

LEGISLATIVE UPDATE



Week of June 24, 2024

State Issues

Budget Update:
Health Trailer Bill

A great deal of budget action occurred this week. The Administration finally released the Health Trailer bill on Monday morning, with only a few hours to spare to allow it to be voted on with the rest of the Trailer Bills by the June 27 deadline. You can access the full bill, SB 159 [here](#). Included [here](#) is the Senate Floor Summary of the Health Trailer Bill. And included [here](#) is the Senate Budget Committee Summary of all of the Trailer Bills heard this week, including the one on Health. The Health Trailer bill makes some major changes to the health care spending plan.

MCO Tax Spending Adjustments. The Legislature has made substantive reforms to the Managed Care Organization (MCO) Tax plan. Jason Sisney with the Assembly Budget team created a great chart (*see attached*) outlining the changes the Legislature made to the original DHCS Term Sheet agreed to by the coalition of providers, including California Medical Association, California Hospital Association, SEIU and Planned Parenthood. Major changes include eliminating funding for outpatient hospital care, “behavioral health throughput” which was meant for hospital emergency room services, and special allocations to Public hospitals and UC Health for Graduate Medical Education programs. Funding for rate increases for Medi-Cal physician services in the Community have been slightly reduced, but mostly maintained. Most notably, the Legislature added in a number of providers who were previously excluded from receiving any MCO funding. These include air ambulances, congregate care living facilities, nonemergency medical transport and for continuous Medi-Cal coverage for children ages 0-5.

The Legislature, for some time, has expressed upset with the provider coalition for not consulting with them last year as the MCO spending plan was being negotiated. This budget adjustment is them making that point. The Governor had been asking the provider coalition to remove the MCO initiative from the November ballot. They had until yesterday to do so, and they have not. So, come November, Californians will get to vote on putting this tax into the State Constitution – and allowing the spending plan to revert to the “original” DHCS Term sheet allocations.

Minimum Wage. The bill also makes an adjustment to the implementation deadlines for the Health Care Minimum Wage. Per the bill, the minimum wage will be delayed until either of these occur:

- a) Cash receipts are 3% higher than projected for the 3rd quarter of 2024. If so, the minimum wage goes into effect October 15, 2024.
Or
- b) The State notifies the Legislature that they have initiated the data retrieval process to implement an increase to the HQAF (Hospital Quality Assurance Fee) that will provide “significant new revenues to hospitals” If so, the minimum wage goes into effect January 1, 2025, or 15 days after the notification from the State to the Legislature, which could be as early as October 15, 2024.

