

## **Governor Newsom Proposes 2019-2020 California Budget**

On Monday, Governor-elect Gavin Newsom was sworn in as California's 40th Governor. Today – his fourth day in office – he released his first proposed budget, capping off a robust, headline-worthy inaugural week in office. A stark contrast to former-Governor Brown, this budget proposal reflects Newsom's policy agenda. Unlike previous Governors, Newsom made the entire budget presentation, which lasted nearly an hour and forty-five minutes, without staff comments and while taking extensive questions from reporters. Additionally, his proposal aggressively uses the budget process to drive state policy.

In his first act as Governor, Newsom signed executive orders and announced aggressive budget proposals that make significant changes in the health care space – including a single state purchaser for prescription drugs in Medi-Cal, the creation of a California Surgeon General, and expansion of Medi-Cal coverage to undocumented young adults.

Today, the Governor released his proposed \$209 billion (\$144.2 billion General Fund) budget for the 2019-20 fiscal year, projecting a \$14.3 billion surplus. This year's budget is an increase compared to last year's (2018-19) \$201.4 billion spending plan, largely expected as Governor Newsom seeks to fulfill his campaign promises and make one-time expenditures with the revenue surplus. His budget priorities include paying down \$13.6 billion of the state's unfunded pension liabilities, and addressing affordability through early childhood education, health care, and housing.

### **Health and Human Services**

Health care is one of the primary focuses of Governor Newsom's inaugural budget. The 2019-20 proposed budget includes \$158.6 billion (\$40.3 billion GF and \$118.3 billion other funds) for all health and human services programs. As Governor Newsom announced on his first day in office along with his executive orders, the budget proposes to create a single state purchasing authority to negotiate the costs of prescription drugs in Medi-Cal, expands Medi-Cal coverage to undocumented adults between 19-25, increases subsidies for low- and middle-income Californians in the individual market and reestablishes an individual mandate similar to that created by the Affordable Care Act.

The Medi-Cal Program comprises the largest portion of the HHS budget - \$100.7 billion (\$22.9 billion GF), or 63.5%. Medi-Cal caseload is projected to increase by 0.39% to 13,220,100 in 2019-20, including 3.8 million in the optional expansion population. To reflect these numbers and meet the growing needs of Medi-Cal enrollees, the Budget includes a number of proposals to increase preventative services and access to care, including primary care, mental health, and family planning services.

### **Highlights of the HHS Budget**

- Proposes \$3.2 billion (\$1.05 billion Prop 56 funds) for supplemental payments and rate increase for physicians, dentists, family planning services, Intermediate Care Facilities for the Developmentally Disabled, HIV/AIDS waiver services, Home Health, pediatric data health services, and other new investments.

- Includes \$260 million (\$196.5 million GF) to expand full-scope Medi-Cal benefits to undocumented young adults aged 19-25 by July 1, 2019.

- Includes \$360 million (\$180 million Prop 56 funds) for a program that will encourage Medi-Cal

managed care providers to meet certain goals in critical areas, e.g. behavioral health integration and management of chronic disease.

- Includes funding to improve subsidies for low- and middle-income Californians (those who earn between 250% and 400% of the federal poverty level) in the individual market, to be funded by establishing a state ACA individual mandate.

- Proposes a pathway to use the state's purchasing power to achieve a single-payer prescription drug system in California and transitions all pharmacy services in Medi-Cal managed care to fee-for-service.

- Proposes to strengthen the California Pharmaceutical Collaborative to obtain lower prices for drugs purchased by the state, excluding Medi-Cal. Indicates that the Administration will seek legislation to create a bulk prescription drug program for both public and private payers.

- Includes \$100 million for supportive housing and other support through Whole Person Care Pilot Program.

- Extends supplemental payments to Medi-Cal providers and increased funding for the family PACT program, as well as an addition \$50 million in Prop 56 funds for family planning services in Medi-Cal.

Staff and osteopathic physician leadership here at OPSC are tracking developments within the state budget and look forward to working with the Newsom administration to continue to strengthen the health care marketplace and ensure access to care for all Californians.