**, Vice President of Government Affairs, Global Medical Response
- » **Ariane Terlet, DDS**, Chief Dental Officer, La Clinica

Committee Member Resignation

- » Dr. Irving Ayala-Rodriguez, recently resigned from PAHCA-SAC.
- » The PAHCA-SAC now has eight members and still meets the quorum requirements outlined in statute (six members of the committee constitute a quorum for the purposes of voting and conducting business of the committee).
- » Dr. Ayala-Rodriguez was originally appointed by the Governor for a three-year term to represent clinics on a statewide basis.
- » At this time, the clinic representative seat is vacant. Per California Welfare and Institutions Code (WIC) 14199.131, when a new member is appointed to this seat, that person will serve for the remainder of the original term length.

Committee Member Feedback from May 19, 2025 Meeting

Committee Member Feedback from May 19, 2025 Meeting

- » At the May 19 meeting, DHCS requested PAHCA-SAC members to provide written feedback to DHCS no later than May 30, 2025.
- » Eight of nine incumbent PAHCA-SAC members provided feedback to DHCS. Committee members' written feedback has been posted on the PAHCA-SAC website under today's meeting materials.
- » DHCS carefully considered key takeaways from the PAHCA-SAC members' feedback in refining the proposed Proposition 35 Spending Plan for 2025 and 2026, prior to the enactment of House of Representatives (H.R.) 1 by the United States Congress.
- » The passage of H.R.1 significantly impacts Managed Care Organization (MCO) Tax revenue, as discussed in the next section. However, DHCS has and will continue to consider committee members' feedback as we work to implement the PAHCA.

Federal Updates

Federal Updates

- » On July 4, 2025, H.R. 1 was signed by the President. DHCS is currently assessing the impacts of H.R. 1 on the MCO Tax and Proposition 35.
- » Among many provisions impacting the Medi-Cal program, H.R. 1 significantly limits states' ability to use health care-related taxes that have been previously federally approved and prohibits taxes that impose a higher tax rate on Medicaid units (which the MCO Tax does), thereby reducing the amount of MCO Tax funding available for Proposition 35 programs.
- » H.R. 1 provides the federal Department of Health and Human Services (HHS) Secretary with the discretion to grant a transition period of up to 3 years to impacted states.
- » Prior to the enactment of H.R.1, the federal Centers for Medicare & Medicaid Services (CMS) proposed regulations on May 15, 2025, that would administratively enact similar restrictions on health care-related taxes. Under the proposed rule, California would be ineligible for a transition period. DHCS submitted comments regarding the proposed rule to CMS on July 14, 2025.

PAHCA Implementation

Next Steps

- » California will pursue the transition period under H.R. 1 upon further guidance from the federal government.
- » If California is not granted a transition period by the federal HHS Secretary, DHCS assumes that the present MCO Tax will be terminated early (before December 31, 2026), potentially as early as July 4, 2025.
- » DHCS estimates that MCO Tax net revenue subject to Proposition 35 for dates of services January 1, 2025, through July 3, 2025, will total approximately \$2.6 billion subject to further refinement based on actual enrollment.
- » DHCS will also explore modifications to the MCO Tax which would make it federally compliant with H.R. 1. DHCS anticipates such modifications would require changes to state law and would generate significantly less revenue than the current tax.
 - Of note, Proposition 35 limits the annual non-Medicaid tax liability under the MCO Tax to \$36 million starting January 1, 2027, which would limit the total size of the tax to no more than approximately \$75 million.

Revised Spending Priorities

- » If California is not granted a transition period by the federal HHS Secretary, DHCS will sequentially prioritize the following components of the PAHCA Spending Plan for CY 2025.

Component	\$ Millions*
Medi-Cal General Support	\$2,000
Targeted Rate Increases (TRI) for Primary, Specialty, and Emergency Physician Care	\$356
Reproductive Health Investments	\$90
Managed Care Base Rate Increases for Primary, Specialty, and Outpatient Care	\$172
Calendar Year (CY) 2025 Total	\$2,618

* Amounts subject to refinement. Includes expenditures in Fiscal Years 2024-25 and 2025-26.

Other Components

- » DHCS will hold the development of other components outlined in the Spending Plan presented at the May 19, 2025, PAHCA-SAC meeting, pending further federal guidance on the approval of a transition period.
- » If MCO Tax net revenues exceed DHCS's current projections, DHCS will use the excess amount to support Managed Care Base Rate Increases for Primary, Specialty, and Outpatient Care up to applicable amounts in the Fiscal Year 2025-26 Budget.
- » For any additional amounts, DHCS will consult with the PAHCA-SAC on the use of these funds.

