

LEGISLATIVE UPDATE



Week of May 27, 2024

State Issues	
<p>Governor Signs Delay in Health Care Minimum Wage</p>	<p>Today Governor Newsom signed SB 828 (Durazo) to delay the health care minimum wage increase implementation from June 1, 2024, to July 1, 2024. This is not a mandate, and we expect some health systems and hospitals to continue with a June 1 implementation.</p>
<p>State Budget Actions</p>	<p>This week, the Legislature took some actions on the state budget. They issued their own compromise plan that articulated what of Governor' Newsom's May Revise they were accepting, what they were rejecting, and what new changes they were proposing. Both the full Assembly Budget Committee and the Senate Budget Subcommittees held hearings closing out all outstanding issues. You can access the Assembly Subcommittee report here. All of the health care details can be found in the document on pages 9-21.</p> <p>During the hearing, Assembly Budget Chair Jesse Gabriel noted a few of the major themes of the new Legislative plan:</p> <ul style="list-style-type: none"> ▪ Provides a balanced budget with slightly higher reserves than the Governor's May Revise – for both 2024-25 and 2025-26. ▪ Restores most safety net programs, housing and health services, including rate increases for health care providers. ▪ Includes and mirrors the agreement with education to support classroom funding now and in the future. ▪ Includes \$1 billion for next year to continue the fight against homelessness for fact-based and real accountability measures. <p>The Chair noted they are also implementing more than \$1 billion in cuts to Corrections, in addition to \$1 billion in cuts to climate programs. It is worth noting that climate advocates are actively working on a November ballot initiative to include a bond to fund some climate-related priorities.</p> <p>Dr. Akilah Weber, Chair of the Assembly Budget Subcommittee on Health, provided an overview of the outcome of the Health Care Budget plan. She noted that they were able to protect some key areas. The Legislative plan includes the following health-related issues:</p> <ul style="list-style-type: none"> ▪ Keeps health care promises to residents of California to not only provide health care coverage, but to ensure providers that they can access. ▪ Restores the MCO Tax but delays the implementation to January 1, 2026. They also plan to increase some rates earlier in 2025, and they are continuing to work on those details. ▪ Protects programs to prevent hospitalizations and decrease ED visits. <p style="text-align: right;"><i>(more)</i></p>

State Budget
Actions
(continued)

- Restores funding for a variety of health care programs and services, including Indian Health, Acupuncture as a Medi-Cal benefit, and funding for California's Free Clinics.
- Maintains their ongoing commitment to physicians in training – the proposal will not eliminate their funding.
- Retains funding for \$300 million for public health investments.

Not called out during the hearing, but of some interest:

- The proposal specifically notes that it does not include any trailer bill language to “revisit” **SB 525** from last year, which implements a minimum wage mandate for health care providers.
- Includes \$5 million for the **sickle cell** Centers of Excellence.
- Reduces health care training by \$729 million over five years, retaining \$125 million to allow programs that are underway to continue without disruption. This action will retain funding for the **Song-Brown** Primary Care Residency program, the Song-Brown Nursing program, the Health Professionals Career Opportunity Program, and the California Medicine Scholars Program.
- Adopts a \$5.2 million technical adjustment to the 2023-24 budget to reflect the carryover amount for the **CalRx Biosimilar** Insulin program and includes three positions to support administration of the CalRx program. This proposal requests technical changes to enable HCAI to true up its position authority with the increasing workload of administering the CalRx program.
- Rejects \$115 million for the **Children's Hospital** New Directed Payment, as proposed in the May Revision.
- Uses \$145.4 million in General Fund savings by using MCO tax revenue for the **Proposition 56** backfill in lieu of General Fund.

Department of Finance weighed in on the Legislative plan. They noted that they were encouraged that it maintains the multiyear structure in the May Revise and solves for both the budget year and year after. They noted the Legislature adopted much of the Governor's plan, including many of his proposed budget reductions. She complimented them on adopting many of the budget resiliency tools and retaining more than \$20 billion in reserves. DOF also noted their department is still reviewing many of the details of the new proposed cuts and new reductions and is still determining how this plan will impact future budgets past 2026.

While we are still waiting on actual budget bill language, you can access the summary details on additional health issues via the [Budget Plan](#) and via the [Assembly Report](#) and [Senate Budget Subcommittee #3 Report](#).

Next Steps: The legislative agreement will soon appear in bill form, where more details on some of the proposals may become available. The Legislature will vote on the package by the June 15 deadline, and then the Governor has until June 27 to sign the official budget bill. We expect amendments to this deal in the form of budget bill juniors in the weeks to come and up until the end of Session on August 31. Therefore, much can still change over the coming months.