

LEGISLATIVE UPDATE



Week of June 8, 2020

State Issues

State Budget

This week, most of the state budget action was behind closed doors. Senate Pro Tem Toni Atkins, Assembly Speaker Anthony Rendon, and Governor Gavin Newsom are in negotiations to work through the disagreements they have between the Governor's May Revise proposal (that expects huge losses of revenue, little to no help from the federal government, and offered many cuts in health and human services) and the Legislature's proposal (that restores many of those cuts, relies heavily on our rainy day funds, and expects federal funding to come through).

Today, Friday, the Senate Budget Committee had a hearing that allowed the Legislative Analyst's Office to share their analysis of the differences between the original Senate Budget Proposal and the newly agreed-upon Legislative Budget Proposal, which is the agreement between the Senate and Assembly.

One of the big sticking points in the negotiations that was highlighted in the hearing today is the push to have state workers renegotiate their payment and benefit contracts and agree to a pay cut. The new Joint Legislative Proposal puts pressure on the unions to negotiate, as it states that if no additional federal funds are received, the plan assumes at least \$1.5 billion, and up to \$2.9 billion, in state employee compensation savings.

One health care policy issue that was also mentioned in the hearing today is that the joint Legislative Budget Proposal does not specifically call out a plan to change to the Managed Care Organization tax (MCO tax) and secure an additional \$1 billion if no federal funds are provided, but it does continue to allow that issue to be pursued should the Legislature decide to attempt to negotiate further with the federal government.

The Legislature is expected to meet their Constitutional requirement to pass a balanced budget on Monday by midnight. However, we are hearing rumblings that the negotiation between the Governor and Legislature is not going smoothly. Rumors are circulating that the Governor may not sign the budget passed by the Legislature because he continues to be concerned that we will not secure federal funds and the Legislature does not cut enough services, nor curtail enough spending.

Negotiations will continue over the weekend.

Also of note is that most of the Budget Trailer Bills that implement a great deal of the budget policy will continue to be worked on over the next week and won't be passed on Monday, but will follow along as the subjects get resolved.

(more)

<p>Appropriations Committees</p>	<p>Senate Appropriations held a key, but formulaic, hearing this week – moving the vast majority of the bills on its agenda to the Suspense calendar. This includes both 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. The Senate Suspense Calendar will be taken up next Thursday, June 18, upon call of the Chair.</p>
<p>Report: The Financial Impact of COVID-19 on California Hospitals</p>	<p>A new report commissioned by California Hospital Association (CHA), found that California hospitals are facing a roughly \$15 billion net loss in 2020 revenues in the wake of the COVID-19 pandemic. Perhaps more important, the report foretells of long-term economic damage to California hospitals.</p> <p>Conducted by consulting firm Kaufman Hall, Ken Kaufman, chair of Kaufman Hall states that: “Since the outset of the pandemic, California hospitals have rightfully focused their efforts on caring for COVID-19 patients, protecting their workers, and preserving the safety of their communities. Our research shows that these vital efforts have come at an extremely high cost. When coupled with an already challenging financial environment prior to COVID-19, California hospitals are now facing a very difficult path forward.”</p> <p>As reported by CHA, in March, when Governor Newsom issued statewide executive orders to respond to COVID-19, hospitals experienced a significant decline in inpatient discharges and emergency department visits, according to Kaufman Hall data. Things got worse in April, as hospitals saw a massive decline in discharge volumes and emergency room visits. Over the longer term, the economic impact of COVID-19 is expected to result in higher numbers of uninsured patients and Medi-Cal beneficiaries, as well as the likelihood of a longer-term reluctance on the part of Californians to seek health care services. Together, these put additional pressure on revenues.</p> <p>And with state and federal assistance covering only a portion of the shortfalls, the hospital community is keeping the pressure on the Legislature to provide a financial lifeline for hospitals, because even with state and federal assistance factored, California hospitals are facing \$10 billion in lost revenue by the end of 2020. In addition to reiterating the key point that hospitals are foundational to a safe reopening for California, emphasis will be on the long-term financial peril for the health care hubs that hospitals serve as, but also the effect of COVID-19 on a field that employs nearly 500,000 Californians and drives nearly \$280 billion in state economic activity.</p>
<p>Healthy California for All Commission</p>	<p>Today, Friday, the Health California for All Commission held its virtual meeting to hear a presentation on the report, “An Environmental Analysis of Health Care Delivery, Coverage, and Financing in California.” The Commission is charged with developing a plan for advancing progress toward achieving a health care delivery system for California that provides coverage and access through a unified financing system, including, but not limited to, a single-payer financing system. The COVID-19 pandemic and the state’s economic downturn has shifted the time and format of Commission meetings and has led the consulting team to revise the environmental analysis emphasizing themes related to system resiliency and equity. A summary of the report and its conclusions follows:</p> <p>Section 1: The Current State describes demographics and coverage, health care delivery and financing, and early observations on the impact of the COVID-19 pandemic. Conclusion: The state has made great progress in expanding coverage, although 3.5 million Californians remain uninsured. Patchwork coverage programs and care delivery arrangements impose administrative burden for consumers and providers. <i>(more)</i></p>