CY 2025 SPAs & Preprints

- » On June 26, 2025, DHCS issued public notices for State Plan Amendment (SPA) 25-0003 and SPA 25-0005 for payment increases related to Ground Emergency Medical Transportation (GEMT) services and Emergency Physician services, respectively for dates of service July 1, 2025 through December 31, 2025.
 - DHCS may submit these SPAs to CMS no later than September 30, 2025, if a transition period is approved before that date allowing DHCS to collect additional MCO Tax revenue. If a transition period is not approved by that date, then DHCS will rescind/amend the public notices and not submit these SPAs.
 - Notwithstanding the disposition of the transition period, DHCS will move forward with the GEMT Quality Assurance Fee (QAF) provisions of the SPA 25-0003.
- » On July 3, 2025, DHCS submitted a revised preprint for the Community Clinic Directed Payment (CCDP) that proposed to increase the total amount of payments by \$100 million (\$50 million MCO Tax funds and matching federal funds). If CMS does not approve a transition period for the MCO Tax by September 30, 2025, then DHCS will revise the preprint to the original funding amount.

Committee Member Questions & Discussion

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Reproductive Health Investments

Darci Delgado

Assistant Secretary, California Health & Human Services Agency

Reproductive Healthcare Funding

Proposition 35 details

- WIC 14199.108.3 allocates expenditures during CY 2025 and 2026.
- The Health Care Oversight & Accountability Subfund includes: Ninety million dollars (\$90,000,000) for abortion and family planning services.
- HCAI will oversee the spending of these funds

Reproductive Healthcare Funding Proposal

- H.R. 1 targets reproductive healthcare entities
- Propose to leverage CY 2025 \$90M to protect and expand reproductive healthcare provider capacity that is impacted by the federal bill

Question for Input

Are there any other workstreams that should be considered?

Committee Member Questions & Discussion

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Revisions to APL 24-0007 Targeted Provider Rate Increases

Background

- » DHCS communicates with Managed Care Plans (MCPs) by means of All Plan Letters (APLs) to clarify MCPs' contractual obligations, provide implementation instructions for such obligations, and/or issue guidance with regulatory force and effect when DHCS interprets, implements, or makes specific relevant state statutes under its authority.
- » Proposition 35 requires DHCS to consult with PAHCA-SAC prior to issuing guidance such as APLs implementing components of the PAHCA.
- » DHCS issued APL 24-007 on June 20, 2024, to operationalize the TRIs.
- » DHCS is preparing technical revisions to the TRI APL based on feedback from stakeholders over the past year.
- » The draft revised APL, renumbered APL 25-012, has been posted on the PAHCA-SAC website under today's meeting materials.

Overview of Draft Revisions

- » Clarifies that under existing state law (Senate Bill (SB) 94 (Chapter 636, Statutes of 2007)), MCPs must reimburse certain out-of-network providers at the State Plan rate for comprehensive clinical family planning services.
- » Clarifies the interaction between the TRI and existing Federally Qualified Health Center (FQHC) and Rural Health Clinic (RHC) payment parity requirements under federal law, state law, and the MCP contract.
- » Clarifies that in instances where MCP historical payment levels to providers exceed the TRI Fee Schedule, DHCS funded MCPs assuming that MCPs would continue to pay the greater of the TRI Fee Schedule rate or the historical contractual rates for applicable service codes, inclusive of Proposition 56 Physician Services supplemental funding
- » Makes other technical updates to improve clarity.

Committee Member Questions & Discussion

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Request for Input

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Request for Committee Members' Written Input

- » DHCS requests the PAHCA-SAC members' written input on the materials presented today no later than August 1, 2025.
- » Please email written input to DHCSPAHCA@dhcs.ca.gov.

Public Comment

Public Comment Procedures

- » Public comment will include members of the public present in the room and those attending virtually. Comments will first be taken from in-person attendees followed by online attendees.
- » Each speaker is allowed up to one minute to share their comments.
- » Each speaker is requested to state their name and organization.
- » DHCS will listen carefully to your comments but is not able to provide immediate responses to questions.
- » If time runs out, members of the public can share additional comments via email to DHCSPAHCA@dhcs.ca.gov.

Meeting Adjournment

Appendix

Glossary

- » APL: All Plan Letter
- » CMS: Centers for Medicare and Medicaid Services
- » CY: Calendar Year
- » DHCS: California Department of Health Care Services
- » FQHC/RHC: Federally Qualified Health Centers / Rural Health Clinics
- » GEMT: Ground Emergency Medical Transportation
- » HCAI: Department of Health Care Access & Information
- » HHS: Department of Health and Human Services
- » H.R.: House of Representatives
- » MCO: Managed Care Organization
- » MCP: Managed Care Plan
- » PAHCA: Protect Access to Health Care Act
- » PAHCA-SAC: Protect Access to Health Care Act Stakeholder Advisory Committee
- » QAF: Quality Assurance Fee
- » SB: Senate Bill
- » SPA: State Plan Amendment
- » TRI: Targeted Rate Increase
- » WIC: California Welfare and Institutions Code