

# LEGISLATIVE UPDATE



Week of April 1, 2024

## State Issues

### Budget Update: Early Action Deal

Shortly before the Legislature's Spring Recess, the Senate put out an early action budget plan that proposed to adopt much of the Governor Newsom's January Budget proposal tackling \$17.1 billion in cuts, deferrals, borrowing and new revenues – mostly in the form of a Managed Care Organization (MCO) Tax. At the time, the Assembly was not ready to make that deal, and refused to go along. It appears that the Assembly wisely used this pause in the legislative session to come to a three-way agreement. While the Assembly is claiming some victory in reducing the impact on housing and homelessness services, the total agreement in budget solutions actually went up slightly to \$17.3 billion.

It is important to keep in mind that even with this expected action, the State will still have to deal with a budget deficit ranging from \$8.4 billion to \$23.4 billion – depending on whether you listen to the Governor or the Legislative Analyst's Office, and how optimistic the April tax revenues will be and overall economic picture.

According to the Governor's office, the package will be included in a budget bill that will be in print in the coming days, and the package will be vetted by the Legislative Budget Committees early next week. The Legislature hopes to vote on this proposal on April 11.

There is no word on if adjustments to the health care minimum wage (SB 525) statute, as promised by the Governor earlier this year, will be part of this budget bill package. The first minimum wage rate hike is set for June 1, and health care providers are already beginning the work to implement the law if no delays are forthcoming.

While there are adjustments to the health care budget, the biggest contributor to the solutions from the health space is increasing the State General Fund portion of the MCO Tax. The new proposal includes few cuts in health services and just a few deferrals and accounting adjustments:

- Approves Governor's proposal to seek federal approval to increase the state's tax on managed care organizations. The enhanced tax will provide additional federal funding for the Medi-Cal program, offsetting existing General Fund expenditures to address the budget shortfall. This represents \$1 billion in solutions for the current year and \$2.7 billion in the budget year.
- Approves Governor's proposal to delay, until 2025-26, \$74 million for HHS Innovation Accelerator approved in the 2023 Budget Act.

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<p>Budget Update: Early Action Deal <i>(continued)</i></p>	<ul style="list-style-type: none"> <li>▪ Approves Governor’s proposal to delay, until 2025-26, \$475.4 million for the final rounds of the Behavioral Health Continuum Infrastructure Program and Behavioral Health Bridge Housing.</li> <li>▪ Approves Governor’s proposal to sweep the \$162.7 million reserve balance in the Medi-Cal Drug Rebate Special Fund to the General Fund.</li> <li>▪ Approves Governor’s proposal to borrow from the AIDS Drug Assistance Program Rebate Fund, with agreement for new program commitments from available funds as part of the Budget Act of 2024.</li> <li>▪ Approves Governor’s proposal to loan the General Fund a total of \$66 million from the following HCAI special funds: 1) Hospital Building Fund (\$50 million), 2) Registered Nurse Education Fund (\$3 million), 3) Vocational Nurse Education Fund (\$1 million), 4) Mental Health Practitioner Fund (\$1 million), and 5) CA Health and Data Planning Fund (\$11 million).</li> <li>▪ Approves Governor’s proposal to loan the General Fund \$22.9 million from the Managed Care Fund.</li> <li>▪ Approves Governor’s proposal to withdraw elimination of the two-week fee-for-service Checkwrite hold for Medi-Cal providers.</li> </ul>
<p>Leadership Change in Health Policy and Advocacy</p>	<p>After 22 years, Anthony Wright will be leaving his post as CEO of Health Access. Starting in July, he will become the CEO of Families USA – leading health advocacy efforts in Washington, DC. Anthony led Health Access to become one of the more powerful voices in health policy and led the state’s work on implementing the Affordable Care Act, making coverage through Covered California more affordable and expanding Medi-Cal access to all residents, regardless of immigration status.</p> <p>He has positioned his organization often in opposition to the health care provider community and succeeded in passing policies that remain a concern for the stability of our health care delivery system, like the Office of Health Care Affordability, whose impact is not yet known. But Anthony has been a fixture in health policy in California, and his moving on will shift the landscape of health care advocacy.</p>

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