

LEGISLATIVE UPDATE



Week of June 5, 2023

State Issues

State Budget and the MCO Tax

This week, most of the substantive legislative action is taking place behind the scenes in order to finalize the budget. After the hub of activity to move bills from the house of origin to the other house, the budget deadline of June 15 is looming.

The biggest budget item that the health care community is most active relates to the details of a Managed Care Organization MCO Tax. Negotiations between Governor Newsom, Senate, and Assembly are ongoing.

The Senate released their starting negotiation position, which included rejecting the Governor's spending plan, rejecting the Governor's idea to spread revenue over an 8-10 year period, but agreeing on the \$19 billion in total program size. The Senate did agree to give the Governor \$4 billion for the State General Fund, but allocates the rest of the funding to the health care system through increased reimbursement rates and other investments. These investments include primary care, specialty care, hospitals, clinics, community health workers, behavioral health capacity, reproductive health care, abortion access, and workforce development. Their plan also uses MCO Tax revenue to eliminate pending trigger reductions for continuous Medi-Cal coverage for children 0-5, and share of cost reform for seniors in Medi-Cal, adopted in the 2022 Budget Act.

It is important to note that the Assembly has yet to weigh in as clearly as either the Senate or the Governor, but that is not an indication that they don't have many ideas about where some of these funds should go. We know Dr. Wood, Assembly Health Chair, is hoping to direct some funding to help a small number of rural hospitals achieve seismic compliance, and other members have indicated an interest in funding county-based behavioral health crisis programs. The list of programs the Assembly is hoping to include is large and negotiations are ongoing.

The budget bills must be in print early next week to have the necessary 72 hours in print before a final vote can be cast. However, we expect many elements of the budget to continue to be negotiated throughout the summer and perhaps not finalized until the end of session on September 15.

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