

CA State Budget, May Revise FY 2023-2024

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For MCH Access

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Overall Context for the May Revise

- Projected state budget deficit as of May is now \$31.5 billion (was \$25B in January 2023)
 - State took in less in capital gains taxes by April 15 than anticipated
 - Due to natural disasters, tax returns not due until October, so won't have the full picture until then
- \$31.5 B deficit is after funding reserves of \$37.5B. So CA's budget is strong.
- And a bigger tax on managed care plans would provide billions of new dollars earmarked for access, quality, and equity (see below).
- May Revision Budget Documents and Fact Sheets FY 2023-24 (May 12, 2023)
<https://www.dhcs.ca.gov/Budget/Pages/Governors-Budget-Proposal.aspx>

No health cuts in the May Revise

- **0-5 Continuous Eligibility and Share of Cost calculation update** to 138% of poverty: Preserved, with original budget contingencies.
- **Undocumented Adult Expansion**, ages 27-49, with income to 138% of poverty. Implementation still on track for implementation January 1, 2024. Closes the gap among these other existing expansions for undocumented persons:
 - Older Adults (50+)
 - As of May 1, 2022, with COVID's continuous eligibility protection in Emergency Medi-Cal
 - So "new" to many people when the PHE protection was lifted April 1, 2023
 - Young adults (19-26)
 - Children (18 and under) (to 266%)
 - Pregnant adults (to 322%)

Alignment with admin delay

- **Medi-Cal Mobile Crisis Services Benefit:** Mobile crisis services are provided by a multidisciplinary team of trained behavioral health professionals in the least restrictive setting, including away from a clinic or other medical facility.
- Implementation required as of January 1, 2023
- Per the May Revise, start date has been extended for certain small rural counties until June 20, 2024

Augmentations

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- **More funding** to cover higher than anticipated costs for earlier undocumented expansions due to:
 - higher caseloads;
 - sicker patients;
 - updated managed care rates, and
 - higher share of state-only costs.
 - **Managed Care Organization (MCO) tax:** Bigger tax with an earlier start date.
 - \$19.4 billion to improve access, quality, and equity over 8 to 10 years
 - Includes rate increases for primary care, maternity care, and non-specialty mental health
 - Remainder into a fund for future consideration
 - So funds definitely there for Schiavo and Hurtado budget request to extend Medi-Cal's Comprehensive Perinatal Services Program benefit from the old 60-day to the new 12-month post-pregnancy eligibility period. **Stay tuned.**

Augmentations, cont'd

Distressed Hospitals Loan Program: The May Revise includes a new \$150 million Distressed Hospital Loan Program to provide zero-interest cash flow loans to nonprofit or public hospitals experiencing extreme financial distress.

On May 15, 2023, the Governor signed an “early” health trailer bill to adopt it even before the overall budget is finalized.

Challenges

- **No new taxes on corporations or the wealthiest individuals**
 - Senate's proposed budget would raise those taxes to cover prior commitments delayed in the Governor's January budget, such as workforce development for Community Health Workers.
- **Covered California reserve funds:** The May Revision keeps the Governor's proposal to move \$333.4 million from Covered California reserves to the General Fund, with related trailer bill language.
 - The law imposing penalties for not getting insurance ("individual mandate") has led to the build up of Covered California's reserves, which are supposed to be used to lower consumer costs.
 - The Legislature wants to use the reserves to lower cost-sharing. For example, hospital deductibles for Covered California's Silver Plan have doubled from \$2,500 to \$4,750. **Stay tuned.**

Health Trailer Bills of Particular Note

- **Doula Services Workgroup and Evaluation:** Since implementation started a bit later than originally anticipated, a trailer bill would extend the timeline for the Doula Stakeholder Workgroup (to 12/31/2023) and program evaluation (to 6/30/2025).
- **Medical Interpreter Pilot Program:** The May Revision proposes to extend the expenditure authority of the Medical Interpreter Pilot Project for 12 months, from June 30, 2024 to June 30, 2025.
- The **Newborn Hospital Gateway** trailer bill has been amended to include MCAP-linked newborns, in addition to those whose mothers had Medi-Cal for the delivery.

Some Other Key Safety Net Programs in the May Revise

- **Homelessness:** In recent years, the state has committed to spending \$3.7 billion on programs and services for homeless people. The May Revise maintains these commitments.
- **Behavioral Health Bridge Housing Program:** The Governor's January budget would have delayed \$250 million of this \$500 million General Fund program to FY 2024-2025. The May Revise instead uses \$500 million in one-time money from the Mental Health Services fund for this program during FY 2023-2024 AND restores the \$1.5 billion commitment that was funded in the 2022 Budget Act.
- **California Food Assistance Program (CFAP):** In January, the Governor proposed delaying the expansion of this program to older undocumented immigrants to 2027. Moved up to October 2025 in the May Revise.

Different but related: Public benefits caught up in the federal debt ceiling negotiations

- US expected to run out of money to pay its debts in early June 1 if the cap on borrowing more money (“debt ceiling”) isn’t raised
- Republicans demand cuts to public benefits programs (among others) and lowering taxes in exchange for agreeing to raise the debt ceiling
- After insisting on resolving the debt ceiling separately, Democrats now signal openness to some cuts, including work requirements in SNAP (CalFresh)
- So far, Dems saying no to work requirements, block grants, and per capita caps in Medicaid (Medi-Cal)
- <https://www.cnn.com/2023/05/16/opinions/medicaid-work-requirements-debt-ceiling-ives-rublee/index.html>

Thank you!

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