KERN COUNTY
MEDICAL SOCIETY

P.O. Box 13516 | Bakersfield, CA 93389
T (661) 325-9025 | F (661) 328-9372
www.kms.org

May 21, 2020

The Honorable Devon Mathis
Member, Budget Sub on Health & Human Services
California State Assembly
State Capitol, Room 2111
Sacramento, CA 95814

RE: TAKE BUDGET ACTIONS TO MAINTAIN ACCESS TO CARE

Dear Assemblymember Mathis,

On behalf of the physicians of the Kern County Medical Society (KCMS), we write to you because Governor Newsom's May Revise proposed budget cripples the health care system's ability to provide care.

The Proposition 56 Tobacco Tax was passed by the voters in November of 2016 to expand access to health care for Medi-Cal patients. It accomplishes this in two ways. First, by increasing the number of Medi-Cal beneficiaries each physician or dentist sees in their office by increasing the base rate reimbursement. Second, by expanding the network of new physicians willing to treat Medi-Cal enrollees by offering loan repayment in exchange for seeing at least a 30 percent Medi-Cal patient caseload.

The Governor's proposed May Revise removes those two critical mechanisms which increase access for Medi-Cal patients at a time when estimates show over 2 million more enrollees will be added throughout the state due to changes in their financial circumstances due to the COVID-19 crisis.

While the current circumstances are not permanent, the damage to the health care delivery system, absent aggressive action, will be long term. Protecting provider networks is of the utmost importance, as the loss of physician practices, especially in rural and remote areas like Kern County, will be difficult for our communities to recover from.

In a report entitled, "Current and Future Health Professions Workforce Needs in the San Joaquin Valley," by the Healthforce Center at UCSF, it is noted that, "**The San Joaquin Valley region has the lowest ratios of licensed MDs, DOs…per 100,000 population in California…" and "…the supply of medical residents in the region is 30% below the state average**." And in a Fact Sheet produced by the California Budget and Policy Center, it is noted that, "**Of the 10 counties with the highest shares of residents enrolled in Medi-Cal, six are in the San Joaquin Valley," citing Kern as one of those at 45.1%**.

While we understand that difficult decisions will be made by the Legislature to address the state's tremendous fiscal challenges, now is not the time to damage the physician workforce pipeline or decrease access to care for Medi-Cal patients. Maintaining access to care for the most vulnerable will support a strong economic recovery at a time when everyone's health is at stake. KCMS asks that the Legislature take the following actions in the coming weeks as it adopts the final June 15 budget.

REJECT the Governor's May Revise Proposal to Repurpose $1.2 Billion in Proposition 56 Revenue.

The May Revision breaks a promise to ensure access to care for Medi-Cal patients by violating the will of the voters and a plain reading of the legal requirement to utilize Proposition 56 tobacco tax revenue to increase and sustain access to care. The unlawful use of Proposition 56 revenue to supplant General Fund obligations removes nearly $3 billion in federal and state funding to ensure Medi-Cal patients have access to doctors, dentists and clinics.

KCMS is saddened that the Governor's May Revision attempts to re-litigate the issue of whether Proposition 56 tobacco tax funds can be used to supplant General Fund expenditures. The Legislature has twice-before settled this issue and should once again reject the Governor's proposal.

The Legislative Analyst's Office (LAO) advises the use of a mix of tools to bring the budget into balance, including using available reserves, reducing expenditures where possible, increasing revenues, and shifting costs. They rightfully caution against taking actions that could worsen the public health crisis or compound personal economic challenges facing Californians. The May Revise ignores this recommendation despite the Administration's projection that 2 million additional Californians will be enrolling in Medi-Cal due to the COVID-19 economic crisis.

REJECT the Governor's May Revise Proposal to Sideline Over 270 New Medi-Cal Providers, by Eliminating the Proposition 56 Loan Repayment Program.

Last year, the Legislature approved the first of five allocations of Proposition 56 funding to launch a physician and dentist loan repayment loan program to increase the total number of providers servicing Medi-Cal patients. The first year of the program placed 287 providers into medically underserved areas with a guarantee that those providers would serve a patient caseload of at least 30 percent Medi-Cal. Year one of the program was wildly successful, with over 1,000 applicants, and the average awardee patient caseload is over 60 percent.

The Proposition 56 Loan Repayment Program places doctors and dentists directly in communities throughout the state who need them. The awardee must maintain a minimum caseload of 30 percent Medi-Cal patient caseload over the next five years in exchange for repayment of their medical school debt. Governor Newsom himself extolled the impact of the program, noting the recipients' commitment to provide Medi-Cal patients with quality care during a press event last July.

