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6.1 Legislative Update

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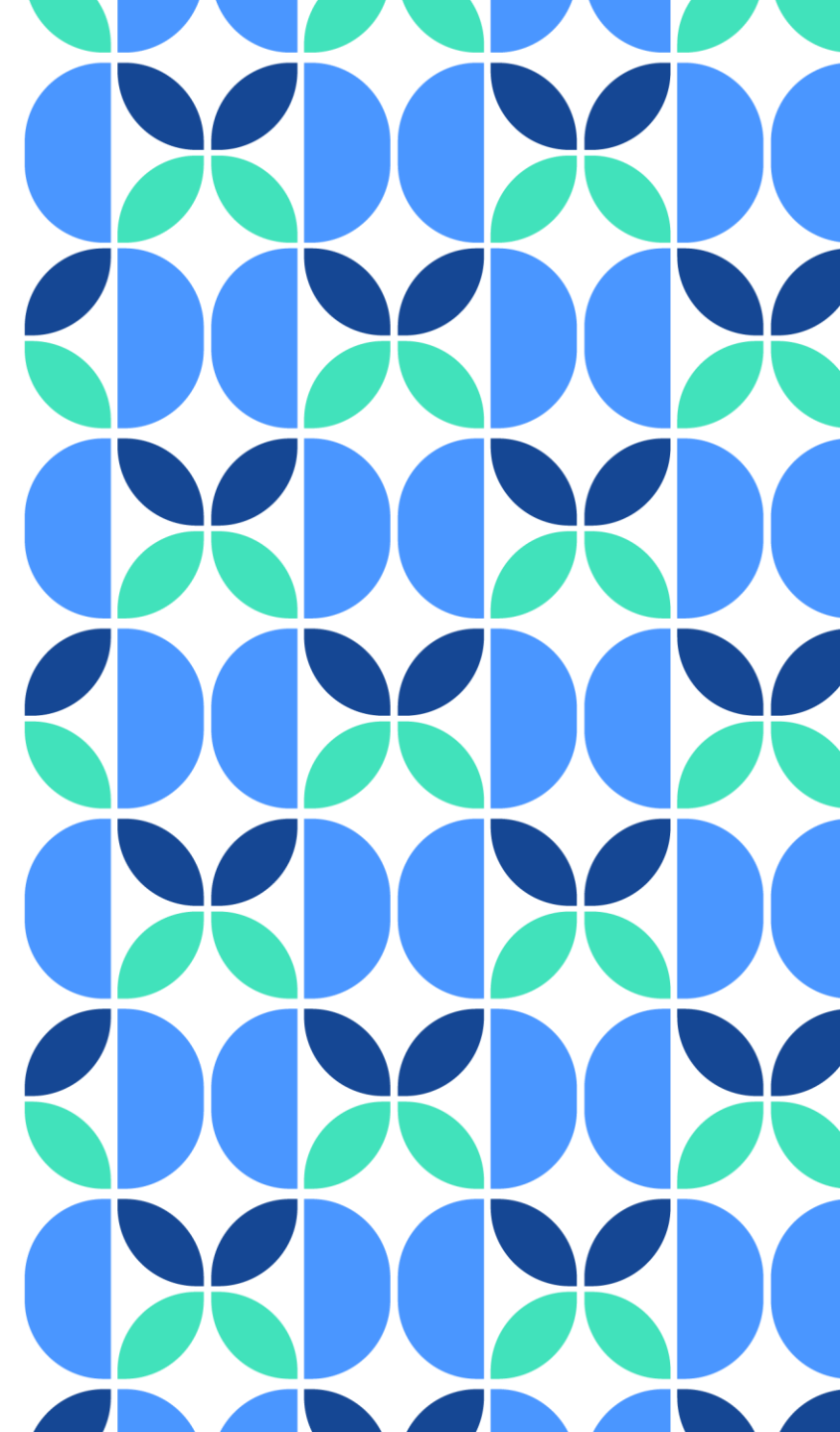


State and Federal Policy Update

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California Association of Public Hospitals and Health Systems (CAPH)

October 3, 2025



Objectives

- 1. Provide an update on federal and state policy happenings**
- 2. Answers questions**

Federal Updates

Possible Government Shutdown and Potential Impacts

Congress has until September 30 to pass a continuing resolution (CR) to keep the federal government funded and running

CR is expected to include Medicaid DSH funding cut delay and extension of Medicare telehealth flexibilities

- Medicaid DSH funding cuts:
 - Go into effect October 1
 - Have been successfully delayed or eliminated since 2014
 - Strong bipartisan support
 - Impact for all California public health care systems would be \$856M annually. CCHS would lose \$20M annually
- Medicare telehealth flexibilities:
 - Expire September 30 if they're not extended
 - In place/extended since the COVID-19 public health emergency with strong bipartisan support to maintain telehealth access
 - Would impact
 - Ability for Medicare patients to receive non-behavioral telehealth services at home
 - Authority for FQHCs and RHCs to serve as distant site providers
 - Flexibilities around originating site and geography
 - Use of audio-only services

HR 1 Implementation

Initial HR 1 implementation guidance slowly coming out from Trump Administration, but most remains unavailable.

- Rural Health Transformation Program guidance has been released
 - Allocates \$50 billion—split equally among the states and distributed at the agency's discretion
 - Supports rural health innovation, strengthen recruitment and training efforts, and enhance emergency medical services.
- California implementation stakeholder groups starting to meet but no concrete information yet.

Federal changes to PRWORA

- In July, the U.S. Department of Health and Human Services released guidance reinterpreting the definition of “federal public benefits,” expanding it to include the Health Center Program (among others)
 - Could have restricted or eliminated access to FQHC services for many lawfully residing and undocumented immigrants.
- In September, a preliminary injunction was granted blocking enforcement of the new restrictions on access to public benefits based on immigration status in the plaintiff states, including California, while litigation continues.

State Updates

End of Session Recap

- No special session expected at this time
- Health Trailer Bill Passed
 - Exempts current and former foster youth from any of the previous UIS changes (enrollment freeze, monthly premiums, benefits changes);
 - Maintains full scope Medi-Cal eligibility for foster care youth until age 26;
 - Allows state to set its own immunization standards instead of depending on federal guidance; and
 - Extends certain legal protections for providers administering vaccines.

Coalition Working to Develop Alternative to Coverage Changes

- CAPH continuing to work with provider, plan and county partners to explore a more affordable, sustainable coverage option for UIS adults and potentially others who may lose coverage due HR 1
 - Goal: preserve access to care amid budget constraints
- California Health Care Foundation is supporting the development of potential statewide options
 - Providing policy, actuarial, legal and other technical expertise.
- Legislative leaders eager to be involved
- Work will continue through the fall