

# Accelerated Collection of State's Share of Hospital Fee Jeopardizes Health Care Access for Californians

## *Essential to Access, Essential to Health*

Private Essential Access Community Hospitals (PEACH)

The Hospital Quality Assurance Fee - Program Period 6 - is a 2.5 year program covering services between 2019-2021. The program is critically important for hospitals and Medi-Cal, bringing billions in new federal funding to partially offset losses incurred for treating California's 13 million beneficiaries - children, families, seniors and other vulnerable, low-income individuals. The state of California shares in the program's benefit - collecting 24 percent of the net benefit hospitals receive.

### **As currently implemented:**

- ✓ The state collects their share at a pace faster than the hospitals earn their net share
- ✓ The state is currently slated to take 112 percent of the hospital net benefit over the next 12 months
- ✓ This results in the accelerated collection of \$1.4 billion directly from hospitals

**During this time of financial crisis related to the COVID-19 pandemic, hospitals ask that the state instead take their share commensurate with when the hospitals receive their net benefit.**

## Medi-Cal Provides Access to Critical Health Care Services For...



Almost **1 in 3** of all Californians



**Half** of all Californians with disabilities



**46%** of behavioral health emergency room visits



**42%** of all children



More than **1 Million** seniors

PEACH urges the state to collect its share at the agreed upon 24 percent instead of front-loading at 112 percent to ensure hospitals have the resources they need to help them regain their fiscal health to ensure continued access to health care services for millions of low-income Californians. **This is a timing issue and we are not asking the state to waive its statutory share.**



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# California's Community Safety Net Hospitals

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## Hospital Fee Program Period 6 Implementation Schedule

Projected Transaction Dates	Hospitals Pay Fee to State	Supplemental Payment to Hospitals	Net Benefit To Hospitals to Partially Mitigate Medi-Cal Losses	Amount Taken by State for the Statutory 24% Share	Actual Percent Taken by State of Hospital Net Benefit	Amount of How Much the Statutory State Share is at 24%
4/29/2020	639,655,615					
5/18/2020		852,329,163	212,673,548	244,500,000	115%	51,041,651
5/20/2020	639,655,615					
6/8/2020		852,329,163	212,673,548	244,500,000	115%	51,041,651
7/8/2020	639,655,615					
7/27/2020		852,329,163	212,673,548	244,500,000	115%	51,041,651
10/14/2020	639,655,615					
11/2/2020		852,329,163	212,673,548	244,500,000	115%	51,041,651
1/4/2021	674,265,971					
1/23/2021		908,129,165	233,863,194	252,300,000	108%	56,127,167
4/7/2021	674,265,971					
4/26/2021		908,129,165	233,863,194	252,300,000	108%	56,127,167
5/26/2021	674,265,971					
6/14/2021		908,129,165	233,863,194	252,300,000	108%	56,127,167
Totals	<u>\$4,581,420,372</u>	<u>\$ 6,133,704,144</u>	<u>\$ 1,552,283,772</u>	<u>\$ 1,734,900,000</u>		<u>\$ 372,548,105</u>

The transactions in the Hospital Fee Program require hospitals to pay \$4.5 billion in cash to receive \$6.1 billion for treating Medi-Cal patients - the "net" of these transactions for the next 12 months is \$1.5 billion, which is intended to partially cover losses for caring for Medi-Cal beneficiaries.

**SOLUTION:** The state should take 24% of the actual net benefit and not collect its share on a straight-line basis. This is only a cash timing issue - the state is entitled to its share and will always receive its 24% but it should not take it in a front-loaded manner.

State law provides 24% of the "net" amount to go to the state General Fund. The state takes their share on a straight-line basis with no correlation to the actual net amount received by hospitals - this results in a front-loaded payout to the state, with payments in excess of 100% of the net benefit.

The result of this front-loading, is the state taking \$1.4 billion MORE than the 24% share during the first 12 months of the program implementation - this is coming at a time when hospitals are strapped for cash because of the COVID-19 pandemic.

More Information:



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