

# LEGISLATIVE UPDATE



Week of March 31, 2025

State Issues	
Legislative Update	<p>The Legislative Spring Recess is just one week away, but policy committee hearings have begun in earnest, and are tackling as many bills as possible before the recess. The budget hearings in both the Senate and Assembly have been set, with early action budget issues on the agenda. The shortfall in the Medi-Cal Budget may be on the table, with Governor Newsom indicating an interest in offering “tweaks” to the Medi-Cal program to address costs. More will be revealed when he presents his May Revise.</p>
LAO Report on Medi-Cal Pharmacy Spending	<p>Pharmacy spending in the Medi-Cal program likely will be part of budget discussion next week. On a related note, the Legislative Analyst’s Office just released a report on reviewing the pharmacy benefit in the Medi-Cal program. You can access the report <a href="#">here</a>.</p> <p>According to the LAO report, Medi-Cal pharmacy spending has grown over time. Medi-Cal covers the cost of prescription drugs (among other health care services) for low-income people. From 2018-19 through 2023-24, they estimate Medi-Cal pharmacy spending nearly doubled. Nearly half of this growth was associated with certain drugs treating diabetes, obesity, and inflammatory diseases.</p> <p><b>Medi-Cal Pharmacy Data Could Be More Transparent.</b> The assumed overall growth in pharmacy spending under the Governor’s budget appears to be roughly in line with recent data highlighting growth in utilization and cost. However, given data constraints, assessing some of the administration’s underlying cost assumptions is difficult.</p> <p><b>LAO Recommendation:</b> The Legislature should 1) direct the Department of Health Care Services to report specified data annually and 2) withhold action around Medi-Cal pharmacy spending in 2025-26 until May Revision, when updated data are available.</p> <p><b>State Could Better Prepare for Drug Spending Volatility.</b> Though the full effects of Medi-Cal Rx are uncertain, it is likely the new system has increased budget volatility and uncertainty in the Medi-Cal program. This is because the state now pays for all drug costs directly under Medi-Cal Rx, which are highly variable year to year. To help manage this volatility, the state in 2019-20 created a new fund account to reserve a portion of drug rebate funds. To date, however, reserve amounts have been inconsistent.</p> <p><b>LAO Recommendation:</b> To better prepare for budget volatility moving forward, the LAO recommends the Legislature tighten the mission and rules around this fund account in state law.</p>

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<p>LAO Report on Medi-Cal Pharmacy Spending <i>(continued)</i></p>	<p><b>State Has Limited Control Over Pharmacy Spending.</b> Given the state’s constrained fiscal situation, the Legislature may face pressure to limit General Fund spending growth, including in the Medi-Cal program. The state has limited ways of doing so with regard to Medi-Cal pharmacy spending specifically. Most notably, federal rules limit how states can control pharmacy spending, and the federal government is contemplating whether to impose additional constraints. Also, caution is warranted when reacting to emerging trends, given the historical volatility of the drug market.</p> <p><b>LAO Recommendation:</b> The Legislature should continue to monitor spending trends, particularly around optional drugs. To the extent the Legislature takes actions this year to limit spending, it will want to ensure such actions have measurable and likely impacts on long-term state costs.</p> <p>The report concludes with a note of caution to the Legislature: “...<b>And Exercise Caution When Reacting to Emerging Trends.</b> Given the state’s current fiscal constraints, the Legislature may face pressure to take actions to control Medi-Cal pharmacy spending, such as by scaling back coverage (where allowed) or imposing new utilization controls. While taking some actions now could be reasonable, we also urge caution when reacting to emerging pharmacy spending trends. This is because the drug market is dynamic and tends to change significantly over time. As our own analysis suggests, many of the recent cost-driving drugs comprised relatively minimal portions of gross spending several years ago. To this end, the Legislature will want to ensure that any actions taken this year have measurable and likely impacts on long-term state costs.”</p>
<p>Republican Assembly Member Bill Essayli Resigns</p>	<p>Republican Assembly Member Bill Essayli resigned from the Legislature this week to accept a job as U.S. Attorney for the Central District of California. He was sworn in on Wednesday, and he’ll start immediately, though it’ll be in an interim capacity until he’s confirmed by the U.S. Senate. The central district, where Essayli once worked as an Assistant U.S. Attorney, covers seven counties: Los Angeles, Orange, Ventura, Riverside, Santa Barbara, San Luis Obispo and San Bernardino. Governor Newsom has 14 days after receipt of the resignation to call a special election for the Assembly vacancy (around April 15). Republican Leader Gallagher has not yet recommended members to fill Essayli’s committee assignments and likely won’t until after Spring Recess.</p>
<p>Former Health Leader Announces Run for Governor</p>	<p>Xavier Becerra, former U.S. Secretary of Health and Human Services under President Joe Biden and the former California Attorney General and Congressman announced he was running for Governor Wednesday. In his announcement, Becerra said he wanted to tackle the state’s affordability crisis and cited his record in the House of Representatives, where he helped pass the Affordable Care Act. He also noted that as California Attorney General during President Donald Trump’s first term, he sued the federal government more than 100 times and defended the ACA in court when the federal administration refused to do so. Becerra has stated that he believes his experience leading the health agency can help California navigate the cuts the federal government has been making to health care programs.</p>

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<p>Former Health Leader Announces Run for Governor <i>(continued)</i></p>	<p>Becerra joins a crowded field of gubernatorial hopefuls for next year’s election that includes former Rep. Katie Porter, former Los Angeles mayor Antonio Villaraigosa, Lieutenant Gov. Eleni Kounalakis, Betty Yee, a former state controller; Toni Atkins, a former state legislative leader; and Tony Thurmond, the state school superintendent. The most prominent Republican so far is Chad Bianco, the sheriff of Riverside County.</p> <p>The biggest question remains whether another previous state attorney general and Biden cabinet member — former vice president Kamala Harris — will join the race. Harris has said she will decide by the end of the summer. As members of the Biden cabinet, Harris and Becerra worked together frequently on issues related to women’s health care and reproductive rights, and during the 2024 presidential election Becerra campaigned for Harris. It is worth noting, however, that Becerra’s campaign insists he would not drop out of the race even if Harris declares her candidacy for Governor.</p>
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