Rather than continuing the program or accelerating the awards to increase the number of physicians and dentists available to immediately serve an increased Medi-Cal population, the May Revise instead eliminates years two through five of the program. There are over 1,000 applicants currently awaiting an announcement of who will receive the awards but the May announcement was never made, leaving at least 270 providers, ready to serve Medi-Cal patients, on the sideline.

To support the increasing Medi-Cal patient caseload, the Legislature must reject the Governor's proposed budget "solution" and allow the state to move forward with the over 270 year two awardees, so those providers can immediately be deployed throughout the state for the specific purpose of providing care to Medi-Cal Patients in medically underserved areas.

REQUIRE Nonprofit and For-Profit Insurers and Health Plans to Utilize Planned Medical Services Money to Maintain Adequate Commercial Networks.

The COVID-19 recession is threatening to cripple California's health care infrastructure. If that is allowed to occur, health plans and insurers will be unable to meet their statutory requirement to maintain adequate physician networks and meet the demand for the current backlog of medically necessary care.

The first quarter financial statements of publicly traded health insurers note that the COVID-19 pandemic has not hampered the profitability of those plans and the utilization of medical services has significantly decreased, creating a financial windfall. That windfall consists of resources that were planned to be spent by the insurers on medical services and must be required to be redirected from shareholder profits and instead maintain the state's commercial provider networks.

Recently, national press has noted that some publicly traded health insurer profits **actually increased** while others remained relatively stable last quarter, as "the costs of the coronavirus pandemic were offset by the cancellations of routine medical appointments and elective surgeries for hip replacements and other conditions." Medical practices on the other hand, have felt the full economic strain of the COVID-19 recession, with many facing closure. Health insurers have largely failed to voluntarily act to protect the networks consumers while employers continue to pay monthly premiums in order to access care. Therefore, the action must be taken to ensure shareholders profits are not increased at the expense of patients seeking care. Options to ensure planned medical service expenditures by health plans and insurers are utilized to maintain provider networks are outlined in **APPENDIX A**. KCMS is asking the Legislature to adopt these proposals to maintain access to care for commercial patients.

MAINTAIN Current Telehealth Payment Parity Requirements.

KCMS appreciates the Governor's leadership on the issue of telehealth and the use of other technologies to provide care during this time of crisis. Moving forward, however, California must maintain this increased access and ability to decompress the system through telehealth technologies. Specifically, if the Medi-Cal telehealth payment parity requirements issued by DMHC and DHCS during the emergency are not made permanent, there will be a gap in coverage for telehealth between Medi-Cal patients and commercial patients.

Last year, the Governor signed AB 744 (Aguiar-Curry, 2019), recognizing the need to ensure reimbursement parity for commercial patients beginning January 1, 2021. However, that legislation excluded the Medi-Cal program. CMA requests that the state remove that explicit exemption to ensure parity can remain for Medi-Cal patients.

The continuation of increased access to telehealth within the Medi-Cal program will also offset existing state expenditures. For example, the requirement to cover transportation costs for Medi-Cal patients should decrease consistent with increased adoption. Patients and the system as a whole have already adapted to this change, given the advantages of telehealth to increase access and decompress our strained health care system, which was overwhelmed even prior to the COVID-19 pandemic. Medi-Cal providers and patients must have the same telehealth payment parity requirements afforded to commercial providers and patients.

<u>REJECT</u> the Proposal to Eliminate Primary Care Residency Slots.

The Governor's May Revise proposes to eliminate ongoing funding for the Song-Brown Primary Care Training program absent uncertain federal funding. The Song-Brown program significantly improves access to care in underserved areas, like Kern County, and has helped reduce the shortage of primary care physicians in California. Song-Brown funded programs consistently send more than 60 percent of their physician graduates to practice in state and federally designated underserved areas. In addition, approximately 30 percent of physician graduates of Song-Brown-funded programs are underrepresented minorities. This critical support of the state's residency slot infrastructure should not be eliminated at a time when California needs to train and retain each and every primary care physician it can to support public health and the safe reopening of the state and the economy.

This Legislature has worked tirelessly to ensure meaningful access to quality healthcare for all Californians. The Governor's May Revision seriously threatens to erode those efforts and rescind a promise made to voters with the passage of Proposition 56. The Legislature and the will of the voters alone hold the responsibility to pass a budget that is not only balanced but is consistent with the values of the Golden State. At this moment, access to healthcare is central to California's ability to re-open and maintain an open economy. Medi-Cal is critical to ensuring communities are healthy and those impacted by COVID-19 are able to receive care. The May Revise fails to recognize the necessity to prioritize healthcare in order to "meet this moment." KCMS is confident that the Legislature will correct this oversight.

Thank you for your collaboration to ensure California's health care delivery system is preserved to serve the state's residents during and beyond the pandemic. We believe the inclusion of the actions stated above in the Legislature's final June Budget will maintain access to critical medical services.

