

LEGISLATIVE UPDATE



Week of August 21, 2023

State Issues

SB 525 Health Care Worker Minimum Wage

There are just three weeks left in the legislative session, with session set to end on Thursday, September 14. A major piece of legislation still pending is SB 525 (Durazo), which would mandate a statewide minimum wage for health care workers, including contract staff, at \$21 per hour beginning June 1, 2024, and increasing to \$25 per hour beginning June 1, 2025. It also would require non-minimum wage salaries to be no less than 150% of the minimum wage.

The Assembly Appropriations Committee published its analysis of the bill, and it estimated state costs in the billions of dollars, which includes:

- \$973 million in costs to bring eligible state workers up to the \$25 minimum wage.
- \$39.9 million to \$179.3 million for UC health system eligible employees. UC notes that this cost estimate does not include salary structure adjustments for academic appointees in the health care setting and the inflation adjustment.
- \$500 million to \$1 billion with ongoing growth for required long term care (LTC) facility Medi-Cal rate adjustments.
- Cost pressures totaling in the billions of dollars to increase provider reimbursement rates in order to maintain Medi-Cal members' access.

While amendments were agreed to in the Senate to extend the implementation until 2028, those have not shown up in print. The Alliance is part of a large coalition of health care providers who are continuing to work in opposition to the bill.

The new Speaker is getting engaged on the bill and has indicated an interest in seeing if a compromise can be found amongst the parties. Those discussions are ongoing.

All bills on the Suspense calendars, including SB 525, will get voted on before the September 1 legislative deadline. Bills that pass that hurdle will be moved to their respective Floors for a vote before the session ends on September 14.

Distressed Hospital Loan Program

Today, the Department of Health Care Access and Information (HCAI) announced the hospitals that were being awarded the interest-free loans through the Distressed Hospital Loan Program. This program was authorized in AB 112, which was passed and signed earlier this year. The goal is to support struggling hospitals on the brink of closure or bankruptcy. They awarded close to \$300 million in no-interest loans to 17 facilities. About half of the facilities are private DSH hospitals that serve a disproportionate share of the Medi-Cal population and half are district hospitals. The hospitals are located throughout the state and include rural and urban hospitals. You can access the full list of hospital awardees and their loan amounts via this [link](#).

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<p>Managed Care Operations Tax (MCO Tax)</p>	<p>The negotiations around the Managed Care Organization tax continue on two fronts. A coalition, which includes the California Hospital Association, California Medical Association, health plans, and several other provider organizations, is in the process of negotiating language for a statewide ballot initiative to set the MCO tax into the State Constitution in an effort to formalize and protect some of the work on the tax to date. They continue to work with the Newsome Administration on funding parameters, such as who will be eligible for funding and how much should be set aside for the State General Fund.</p> <p>In addition, work will begin again in earnest soon on the MCO tax language that was part of the Governor’s budget document. If you recall, the 2023-2024 budget included augmented reimbursement rates for certain community-based medical services, and it also included broad definitions of categories of funding that will not begin until 2025. This latter category of funding is what may be available for hospital providers. The work that will be done over the Fall includes working on more refined definitions and parameters around the categories of funding that are expected to be included in the Governor’s 2024-2025 budget plan. While it is expected that hospitals will be able to access the funding included in the Emergency Services category, what those funds can be used for will need to be negotiated. Furthermore, many other categories, including behavioral health and outpatient services, still need to be defined; and the extent that they will be open to hospitals is contingent on those definitions.</p>
<p>Speaker Announcements</p>	<p>This week, new Assembly Speaker Robert Rivas’ office announced that new staff had been hired to cover key policy areas. Of most importance to the hospital community is that Rosielyn Pulmano has been named his chief health policy advisor. Roz is a well-known staff member who has been the Chief Consultant for Assembly Health for many years. She’s knowledgeable and well-respected. There has been no announcement of a replacement to lead the Assembly Health Committee staff, but promoting from within would be expected. Myesha Jackson continues in her role overseeing policy issues for the Speaker.</p> <p>It was also announced that the Speaker told the Assembly Members at their caucus meeting last week that he would be sending out a form for members to indicate their committee preference. While many members have provided this information to his team previously, they are asking every member to complete a form making sure the Speaker knows what Committees each member would like to sit on or Chair.</p>

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