

# LEGISLATIVE UPDATE



Week of May 25, 2020

## State Issues

### Senate Budget Proposal

This week, the Senate unveiled its response to the Governor's May Revise Budget and its own budget plan. The Senate closes the \$54 billion budget shortfall, caused by the state's COVID-19 response and the economic downturn, by relying on some key principles in developing their budget proposal: Be Responsible and Don't become the problem.

The main difference in the Governor's May Revise and the Senate's Budget Proposal is in their expectations for funding from the Federal government. "While both the May Revision and the Senate Version contain a Federal Funds/Trigger Solutions interaction, the two versions differ in the presumed starting point and other key details of trigger solutions." The Governor made \$14 billion in cuts starting July 1 and would reverse those cuts depending on the timing and amount of the federal funding. The Senate "flips the presumption" and instead budgets as though the federal funds will come in but then triggers on the solutions should the federal funds not materialize by October 1. According to the Senate documents, "there is growing confidence that the federal government will act and the trigger solutions.....will not be implemented."

This is all great news for Health and Human Services Budget issues. The Senate rejects many of the cuts or dramatic revisions to the Health and Human Services Budget, including:

- Rejects implementation of the Medi-Cal Managed Care Rate Cap, which would have a tremendous impact on hospital reimbursements.
- Maintains the Governor's May proposal to expand Medi-Cal to seniors 65 and older, regardless of immigration status. It does, however, delay this proposal to January 1, 2022 and grants the Governor the authority to delay further for cost reasons.
- Rejects the Trigger Cuts proposed by the Governor, including elimination of Medicaid optional benefits; elimination of Prop 56 supplemental payments for Medi-Cal providers and loan forgiveness programs; elimination of rate carve outs for community clinics; and rejects elimination of the Song-Brown Health Care Workforce Training Program.
- Rejects cuts to the Multipurpose Senior Services Program (MSSP) and the Community-based Adult Services (CBAS) programs.

The Senate does include its own version of trigger "solutions" in the Health and Human Services area. If the funding from the federal government does not come through, the Senate version of the budget will "adjust the Managed Care Organization charge to generate \$1 billion" in budget benefits. It is unclear exactly how this would work. We are trying to uncover if the plan is to simply extract an extra billion from the health plans who pay the MCO tax, or if the whole program would be re-worked and, therefore, require new federal approval. In testimony on this item, it appeared even the health plan association was still a bit in the dark on what this plan actually would entail.

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<p>Senate Budget Proposal <i>(continued)</i></p>	<p>While this is good news, the Senate plan does not include any financial relief for health care providers and does not support any of the new funding included in stakeholder proposals introduced earlier this spring.</p> <p>The Senate Budget Committee voted to pass this budget proposal Thursday evening. It now will go before the full Senate early next week. From there, it will go over to the Assembly. While we are hearing some rumblings from individual legislators on some elements of the plan (including that the Senate catered too much to the Governor on some of his priorities related to pharmacy services), all indications from Assembly Leadership is that this Senate plan is likely to pass mostly intact. The Legislature is committed to passing a budget by the June 15 Constitutional deadline. The State will need to revisit all these proposals later this summer – likely in August – when there is a better sense of revenues from State taxes and federal funding.</p>
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