

# LEGISLATIVE UPDATE



Week of March 11, 2024

## State Issues

State Budget Update

This week, there were several actions related to the 2024-25 state budget process. On Thursday, the Assembly Budget Committee held a hearing on [SB 136](#), the bill that includes the additional \$1.5 billion Governor Newsom is hoping to add to the MCO Tax to help balance the budget. The Department of Finance and LAO – after direct probing by Budget Vice Chair Vince Fong – acknowledged that the Governor’s proposal regarding the MCO will mean the state needs to go back to the negotiating table on how to fund the rate increases one year earlier than previously agreed upon.

Specifically, the original proposal provided community-based Medi-Cal providers additional funding through the 2028-2029 budget year. The new proposal ends the funding a year earlier (2027-2028) and the Legislature will need to go back to the drawing board to find funding for those rate increases. While the Administration says it is committed to those provider rate increases after 2027-2028, there are concerns that the Federal government will not continue to approve funding plans like this, and any increase after 2028 will need to come solely from the state general fund. The California Association of Health Plans – who pay the tax – testified in support of the new \$1.5 billion MCO increase. Also testifying in support was the American Federation of State, County and Municipal Employees, Western Center on Law and Poverty and the California Pan-Ethnic Health Network. Chair Jesse Gabriel noted that the full Assembly will be voting on the proposal on Monday.

In addition to this Assembly action, the Senate released an early action budget plan, that if adopted, they say that it will shrink the state budget shortfall from a projected \$38-\$53 billion to a “more manageable” \$9-\$24 billion. [The “Shrink the Shortfall” plan](#) includes early action to implement \$17.1 billion in solutions and accesses the state’s Rainy Day Fund. They would like to agree to this part of the plan now, so that they can spend the rest of their time before the budget deadline “focusing on the most challenging solutions” to the budget problem. Most of the solutions included in the Senate plan were first introduced by the Governor in January. It is also worth noting that the solutions presented are meant to impact both the current year and budget year spending.

From the health budget, there are \$360 million in cuts, \$176 million in fund shifts, and \$459 million in program funding delays. However, the biggest impact on the health budget is the \$3.8 billion from the proposed MCO tax being directed to support the state General Fund. Budget delays include funding for the behavioral health infrastructure, and budget cuts include eliminating the psychiatry loan repayment program, among several others. The budget also includes some budget tricks, including moving one Medi-Cal payments due to providers at the end of the current fiscal year to the beginning of the next fiscal year. The specific health budget changes proposed (and all the others) are included starting on page 15 of the plan document.

*(more)*

<p>State Budget Update <i>(continued)</i></p>	<p>The Governor very quickly showed his support for this Senate Early Action budget plan and issued a statement saying that he hopes the proposal moves forward quickly. One potential roadblock: The California Assembly. So far, they've been uninterested in making early adjustments and as a body feel "more optimistic" about the state of the budget. At the moment, it appears they are not willing to make tough choices now and hope budget revenues increase before summer.</p>
<p>New State Medicaid Director</p>	<p>Governor Newsom recently appointed a new State Medicaid Director, Tyler Sadwith. One of his main functions will be taking over the implementation of the CalAIM proposal, which is seeking to expand social services including housing for Medi-Cal beneficiaries. Sadwith has served as a Deputy Director of Behavioral Health at the California Department of Health Care Services since 2022 and was an Assistant Deputy Director of Behavioral Health there from 2021 to 2022. He was with the Technical Assistance Collaborative Inc. from 2018 to 2021. Sadwith held several positions at the federal Centers for Medicare &amp; Medicaid Services (CMS) from 2011 to 2018, including Technical Director, Health Insurance Specialist, and Contracting Officer's Representative. This position does not require Senate confirmation.</p>

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