

Governor Newsom's 2019-2020 Proposed State Budget Overview & Talking Points

Overview

- Governor Newsom's 2019-20 Proposed State Budget demonstrates a strong commitment to children, families, health care, and education, with a particular focus on underserved populations.
- The budget is fiscally disciplined with an aim to build a strong foundation for California. Part of the budget includes important investments but also paying down California's debt and liabilities, and aims to increase the rainy day fund.
- We are strongly encouraged by the Administration's commitment to universal health care demonstrated by the expansion of coverage to undocumented adults ages 19 through 25 and expanding coverage subsidies for families up to 600% FPL.
- We are also tremendously supportive and excited that the Administration is committing to the workforce residency funding *annually* at \$33M.
- While grateful for the commitments this proposed budget signals, we are concerned, and have many questions about how the proposed drug purchasing program will impact the Medi-Cal managed care 340B program.

Health Center Budget Priority: Drug Purchasing Program

- *Background:* The Governor issued Executive Order N-01-19 on Monday, January 7, that could impact the 340B program, which is further elaborated on in the budget summary. The Governor aims to leverage the state's purchasing power to drive down the increasing costs of pharmaceuticals by creating a single-payer system for prescription drugs in California. The proposal aims to transition all pharmacy services for Medi-Cal managed care to a fee for service (FFS) benefit and is projected to save the state hundreds of millions of dollars starting in FY 21.
- *Our Concern:* The Governor's proposed budget builds their proposal off of an argument the Department of Health Care Services (DHCS) has used in past years, which is that Medi-Cal paying FFS for drugs allows them to secure a larger sum of drug rebates, benefiting the Medi-Cal budget. We are not clear at this point in time whether or not the Administration is aware that by moving drugs out of managed care and into FFS that it would have the effect of eliminating the 340B program savings health centers rely on. Currently, health centers are able to receive 340B savings from drugs purchased under Medi-Cal managed care, but this is not mirrored under Fee For Service (FFS) which provides reimbursement for drugs at acquisition cost plus dispensing fee.
- *Talking Point:* We are supportive of the Administration's goals to lower prescription drug costs, but are concerned that there may be unintended consequences to health centers that participate

in the Medi-Cal 340B drug program, the savings from which support vital health care services to underserved populations.

Health Center Budget Priority: Health4All

- *Background:* The budget commits to a step wise approach to universal coverage by supporting full scope Medi-Cal coverage to eligible young adults up through the age of 25, regardless of immigration status - a \$260M line item. Coverage would be effective no sooner than July 1, 2019. 138,000 adults are expected to be impacted in year one.
- *Talking Point:* Health centers are proud to provide care to all who walk through their doors, regardless of an individual's ability to pay and immigration status. We applaud Governor Newsom's commitment to expanding health care access to our immigrant communities.

Health Center Budget Priority: Expanded Coverage

- *Background:* The budget also commits to increase subsidies through Covered California for individuals with incomes between 240 and 400% FPL and expand subsidies to individuals with incomes between 400 and 600% PFT. The resources for this proposal are reliant upon the revenues that will be generated from a state individual mandate that will be modeled on the one developed under the ACA but since rescinded by the Trump Administration.
- *Talking Point:* Health centers support the Newsom Administration's aim towards affordable universal coverage and the concrete proposals in the budget are important next steps in that long term vision.

Health Center Budget Priority: Health Care Workforce Funding

- *Background:* The Governor's proposed budget acknowledges the important investment made in 2017, which was \$100 million, or \$33M annually, for residency programs, including support for teaching health centers. The budget commits the requisite last \$33M of the original 2017 commitment, and goes further to invest continued support of these programs with \$33 million General Fund ongoing beginning in 2020-21.

The budget further commits one time resources of \$50 million to increase training opportunities for mental health workforce to be administered through OSHPD.

- *Talking Point:* Health centers continue to struggle with a workforce crisis, and the next \$33.3 million installment of the \$100 million general fund commitment, is critically necessary to ensure we can support our primary care infrastructure. We are grateful to Governor Newsom for acknowledging the need in California and investing in the health care workforce of the future.

Health Center Budget Priority: Mental Health

Early Psychosis Research and Treatment

- *Background:* Since coming into office Governor Newsom has held mental health as a high priority, which is reflective in his budget proposal that includes \$25 million to fund innovative programs that help detect and intervene when a young person has experienced a first episode of psychosis.
- *Talking Point:* As mental health providers, CHCs are hopeful to be able to access these funds to increase behavioral health screenings in young adults.

1991 Realignment Funding for County Mental Health

- *Background:* The budget estimates an increase of \$70 million, for a total of \$84 million in growth funding for the 1991 Realignment funding that county mental health programs receive.
- *Talking Point:* We are pleased to see the Governor's commitment to mental healthcare and will aim to ensure that community mental health providers, like health centers, are eligible to receive funding so that all patients with mental health needs have access to services.

