

LEGISLATIVE UPDATE



Week of May 11, 2020

State Issues

State Budget: May Revise

On Thursday during his daily press conference, Governor Newsom and his Department of Finance outlined the May Revise budget plan. As has been shared for the last few weeks, the Governor has warned of our impending economic down turn and to expect a State Budget that attempts to accommodate a \$54 billion shortfall, due to increased expenses to pay for COVID-19 response and due to less tax revenue as a result of the Stay-at-Home orders and postponed tax due date. In fact, the Governor noted in the May Revise summary memo, “This is no normal year. And this no ordinary May Revision.” There are several major changes in the Governor’s budget plan that impact health care.

Medi-Cal. The budget assumes a great expansion in the Medi-Cal population and funds that additional care. The budget assumes a peak case load of 14.5 million Californians getting covered by the state’s Medicaid program, a 2 million increase since the pre-coronavirus estimates earlier this year. It continues to include all of the expansion populations as eligible, including undocumented children and young adults.

The Governor, however, reverses and pulled his support from several key plans to support Medi-Cal. First, he postpones the state’s expansive (and expensive) Cal AIM Medicaid waiver plan – saving more than \$645 million in additional state funding for the program. He also pulls his support and funding to begin to cover undocumented older adults in the program.

Pharmacy Benefit Transition | 340B. The Governor continues to pursue the Medi-Cal Rx plan, which transitions the Medi-Cal pharmacy benefit from the managed care plans to consolidated state control. This plan for all intents and purposes eliminates the 340B discount pharmacy program for hospitals and clinics. While the Governor’s May Revise does not stop or slow the transition, it does eliminate the \$100 million proposed to help clinics backfill the losses from the transition.

Potential “Trigger” Cuts. The Governor also has identified some health care related cuts that will go into effect if the state does not receive additional, substantial federal support. “Absent additional federal funds” the Governor will eliminate the following:

- Medi-Cal Optional Benefits, including part of the adult dental benefit, bringing care back to the 2014 level of service, which includes some prevention and basic dental care, but excludes certain more extensive services. Optional benefits on the potential chopping block also include, audiology, incontinence creams and washes, speech therapy, optician/optical lab, podiatry, acupuncture, optometry, nurse anesthetists services, occupational and physical therapy, pharmacist services, screening, brief intervention and referral to treatments for opioids and other illicit drugs in Medi-Cal, and diabetes prevention program services. *(more)*

<p>State Budget: May Revise (continued)</p>	<ul style="list-style-type: none"> ▪ Proposition 56-funded enhanced payment rates for physicians. ▪ Federally Qualified Health Centers (FQHC) Payment Adjustments totaling \$100 million (\$50 million General Fund). <p>Office of Health Care Affordability. The Governor also announced postponing his plan to create an Office of Health Care Affordability. It is worth noting that Assemblymember Jim Wood has a bill that would implement his own version of the Office. While he had indicated his intent to continue to move that proposal, it was just revealed that he quietly removed that bill from its planned hearing set for Monday. We should expect this issue to be taken up next year.</p> <p>Other Health Care Cuts.</p> <ul style="list-style-type: none"> ▪ The budget cuts \$33 million from the Song-Brown Health Care Workforce Training Program. ▪ The Governor also pulled back his plan to reform the Mental Health Services Act funding and his proposal to create a Behavioral Health Quality Improvement Program. He also rescinds 2019 funding for behavioral health counselors in hospital emergency departments. ▪ The plan assumes a rate reduction of 1.5% for Medi-Cal Managed Care Plans, and it makes other adjustments to their funding. This proposal will get further scrutiny, especially as health care providers push to have health plans pay providers what they are owed during this crisis. <p>Health Insurance Subsidies. The Governor makes clear that the additional subsidies made available last year to help families buy health care coverage through Covered California will continue to get his support.</p> <p>No Support for Hospitals. The May Budget proposal does not include any funding to support the state’s hospital system. The California Hospital Association has asked for \$1 billion to help hospitals deal with the budget gaps they’ve acquired in order to support the State’s COVID-19 response. The Alliance of Catholic Health Care also is advocating for additional proposals that could support hospital cash-flow solutions and incentivize health plans to more quickly adjudicate hospital claims for services already provided.</p> <p>Next Steps. Budget hearings will start next week, with the Senate Budget Committee meeting Monday afternoon at 1:30 pm, which can be viewed at www.senate.ca.gov. The Assembly has announced subcommittee hearings next week as well, including an Assembly Budget Subcommittee on Health and Human Services focusing on the Governor’s health care proposals on Tuesday, May 20 at 9:00 am, which can be viewed at www.assembly.ca.gov.</p> <p>Access to the Department of Health Care Services’ Summary of the scope of issues impacted by the May Revise under their purview can be found at: https://www.dhcs.ca.gov/Documents/Budget_Highlights/DHCS-FY-2020-21-MR-Highlights-051320.pdf</p>
<p>Senate Health Committee Hearings</p>	<p>This week, the Senate held its Health Committee hearing. Most notable, SB 977 (Monning), which would greatly expand the powers of the Attorney General in all hospital transactions, mergers, and agreements with other health care entities, was approved by the Committee on a partisan, 7-2 vote. The bill, opposed by the hospital community, will now move to the Senate Appropriations Committee.</p> <p style="text-align: right;"><i>(more)</i></p>

Assembly Health Committee Hearings	Next Monday, the Assembly will hold its Health Committee hearing. A staggering 36 bills will be heard, including bills to limit hospitals' ability to close or adjust services during a state of emergency (AB 3027, Wicks), improve access to behavioral health care, and to expand the services available at ambulatory surgery centers.
Federal Issues	
HEROES Act Set for Vote	<p>The House of Representatives is set to vote on a major coronavirus relief bill to provide nearly \$3 trillion in additional resources to address the pandemic. The bill is known as the Health and Economic Recovery Omnibus Emergency Solutions Act, or HEROES Act.</p> <p>As reported by the Catholic Health Association, among other areas of the bill, the hospital community has commented on provisions related to: the provision of \$100 billion in additional funding for health providers with modifications to the Accelerated and Advanced Payment program and \$75 billion for COVID-19 testing and tracing efforts; an increase of 14% in the federal Medicaid matching rate and a moratorium on the Medicaid financial accountability rule (MFAR); re-opening of enrollment in the ACA health insurance Exchange and other measures to assist those who are losing employer-based coverage; expansion of housing and rental protections as well as increased funding for food and nutrition programs; and other measures to address COVID-19 health disparities and ensure that all immigrants regardless of status have access to COVID-19 testing and treatment.</p> <p>The House has provided a summary of the legislation (see link below), and it is expected to be approved along party lines. However, the Senate has indicated that the HEROES Act will not be considered in its entirety there and will be considering its own bill.</p> <p>Link to House summary of the HEROES Act: https://appropriations.house.gov/sites/democrats.appropriations.house.gov/files/documents/Heroes%20Act%20Summary.pdf</p>

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