

LEGISLATIVE UPDATE



Week of June 1, 2020

State Issues

Legislative Budget Proposal

This week, the Senate and Assembly worked behind the scenes to develop a joint legislative budget proposal. Last week, the Senate put out their plan, leaving the Assembly this week to play catch up and make some adjustments before the final plan is negotiated between the leadership of both houses and the Governor. As we outlined last week, the Senate rejected most of the onerous cuts Governor Newsom made to the health care delivery system, and those rejections were sustained in the joint plan. The Legislature's Budget Proposal:

- Rejects the Trigger Cuts proposed by the Governor, including elimination of Medicaid optional benefits
- Rejects cuts to the Song-Brown Health Care Workforce Training Program
- Rejects the elimination of funding for behavioral health providers in emergency rooms
- Rejects the elimination of Prop 56 supplemental payments for Medi-Cal providers and the provider loan repayment program
- Eliminates the rate carve-outs for community clinics and restores funding to backfill for the 340B program elimination
- Rejects the cuts to the Multipurpose Senior Services Program (MSSP) and the Community-based Adult Services (CBAS) programs.
- Maintains the Governor's January 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.

There is one change in the joint plan that we are still working to determine its impact on California hospitals. The Senate had rejected – in total – the implementation of the Medi-Cal Managed Care “efficiencies” proposal, which represents a significant cut to hospital reimbursements. However, as described in a brief summary document, the Joint plan rejects part of this proposal that impacts hospitals. Depending on how the final budget bill language is written, it may still have an impact on certain hospitals that take capitated Medi-Cal payments. We are working with other hospital associations and the Legislature to sort through this issue and determine if we need to make adjustments to the language to ensure hospitals are truly held harmless by this proposal. The Legislature and the Governor will now have the next 10 days to work through any differences. In testimony before the Assembly Budget Subcommittee this week, the Administration stated that there are many things in common between what the Administration proposed and the Legislature is proposing, which is very positive. However, they pointed out that the Administration has great concerns for the next several budget years, and they believe the Legislature's plan does not make enough cuts, and borrows too much from the state's reserves, to protect us from greater cuts in the next few years.

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<p>Legislative Budget Proposal <i>(continued)</i></p>	<p>It is important to note that the budget under discussion will get a substantive re-write later this summer. California, and all of the other states, are putting pressure on the federal government to provide greater relief and funding to states. Coupled with the pushed-back tax filing deadline of July 15, the state will have a better sense of actual revenues and a better picture of COVID19-related expenditures later this summer. It is expected that the Legislature will revisit the budget and make substantive adjustments in August, before their end-of-session recess.</p>
<p>Appropriations Committee</p>	<p>This week, the Senate Appropriations Committee had planned hearings. However, due to the protests (and related violence and looting) around Sacramento this past weekend, coupled with the protests over the last few weeks at the Capitol related to the Stay In Place orders, the Legislature decided to cancel all hearings and ask Legislators to not return to the Capitol building on Monday. Senate Appropriations has reset their meeting for next Tuesday, June 9, with a Suspense Hearing on Thursday June 18. Several key bills awaiting hearing next week will be SB 977 (Monning) which grants extraordinary power of the Attorney General over health care transactions, and SB 973 (Hill), which would ban the sale of flavored tobacco products in California.</p> <p>The Assembly Appropriations Committee did hold its meeting on Tuesday and then held its Suspense File Hearing on Wednesday. There were hundreds of bills dispensed with, in the rapid-fire hearing, but a few healthcare bills of note were heard:</p> <ul style="list-style-type: none"> ▪ AB 2464 (Aguiar Curry), which develops a behavioral health e-consult services sponsored by the children’s hospitals. Held in Committee. ▪ AB 3083 (Arambula), which allows additional cardiac care services to be performed in ambulatory surgery centers. Held in Committee. ▪ AB 2537 (Rodriguez), which requires hospitals to, among other things, maintain a cache of Personal Protective Equipment for a year’s worth of use. Passed, with Amendments. The bill was amended to require hospitals maintain 6 months of PPE. ▪ AB 2830 (Wood), which continues the creation of an All Claims Payer Data Base. Passed, with Amendments. The bill was amended to make certain reporting voluntary.
<p>Legislative Process and Timelines</p>	<p>This year, because of the COVID-19 recess of the Legislature, the calendar and schedules of the Legislature were recast. The legislative calendar is predominately created by agreement of the two houses (which don’t always agree). There are only a few key deadlines outside of their control and outlined in the State Constitution, and we are approaching one of them. Both houses of the Legislature must pass a balanced state budget by June 15. Other updated procedural deadlines and key dates are also approaching:</p> <ul style="list-style-type: none"> ▪ Today, June 5: Assembly bills that are keyed fiscal must pass Appropriations Committee or will be dead for the year. ▪ Friday, June 19: Senate bills that are keyed fiscal must pass Appropriations Committee or will be dead for the year. ▪ June 19 – July 13: Assembly Summer Recess ▪ July 3 – July 13: Senate Summer Recess <p style="text-align: right;"><i>(more)</i></p>

<p>DHCS Director Gilbert Stepping Down</p>	<p>On Tuesday, it was announced that Dr. Brad Gilbert, the Director of the Department of Health Care Services that oversees the state's vast Medicaid program, is stepping down. His last day is expected to be Friday, June 12. He has been in the post less than 4 months. In a quote from the Governor's Office, "Dr. Gilbert has been a tremendous asset to the State of California and the Department of Health Care Services. The Governor is grateful for his service and respects his decision to resign to be closer to his family."</p> <p>When he arrived, Dr. Gilbert had been charged with leading the planned transformation of Medi-Cal, called Cal-AIM, but that has been put on hold indefinitely as the state grapples with its response to the COVID-19 pandemic and the expected years of budget deficits for the foreseeable future. His plan was to overhaul the state's Medi-Cal system, which involved integrating behavioral and physical health systems, changing the way the state purchases drugs and focusing on homelessness as a public health crisis.</p> <p>The Administration has not yet stated who will succeed Dr. Gilbert after his departure next week.</p>
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For more information please contact Lori Dangberg at 1215 K Street, Suite 2000 ■ Sacramento, CA 95814
Direct line: 916.552.2633 or fax: 916.552.7652 ■ e-mail: ldangberg@thealliance.net