



California
CHAPTER

LEGISLATIVE REPORT #307

Governor Releases Budget - Vaping Tax and Supportive of E-Cigarette Flavor Ban

January 10, 2020: The Legislature is back in full swing as we head into the second year of our two-year session. Governor Newsom is starting his second year in office and continues to have an ambitious agenda. There is no better view into the Governor's agenda than reviewing his budget proposal which he released this morning.

The proposed budget for the 2020/2021 fiscal year includes more than \$222 billion in spending which is a roughly 3% increase over last year's budget. This budget also includes a surplus of \$5.6 billion. \$2 billion of the surplus is proposed to be moved into reserves which would grow total state reserves to \$21 billion. Although the budget continues to be strong, Governor Newsom is wary to establish any new ongoing spending and warns on an impending recession.

Homelessness has been a major focus for the Governor and he is proposing an additional \$1 billion in funds to house many unsheltered individuals living in California, by launching the [California Access to Housing and Services Fund](#) with a \$750 million initial investment. This Fund will create a structure for developing affordable housing units, supplementing and augmenting rental subsidies, and stabilizing board and care homes.

A big part of the discussion from the Governor around his budget was on healthcare and the need to control healthcare costs. The Governor described the need to transform and improve the Medi-Cal program to better address not only the medical needs of its enrollees but also the social determinants of

health. His belief is by treating the "Whole Person", Medi-Cal enrollees will ultimately stay healthier and will lead to lower overall health costs.

Many of these changes to the Medi-Cal program will be included in this year's Medicaid waiver application which occurs once every five years. The waiver application is an opportunity for states to try out different ways of running their Medicaid programs with the federal government funding a portion. The Governor envisions the Medi-Cal program providing other services such as housing transition and sustaining services, recuperative services, home and community-based wrap around services, and other non-clinical services. This will be a big focus not only in the budget but also in legislation for this year.

To also help control costs the Governor proposed a new CalRx generic drug program which would make California the first state to create its own generic drug label and making the state's generic prescription drugs available for sale to all Californians. Governor Newsom believes this will "transform Medi-Cal to a more consistent and seamless system by reducing complexity and increasing flexibility and establishes a single market for drug pricing within the state."

The Governor did not talk about or mention "single payer" but he did discuss the idea of universal coverage. He has proposed expanding Medi-Cal to cover undocumented low-income adults 65 and older.

Other aspects of the health budget include:

- **Vaping tax on e-cigarette products. Funds would be used to expand some workforce programs.**
- **Governor mentioned he is very supportive of a ban on flavor e-cigarette products. This would take legislation which has already been introduced this week (SB 793- Hill)**
- Establish the Behavioral Health Task Force at the Health and Human Services Agency. The Task Force will bring together relevant state departments, counties, consumers, health plans, providers, and other stakeholders. The Task Force will review existing policies and programs to improve the quality of care, and coordinate system transformation efforts to better prevent and respond to the impacts of mental illness and substance use disorders in California's communities.
- Currently, Mental Health Services Act funds (Prop 63) cannot be used for substance use disorder treatment. The Governor is proposing to update the Act to better focus on people with mental illness who are also experiencing homelessness, who are involved in the criminal justice system, and

for early intervention for youth. The Administration will submit a proposal in the spring regarding this proposed reform.

- The Governor mentioned his desire to address the surprise billing issue. A surprise bill is when a patient, who has health insurance, receives a bill for health services that were unknowingly provided by an out-of-network provider. There was legislation on hospitals sending surprise bills in California (AB 1611 - Chiu) and there have also been multiple bills at the federal level on this issue.
- The Governor also mentioned his dissatisfaction with how health plans are not providing parity for mental health services. Current law is clear on the parity requirements for mental health services and he is directing the Department of Managed Health Care to be more vigorous in handing out fines for health plans who are violating the law. The Governor went on to say he will highlight those health plans who are violating the law in a very visible fashion.