<p>Healthy California for All Commission (continued)</p>	<p>Transitions in eligibility and coverage that come with changes in employment, income or other life circumstances compromise access and coordination of care. Quality of care is not always well-documented and efforts to improve quality are fragmented. Provider payments are uneven and do not always reflect the value of services rendered. Unified financing has the potential to address these shortcomings.</p> <p>Section 2: Steps to Prepare to Transition to Unified Financing addresses considerations influencing California’s path and different steps the state might pursue. Conclusion: This section described steps that California could take to prepare to transition to unified financing, including design steps and bold preparatory steps: establishing a legal Healthy California for All Environmental Analysis, Draft 2 80 pathway by which changes in federal financing could be negotiated and responsibilities could be clarified; introducing greater consistency among health care delivery and financing arrangements, which would ease the future transition to unified financing; and expanding tools and resources that will be required for the effective implementation of unified financing.</p> <p>Section 3: Coverage Expansion Options briefly describes incremental policy proposals that might move the state closer to universal coverage. Conclusion: The future work of the Healthy California for All Commission will draw on the data and analytic framework presented in this report. As it continues its work into early 2021, the Commission will analyze steps toward unified financing and the implications of alternative paths forward. A subsequent Commission report will delve more deeply into key design considerations for a unified financing system, including a single-payer financing system, and will offer a road map toward a Healthy California for All.</p> <p>Most interesting was the Commissioners discussion on the proposed next step for a series of Advisory Focus Groups of employers and health care providers who are key stakeholders and have historically had an interest in preserving the multi-payer system. The purpose was to gather an updated assessment of how challenges associated with COVID-19 have altered employers’ and providers’ interest and willingness to work with public leaders to build a more accessible, affordable, equitable, high quality, universal and resilient health care system in the state.</p> <p>The Commissioners who tend to favor a single-payer approach strongly pushed back on having any focus group participants that represent the voices of hospitals/health providers or employers, rather than more voices of the “public.” The conclusion of the discussion was to put the focus group issue on “pause” for the time being.</p> <p>The Commission’s agenda, slide deck and environmental analysis report can be found at: https://www.chhs.ca.gov/healthycforall/.</p>
<p>Former DHCS Director Forms Consulting Group</p>	<p>This week, it was formally announced that Jennifer Kent has created a consulting firm, The Kent Group, to provide strategic consulting on health care issues in California at both the state and federal level. Jennifer highlights her experience in both the private and public delivery systems and her work implementing the Affordable Care Act and passing several Managed Care Organization taxes. Jennifer is joined by Mari Cantwell, the state’s former Medicaid Director, as the firm’s strategic partner. Her role will include a focus on consulting related to Medicaid, including the health policy, financing and strategic consulting for clients.</p>

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