Mental Health Czar

- *Background:* During Governor Newsom's address he signaled that in the coming weeks he would be appointing a Mental Health Czar who can help shape and drive the vision for mental and behavioral health care throughout California. This appointment will help fill the information and leadership void left by the consolidation of the former Department of Mental Health.
- *Talking Point:* CHCs look forward to the appointment of the Mental Health Czar who can elevate mental healthcare in the administration and create a vision for care that is inclusive and takes advantage of the full continuum of care.

Health Center Budget Priority: Immigration

- *Background:* The Newsom Administration includes \$20 million to help establish a state Rapid Response Program to address emergencies around human trafficking and immigration. Another \$5 million is allocated towards addressing immigration related emergencies, which could allow funding towards addressing public charge issues that arise.
- *Talking Point:* The anti-immigrant rhetoric at the federal level has created a climate of fear in immigrant communities causing many patients to cancel their medical appointments and disenroll from programs, like Medi-Cal. We commend Governor Newsom for acknowledging the challenges faced by the anti-immigrant climate and proposing concrete solutions to mitigating the harm. Health centers commit to partnering with the Administration to ensure an inclusive, and welcoming California.

Health Center Budget Priority: Social Determinants of Health

- *Background:* During his campaign, Governor Newsom spoke frequently about the need for the system to focus more on addressing social determinants of health and adverse childhood experiences (ACEs), and now in his first budget he commits \$60M to provide early developmental screenings for children and \$45M for ACEs screenings for children and adults in Medi-Cal. The

budget also commits to home visiting programs and other programs for children and their parents.

Governor Newsom has continued to double down and build upon recent legislative and ballot efforts to stem the tide of the housing and homelessness crisis in California. In total, the Governor has proposed \$7.7 billion in new and existing programs to address housing and homelessness, including \$100M for improved emergency housing response efforts and \$100M augmentation to the Whole Person Care Pilots that address supportive housing and homelessness. Within these efforts, the Governor has also committed to accelerating the No Place Like Home (NPLH) \$2 billion bond program awards.

- **Concern:** Given our established PPS rate, DHCS does NOT plan to allow additional payments for community health centers participation in providing additional screenings.
- *Talking Point:* Health centers are supportive of efforts at the statewide level to address the factors which can detrimentally effect patients' health and wellbeing, including the ongoing housing and homelessness crisis. We applaud the Governor for his leadership in ensuring that access to these services and resources is available regardless of where, or which ZIP code, a patient resides.

Health Center Budget Priority: Access to Reproductive and Family Services

- *Background:* The budget includes an additional \$50M for family planning services in the Medi-Cal Program and extends the supplemental payments to Medi-Cal providers for the Family PACT program.
- *Talking Point:* Health centers are leaders in ensuring that comprehensive family planning services are accessible and that our communities are able to benefit from these programs. We support the Governor's continued commitment to ensuring that these services are available to our communities.

Health Center Budget Priority: Supportive Services for High Cost Utilizers

- *Background:* The Governor proposes a new program using Prop 56 revenues- a Value Based Payment Program that Medi-Cal managed care plans will operate. The program will create incentive payments for providers that meet specific measures aimed at improving care for certain high-cost or high-need populations. The risk-based incentive program will be targeted at behavioral health integration, prenatal/post-partum care and chronic disease manage.
- *Concern:* Given our established PPS rate, DHCS does NOT plan to allow incentive payments for community health centers.
- *Talking Point:* Health centers are pleased to see a risk-based incentive program that rewards providers for meeting key metrics and allows providers to meet the needs of their patients in the most appropriate manner. The health center delivery system is primed to participate in the Value Based Payment Program and urge the Department to allow us to receive incentive payments.

Health Center Budget Priority: Emergencies and Natural Disasters

Office of Emergency Services

- *Background:* The budget includes a \$50 million one-time contribution to immediately begin a comprehensive, statewide education campaign on disaster preparedness and safety. This effort will focus on community engagement and public education in high-risk areas with an emphasis on public health and safety and will make local grants available to address local and regional needs.

Department of Forestry and Fire Protection

- *Background:* The January budget also includes \$6.6 million from various funds to expand CAL FIRE's health and wellness program and to provide medical and psychological services, as well as peer support, to firefighters.

The Administration is exploring opportunities to make fire prevention improvement to properties easier and less-costly for property owners in fire-prone areas.

- *Talking point:* Health centers appreciate the Newsom Administration's focus on natural disasters and emergencies, and will work to ensure that health care services during an emergency are included in the larger vision for California, and further that health centers are recognized for their critical role during disasters.