



TO: CMA Physician Leaders

DATE: June 15, 2020

FROM: Janus Norman, Senior Vice President, Center for Government Relations

SUBJ: Legislature Passes the 2020-21 Budget Bill

Overview

Today, the Legislature voted to send Governor Gavin Newsom a balanced budget for fiscal year 2020-2021. This year's budget process was greatly accelerated, with what would normally take six months, coming together in just one month. California began 2020 with a strong economy, historic reserves, a structurally balanced budget, and a projected surplus of \$5.6 billion. However, the Legislature and the Governor's office are currently working to close a \$54.3 billion budget deficit due precipitous state revenue declines and caseload increases due to the COVID-19 pandemic.

The Governor's May Revise spending plan made programmatic cuts pre-emptively, with restorations of those same programs if Federal funding assistance was realized. In contrast, the Legislature opted to continue programs put in place last year, but if Federal funding is not realized, a set of "trigger solutions" would be put into action after September 1st. These solutions do not include cutting spending on vital health care programs that ensure access to key safety net programs when they are needed most. The Legislature instead used a variety of tools to address the shortfall, including deploying available reserves, reducing expenditures where possible, increasing revenues, shifting costs, or adjusting caseload estimates. Their spending plan does not take actions that could potentially worsen the public health crisis or compound personal economic challenges facing Californians.

The Legislature's spending plan passed today in SB 74 protects the following programs for the 2020-21 budget year, all within a balanced budget framework:

- Protects \$1.2 billion in Proposition 56 funding providing supplemental payments for physician, dental, family health services, developmental screenings, and non-emergency medical transportation, and value-based payments. This includes the continuation of all future cohorts of the Proposition 56 Physician and Dentist Loan Repayment Program (years 2-5 of the 5 year program).
- Protects the restoration of adult dental and all optional benefits including audiology, incontinence creams and washes, speech therapy, optician/optical lab, podiatry, acupuncture, optometry, nurse anesthetists services, occupational and physical therapy, pharmacist services, screening, brief intervention and referral to treatments for opioids and other illicit drugs in Medi-Cal, and diabetes prevention program services.
- Ensures \$33.3 million ongoing general fund for the continuation of the Song-Brown Healthcare Workforce Training Program.
- Maintains the expansion of postpartum mental health services for individuals diagnosed with a maternal mental health condition.

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- Rejects the reversion of funding for the placement of behavioral health counselors in emergency departments, Medi-Cal enrollment navigators, and the Medical Interpreters Pilot Project.
- Provides for system updates to the Medi-Cal system to implement coverage to include all adults aged 65 or older, regardless of their immigration status (approximately 90,000 adults). This expansion of coverage is contingent on future funding, but will build upon the coverage currently offered to children up to age 19, and young adults aged 19-26.

There are several proposals from January that are not being carried forward in the Legislative spending plan for this budget year, including:

- Discussions surrounding the Office of Health Care Affordability.
- Delayed implementation of the CalAIM initiative, resulting in a General Fund savings of \$347.5 million in 2020-21.

PROPOSITION 56 GME

The Legislature confirmed the Governor's proposal, committing to an increase of \$1.5 million ongoing General Fund to maintain the Proposition 56 Graduate Medical Education Program at an ongoing total of \$40 million.

PHYSICIAN LICENSING AND CURES FEE INCREASES

The Governor's May Revise proposed a 47% licensing fee increase, bypassing the normal policy committee process to fund operational cost growth at the Medical Board. The Legislature rejected this policy item as it does not belong in the budget process, and also deferred action on a 133% fee increase to fund CURES system updates. CMA staff will continue to work with Legislative staff and the Administration on solutions to both items without penalizing the physician community.

NEXT STEPS

The main budget bill, SB 74, now heads to the Governor for his consideration and signature. The budget negotiations are still ongoing as there are some structural budget disagreements between the Legislature and the Governor. Typically, there would be time enough to come to a three-party (Senate, Assembly and Governor) budget agreement before the passage of the final budget bill. With the shortened timeline and differing opinions on how to remedy the budget shortfall, SB 74 passed today represents the Legislative agreement and will be amended by a budget junior bill in the coming weeks with other items negotiated in conjunction with the Governor's office.

As always, there will be other trailer bills that further flesh out some of the items in the main spending plan as well. CMA staff will remain vigilant in the coming weeks, working to ensure Proposition 56 investments in access to care remain in place with other priorities in health care.

For additional information or questions, contact Kelli Boehm, Legislative Advocate, Government Relations, kboehm@cmadocs.org.