



LEGISLATIVE REPORT #316

Legislature and Governor Come To Agreement on Budget Deal

June 23, 2020: Yesterday it was announced the Governor and Legislature agreed to a deal on the budget. As discussed in previous legislative reports the main difference between the Governor's May revise and the budget sent to the Governor by the Legislature was how to account for money expected to be received from the federal government to address the impact of the COVID-19 pandemic. Both sides were estimating the amount the state may receive would be approximately \$14 billion.

The Governor felt due to the uncertainty on how much California may receive cuts should take place on July 1st and once the money was received those cuts would be adjusted. The Legislature took a more optimistic approach passing a budget which assumed the state would receive \$14 billion and if there was a discrepancy on the amount cuts would take place on October 1st.

The compromise between the groups was to make adjustments to the budget passed on June 15th that incorporated both approaches. Some cuts were avoided and others will take place July 1st. If funds are received from the federal government by October 15th restorations will occur on a prorated basis to the cuts. There were no cuts in the health care area that are tied to receiving federal funds.

Focusing on health-related items of the budget, here is what was agreed to:

- Proposition 56 was passed in 2016 to increase tobacco taxes. A significant portion of the funds have been used to supplement Medi-Cal reimbursement for physicians and provide loan reimbursement programs for physicians. The Governor proposed to "eliminate" this program and

use the funds for the overall Medi-Cal program. The compromise was to "suspend" this program for the 2021-2022 year if certain economic conditions exist. This program is safe for this budget year.

- Medi-Cal Managed Care capitated rates are reduced by 1.5% going back to July 2019 and may continue beyond 2021.
- The proposal to expand Medi-Cal to cover adult undocumented individuals is not included in the budget but is prioritized for future budgets if a portion of the state's reserve funds are available.
- Restores all Medi-Cal optional benefits that were proposed to be eliminated in the May Revise, including: adult dental (partial reduction), optometry, optician/optical lab, audiology, incontinence creams/washes, pharmacist-delivered services, speech therapy, podiatry, acupuncture, nurse anesthetists, occupational therapy, physical therapy, and the Diabetes Prevention Program.
- Program approved in the 2019-2020 budget for \$20 million to place alcohol and drug counselors in emergency departments will remain in place with no cuts.
- Proposal to assist with the cost of hearing aids and related services for children without health insurance coverage in low income households will remain in the budget.
- There was trailer bill language dealing with the all payer claims database issue. This year there was a bill that would have required physicians to submit their claims to this state-run database. The language included in the budget trailer bill makes it voluntary for physicians to submit claims.