SUMMARY: Governor Newsom’s 2020-21 May Revise Budget Update

Budget Overview:
On May 14, 2020 Governor Gavin Newsom released the updates for the state budget proposal for fiscal year 2020-21. When the budget was first proposed in January 2020, California had a projected surplus of $5.6 billion.

Now, the economic impact of COVID-19 leaves California in the worse budget outlook since the Great Depression. The Department of Finance Projects a $54.3 billion deficit for California and the Governor’s new budget cuts spending $19 billion for this fiscal year, with another $16 billion in years to follow.

The unprecedented economic downturn creates difficult decisions for the Newsom Administration in its efforts to balance the state budget. There is a clear reduction in General Fund spending, reducing expenditures where possible. The administration cautions against taking action to worsen the public health crisis and estimates that 2 million more Californians will join Medi-Cal.

Despite the expected increased need for Medi-Cal the Governor’s budget proposes a reduction in the following:

- **Shifts $1.2 billion in Prop 56 (tobacco tax) funding** from providing supplemental payments for physician, dental, family health services, developmental screenings, and nonemergency medical transportation, value-based payments, and loan repayments for physicians and dentists to support growth in Medi-Cal compared to 2016 Budget. Approx. $67 million in Prop 56 funding remains for rate increases for home health providers, pediatric day health care facilities, pediatric sub-acute facilities, AIDS waiver supplemental payments, already awarded physician and dentist loan repayments, and trauma screenings.

- **Reduces adult dental benefits** to the partial restoration levels of 2014. Also eliminates audiology, incontinence creams and washes, speech therapy, optician/optical lab, podiatry, acupuncture, optometry, nurse anesthetists services, occupational and physical therapy, pharmacist services, screening, brief intervention and referral to treatments for opioids and other illicit drugs in Medi-Cal, and diabetes prevention program services, for total GF savings of $54.7 million.
• **Withdraws implementation of Postpartum Mental Health Expansion** — this will result in a savings of $34.3 million GF in 2020-21.

• **Withdraws expansion of Medi-Cal Aged, Blind, and Disabled Income Level** — this will result in a savings of $135.5 million ($67.7 million GF).

• **Eliminates Federally Qualified Health Centers (FQHC) Payment Adjustments** (special carve outs), resulting in a savings of $100 million ($50 million GF).

The Governor’s budget does maintain:

• **Eligibility for CalWORKS** to support low-income Californians during COVID-19 and includes an increase of $82.3 million GF/TANF Block Grant for CalWORKs county administration to facilitate enrollment in the program and services to beneficiaries.
  
  o The January proposal to an increase $1.5 million in ongoing General Funds to maintain the Proposition 56 **Graduate Medical Education Program** at an ongoing total of $40 million.

The proposed budget in the current form will make it harder for our most vulnerable Californians to get the care they need, when they need it. The funding as it is laid out widens the access gap for quality health care between individuals with private insurance and those with public insurance. It is important that the budget does not disproportionately hurt the most vulnerable Californians. OPSC supports the broad health care goals of the Newsom administration and looks forward to providing support with federal leaders to advocate for healthy Californians.

**What Happens Next?**

Budget Subcommittees begin taking up budget items in both the state Senate and the Assembly. On June 1st the full Budget Committee will begin deliberating on budget items. When each house’s proposal is finalized, they are reconciled against the Governor’s Budget. A final budget is voted on and sent to the Governor to be signed by June 15th (a constitutional deadline.)

**During the next few weeks OPSC is working on the behalf of Doctors of Osteopathic Medicine to ensure you have a voice at the table. Please be on the lookout for updates as information evolves and opportunities to weigh in on the big issues affecting the profession.**