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<p>Budget Update: Health Trailer Bill <i>(continued)</i></p>	<p>The delay applies to both public and private health care facilities, but most community-based facilities have already implemented the rate increase on June 1 or will July 1.</p> <p>Children’s Hospitals. The bill also includes language that provides for a Directed Payment to Children’s Hospitals. The language notes a \$115 million State General Fund annual allocation, which should get matched through the Medi-Cal program. It also includes language that says that this money must be in addition to the regular Medi-Cal payments already provided to Children’s Hospitals for services provided and cannot supplant other funding. This ensures the funding is additive – and is not just provided only to have other funding taken. It does reference that if the MCO Ballot initiative is passed in November, the amount can be reduced by the amount Children’s Hospitals receive from the MCO Tax.</p>
<p>Key Legislative Update</p>	<p>Some key bills made their way through Health Committee this week.</p> <p>SB 1432 (Caballero): Hospital Seismic. Allows for a 3-year delay in the implementation of the 2030 hospital seismic standards, with the option for 5 more years at the discretion of HCAI. <i>Passed</i>, with members noting their expectation that no other extensions will be provided.</p> <p>SB 1423 (Dahle): Critical Access Hospitals. Considered by the Committee as it will be amended to create a task force to explore Medi-Cal reimbursement rates to these small rural hospitals. <i>Passed</i>, with some frustration by the author that he was unable to secure much needed funding for these rural providers.</p> <p>SB 966 (Weiner): Pharmacy Benefit Managers. Creates requirements for licensure and state oversight for Pharmacy Benefit Managers. <i>Passed</i> to Assembly Judiciary, where it will be heard next week.</p> <p>AB 3275 (Soria, Rivas): Prompt Payment. Requires health plans to provide prompt payment for certain health facilities. <i>Passed</i>, as amended to change reimbursement timelines to 30 calendar days.</p> <p>AB 3129 (Wood): Health Care Consolidation. Increases the AG authority and oversight on health care transactions that include private equity. <i>Passed</i>, to Senate Judiciary, where it will be heard next week. Of note, three Democratic committee members were present and not voting for the bill.</p> <p>AB 869 (Wood): Rural Hospital Seismic. Grants 3-year seismic extensions to small rural hospitals and health care districts. <i>Passed</i>, on consent.</p>
<p>Senate Confirmation: Medical Board of California</p>	<p>This week, the Senate Rules Committee, chaired by Pro Tem Mike McGuire, considered the nominations for two positions on the Medical Board of California. Dr. Hemant Dhingra, of Clovis and Dr. Felix Yip of San Marino. Both nominees got full support from the Committee and will next be voted on by the full Senate.</p> <p>Dr. Hemant Dhingra has been Chief of Medical Staff at the Saint Agnes Medical Center of Fresno since 2023, where he was Founding Program Director of Internal Medicine. He has been President of the Nephrology Group since 2014. Dhingra is a member of the American Society of Nephrology and the California Medical Association.</p>

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<p>Senate Confirmation: Medical Board of California <i>(continued)</i></p>	<p>Dr. Felix Yip is nominated to serve again on the Medical Board, where he served from 2013 to 2022. Yip has been CEO and a Urologist at Felix Chi-Ming Yip MD Inc. since 1987. Yip has also been a Clinical Professor of Urology at the University of Southern California Keck School of Medicine since 2013 and at the University of California, Irvine School of Medicine since 2023. He is a member of the American Board of Urology and the American Urological Association.</p> <p>The hearing was very smooth, with Senators asking the two nominees questions including ones that allowed them to affirm that protecting the public was their primary role on the Board. Yip was also questioned about his previous period on the Board, which was fraught with complaints from the public about physicians who were accused of misconduct but seemed to get very little punishment from the Board. Yip noted some limitations in the law and some regrets.</p>
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Assembly Budget Team: Legislative Changes to the original DHCS Term Sheet

(in millions)	Pre May Revision	3 Party Compromise Plan			Notes
	DHCS Term Sheet 24-25	2024-25 cost	2025-26 cost	2026-27 Cost	
Physician/Non-Physician Health Prof Svcs	975	-	377	753	Jan 1, 2026 See table for rate differences
Comm/Hosp Outpatient Procedures and Svcs	245	-	-	-	
Abortion and Family Planning Access	90	45	90	90	Same as Term Sheet
Services and Supports for FQHCs/RHCs	50	-	25	50	
Emergency Department Services (Facility/Physicians)	355	50	100	100	For ED physicians only, no facilities funding
Designated Public Hospitals	150	-	-	-	
Ground Emergency Medical Transportation	50	25	50	50	Same as Term Sheet
Behavioral Health Throughput	300	-	-	-	
Graduate Medical Education	75	-	-	-	
Medi-Cal Workforce Pool - Labor Management Cmte	75	-	-	40	One-time
Air Ambulances	-	4	8	8	
Private Duty Nursing (PDN)	-	-	31	62	
Continuous Coverage 0-5	-	-	17	33	
CBAS Rates	-	4	8	8	
Congregate Living Health Facilities	-	4	8	8	
Community Health Workers (CHWs)	-	-	-	5	
Non Emergency Medical Transportation	-	-	13	25	
Pediatric Day Health Centers (PDHC)	-	2	3	3	
Total	2,365	133	729	1,235	
	DHCS State Ops	-	2	2	
Total investments plus State Ops	2,365	135	731	1,237	