FY22-23 California State Budget
Supplemental Payment Pool Augmentation

April 11, 2022

OVERVIEW

Today, more than 1,300 community health centers (CHCs) in California provide high-quality, comprehensive care to 7.2 million people in California each year – that is roughly 1 in 5 Californians. For decades, community health centers have provided care to everyone, regardless of their ability to pay, their immigration status, or their individual circumstances.

PHARMACY TRANSITION IMPACT ON CHCs

In January 2019, Governor Newsom signed Executive Order N-01-19 to create a single-purchaser system for prescription drugs in California, which transitions all pharmacy services in Medi-Cal Managed Care to Fee-for-Service on January 1, 2022. This transition eliminates savings that health centers receive from the 340B Drug Discount Program in Medi-Cal Managed Care.

In the Fall of 2019, DHCS, in collaboration with the California Primary Care Association (CPCA) developed a template for CHC's to voluntarily submit to DHCS to validate their projected losses of 340B savings due to the pharmacy transition. 94 CHC's submitted data through this collection process and DHCS relied on this data to determine the initial funding amount for the Non-Hospital Based Supplemental Payment Pool (SPP).

Non-hospital Clinic Supplemental Payment Pool (SPP)

We are grateful for the Administration and Legislature's leadership that established the Supplemental Payment Pool in the FY20-21 budget to remedy these loses, which allocates $52.5M general fund with a federal match of $52.5M to the pool each year. As we look back on the creation of this fund based on data that is over four years old, we know the financial burden is far greater than we initially imagined. Additionally, to draw down the federal match, there are also restrictions on the way the dollars from the pool can be distributed to eligible entities which has provided another barrier to ensuring CHCS are not harmed.

First, the data available from the 2019 DHCS survey, and the survey conducted by CPCA, is truly only reflective of CHCs that responded to the survey, and not all non-hospital based 340B clinics responded to either survey. This means that the $105M SPP does not reflect losses from all the non-hospital based 340B entities that are eligible for the SPP, including dozens of county clinics. Left at its current funding level, the SPP will fail to meet the Administration and Legislature's shared goal of causing no harm to California's critical health center network.

2021 CPCA SURVEY: New Projections Warrant Action

In Spring of 2021, CPCA surveyed its members to update the estimated losses of 340B savings for CHCs because of the Medi-Cal Rx Transition. 96 CHC organizations responded to the survey conducted in 2021 and 69 of those CHC organizations also submitted data to DHCS in their first data collection survey in 2019. In the most recent survey, CHCs were asked to report their 340B expenditure and savings data from 2020 while in the DHCS survey they reported data from 2018.

When comparing the data submissions for CHC organizations that responded to both surveys, those CHCs saw a 26% increase in their projected loss. Combing CPCA 2021 survey data with projections of other eligible 340B entities, such as CHCs who did not respond and county clinics, **CaliforniaHealth+ Advocates estimates the total loss of savings to be $205M per year across eligible entities.**

THE SOLUTION

By increasing the supplemental payment pool the Administration and Legislature would mitigate the potential harm the Medi-Cal pharmacy benefits transition may cause community health centers, the broader safety- net, and the patients they serve. ***We request an additional $50M general fund commitment, which would draw down an additional $50M federal match, to strengthen the non-hospital clinic supplemental payment pool. This additional investment would bring the total SPP amount to just over $200 million dollars annually.***

FOR MORE INFORMATION

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