Sincerely,

Chang R. Na, MD
President

Attachments: APPENDIX A: Health Plan Accountability Options
CMA's Infographic of their Response to the May Revision

The Kern County Medical Society (KCMS) is a professional association of physicians practicing in Kern County who are dedicated to addressing local issues of concern to their patients and their profession. We are a component of the California Medical Association (CMA).

APPENDIX A : Health Plan Accountability Options

Based on an analysis of the California Medical Association's (CMA) membership survey, California is at risk of losing up to 50% of medical practices with 150 physicians or less. This would result in up to 34% of patients, or over 13 million Californians, losing access to their primary care or specialty care physicians. At the same time, based on the financial statements of publicly traded companies, health plans and insurers are enjoying a financial windfall due to dramatic decreases in utilization. For the most part, health plans and insurers have not utilized these windfalls to preserve their statutorily required networks, despite continuing to accept the monthly premiums of consumers and employers for the utilization of those networks. As such, CMA is recommending that the Legislature's June Budget (trailer bill) include the following proposals:

- Create a requirement that the Department of Managed Health Care and the Department of Insurance consider a health plan's or insurer's financial support of its provider network between March 2020 and July 1, 2021 in their review of the plan's or insurer's annual rate increases. (Health & Safety Code Section 1385 et seq & Insurance Code Section 10181 et seq) To the extent that a plan or insurer cannot adequately demonstrate how its rates and reserves supported its provider network during the time period above, the Departments shall not approve these rates and deem them to be unreasonable.

  Plans and insurers can demonstrate this support through increasing percentage of capitation, changing FFS arrangements into capitation payments, changing Value Based Payment arrangements, investing in quality improvement and infrastructure for providers, and permanently making telehealth reimbursements equivalent to face-to-face encounters. The Department of Managed Health Care and the Department of Insurance may put out guidance on which of these expenses qualify as cost of health care in calculating the medical loss ratio.

- Add a section in Health & Safety Code 1375.4 that requires risk bearing organizations to certify to their contracting health plans how they have passed capitation payments directly to providers between the periods of March 1, 2020 through June 30, 2021.

- Require any commercial health plan or insurer that participates in Medi-Cal provide evidence of provider support as a condition of continued participation in Medi-Cal managed care. This support may include but is not limited to claims payment advances, an additional percentage of capitation payments, loans, or grants. To the extent that a plan cannot demonstrate this provider support between March 1, 2020 and July 1, 2021, the Department of Health Care Services will declare them ineligible to remain under contract and they will be barred from future procurements for 5 years.

PHYSICIANS SAVE LIVES

CMA URGES THE LEGISLATURE TO PROTECT ACCESS TO HEALTH CARE AND SUPPORT ECONOMIC RECOVERY

The COVID-19 pandemic has created a health care crisis and an economic crisis for providers that jeopardizes access to care.

The fallout from this crisis threatens to fundamentally alter our nation's health care system—not just during the COVID-19 outbreak, but for years to come.

U.S. GDP 4.8% ↓

first quarter of 2020

50% of GDP losses

from health care sector

Physician Practice Viability Threatened

The pandemic has created an unprecedented threat to the financial viability of physician practices because of skyrocketing costs for protective equipment and public health orders to stay-at-home and delay non-urgent surgeries, procedures and care. The results of CMA's COVID-19 survey highlight the immediate need for financial assistance to sustain physician practices.

95%

of practices fear for their financial future.

64%

average revenue decline for practices since March 1.

49% of practices have furloughed physicians and staff. 11% have already closed. Others report closures by June 1 and will not reopen. They will be forced to consolidate, which increases health care costs.

34% of Californians Lose Access to Care

13 million patients are at risk of losing access to their physician. Losing physicians puts more stress on an already overburdened health care system and it will be impossible to meet the needs of patients now, during the COVID-19 surge, and after to address delayed care.

$8.5 billion

in revenue losses experienced by California physician groups March 1-June 1, 2020.

Physicians Practices Are Important to the Economy

Physicians contribute to the health and economic well-being of their communities by:

+ Supporting more than **1.2 MILLION JOBS**
+ Contributing **$135 MILLION IN WAGES**
+ Paying **$11.2 MILLION IN STATE AND LOCAL TAXES**

Budgetary Actions to Protect Access to Health Care

CMA is urging the State Legislature to protect the health of Californians by:

+ Fully restoring Prop. 56 funding to protect access to care for Medi-Cal patients.
+ Fully restoring funding to Physician Loan Repayment program to protect access to care for low-income, underserved communities.
+ Requiring health plans to protect patient access to care through direct financial assistance to their physician networks.
+ Reject the 47% license fee increase (I.E. Operations Tax) on physician practices.