



## LEGISLATIVE REPORT #304

### Governor Newsom Releases \$209 Billion Budget - Heavy Emphasis on Healthcare

**January 11, 2019:** Newly sworn in Governor Newsom released his budget for the 2019-2020 fiscal year. He outlined the \$209 billion spending plan which was an increased spending by 6% over last year. The budget reflects a strong economy, but Governor Newsom has adopted some of the same talking points from Governor Brown on expressing caution about an impending downturn which Newsom mentioned could result in as much as a \$70 billion decline in state revenue over a three-year period. Even with his note of caution he still has proposed an ambitious and aggressive budget in particular in the healthcare area.

Going back to when Newsom was a candidate for Governor, he was quoted as being supportive of moving to a single payer healthcare system. Over time, after facing criticism from various groups over this support, he tempered his comments to acknowledge the challenges with both healthcare stakeholders and the current federal administration. In Governor Newsom's first actions as Governor earlier this week he sent a letter to President Trump requesting the federal government be more supportive of his desire to pursue a single payer health system. Looking at the letter from a political perspective, one could see Governor Newsom showing his desire to explore a single payer system but acknowledging the need for federal support. The details of his budget for healthcare also signal his recognition that a quick path to a single payer system is not realistic.

Those healthcare details of his budget proposal include:

Expanding coverage for undocumented aliens in CA from those up to the age of 19 to up to 26.

Have CA put in place an individual mandate to have health insurance. Similar to the mandate through the ACA that is currently not being enforced, non-compliance will result in a penalty.

Funds raised through the penalty will be used to increase subsidies for those between 250% and 400% of the federal poverty line and expand subsidies to those from 400% to 600% of the federal poverty line.

Create a single payer system for prescription drugs in the Medi-Cal program. This system will transition all pharmacy services for Medi-Cal managed care to a fee-for-service benefit. This is intended to increase drug rebate savings and help secure better prices. This proposal is estimated to result in savings of hundreds of millions of dollars in savings by 2021.

Increase Prop 56 Tobacco Tax monies to be used to increase provider reimbursement in Medi-Cal. In years past the additional funds have been used to increase codes for primary and psychiatry care. It is not known if other codes will be expanded.

There were a number of new programs to increase funding related to mental health care.

Besides the budget, the legislative year has started, and bills are slowly being introduced. The deadline for introducing bills is February 22nd.