



*Established in 1991, UCC serves as the representative voice for state legislative advocacy for high-population counties in California. Initially composed of seven counties, the association has grown to 14 today. Nearly 80 percent of the state's population reside in UCC counties. Consequently, urban counties carry out critical programs and services to the state's most vulnerable populations. For more information, including details on our Board of Directors, please visit [our website](#).*

**May 6, 2022**

### **Governor's 2022-23 May Revision Set for Release Next Week**

The Governor's May Revision is a critical inflection point in the state budget process. It represents an opportunity for the Governor and his Department of Finance to review and recast the January spending plan in the context of more updated financial information following the receipt of April tax payments. By all accounts, the state's proverbial cup runneth over, so – with all the same **caveats** we have shared previously about the State Appropriations Limit (or Gann Limit) constraints – there will be lot of money to spend.

The deadline for the May Revision is May 14, which falls on a Saturday this year, so, on fairly good word, we believe the Governor's updated budget plan will be released on Friday, May 13. It's possible that it could be released earlier in the week – whatever the case, HBE will prepare and distribute a detailed summary by close of business on the day of the release.

A few related notes. First, the Assembly Democratic Caucus released its budget plan in the run-up to the May Revision, which focuses on four priorities:

- *Protecting the Promises* – using sizeable reserves to protect existing programs from cuts and future Gann Limit impacts;
- *Investing in the Future* – prioritizing one-time funding for infrastructure investments rather than short-term tax relief;
- *Stabilizing the Schools* – Directing new Prop 98 school funding to easy to count, flexible funding streams;
- *Finishing the Job* – Adopting the final component of CalGrant reform; fixing child care rates affected by transitional kindergarten

implementation; and raising CalWORKs families out of deep poverty.

Additional details on the Assembly Democrats' specific budget priorities can be read [here](#). We will share more information about the post-May Revision budget process as we learn it; for now, we are hearing that the houses will utilize the Budget Conference Committee process in some fashion this year.

### **Rundown on Senate Budget Subcommittee Hearing Focused on DPH and HCAI**

Senate Budget and Fiscal Review Subcommittee No. 3 on health and human services met on May 4 to discuss budget items associated with the Department of Public Health (DPH) as well as the Department of Health Care Access and Information (HCAI). The following provides additional details about the Office of Health Care Affordability and health care workforce.

***Office of Health Care Affordability (OHCA)***. Since February when the Administration released the OHCA trailer bill, HCAI has coordinated closely with Budget Subcommittee Chair Richard Pan and other legislators and has engaged with stakeholders on several issues. The focus of those conversations has primarily centered on the following:

- Treatment of Medi-Cal costs in calculating the total cost of care;
- Which physician organizations will be subject to the cost targets;
- Board structure, including conflict of interest and anti-trust issues;
- Dates for setting cost targets, and how they work with plan rate setting dates;
- Coordination between state agencies, for example on quality and equity standards to avoid duplication;
- Enforcement approach, including the size of penalties; and
- Technical issues.

HCAI presented their spring finance letter for staffing OHCA. Dr. Pan noted that he looked forward to adopting agreed upon trailer bill language this year. He followed up with several questions for HCAI about their staffing plans and capacity, including: what is the analytic capacity of the proposed staff? Is there a unit that include actuaries and others?

HCAI responded that the department has decades of experience collecting complex information and that their team has captured patient data and is currently building the all-payers claims database. They further confirmed that their staffing request includes analytics staff.

***Health and Behavioral Health Workforce.*** The Subcommittee heard from two panels discussing workforce – one focused on behavioral health workforce and the other on health care workforce. The behavioral health panel included the County Behavioral Health Directors Association, the California Association of Alcohol and Drug Program Executives, the California Psychological Association, and the National Association of Social Workers. Each association presented their respective proposals for workforce investment.

Senator Eggman noted, particularly in relationship to social work needs, that she saw a disconnect between education partners and the workforce needs in the field. Dr. Pan expressed his concerns regarding the use of one-time funds for workforce development, given the challenges with ongoing needs.

The health care panelists included representatives from the County Health Executives Association of California, SEIU California, Quality Care Health Foundation, the California Hospital Association, the California Medical Association, and the California Primary Care Association. CHEAC and SEIU both highlighted the CA Can't Wait Coalition advocacy work on the Public HERO initiative to invest in public health workforce and pipeline. The California Hospital Association talked about their proposals to invest in Graduate Medical Education and fee-for-service payments.

Recall that the Senate Democratic Caucus **budget priorities** include \$750 million to increase funding for Public Health Infrastructure; and \$1 billion for health workforce development, with a focus on behavioral health, including scholarships, stipends, loan repayment, and pipeline programs. The Assembly budget priorities do not specifically highlight health workforce development.

### **Senate Prepares for Transportation Funding Debate Prior to May Revision**

Following the release of the Senate Majority's "Putting Wealth to Work" multi-year budget proposal last week, Senate Budget and Fiscal Review Subcommittee No. 5 convened on Wednesday to deliberate the transportation portion of that plan. In total, the Senate Democrats propose \$20 billion General Fund over four years for multimodal transportation infrastructure. Recall the Governor's January 2022-23 State Budget included \$6.2 billion General Fund for similar purposes over a two-year period. This amount is up from the \$4.9 billion that was included in the 2021-22 state budget but that reverted to the General Fund after the Administration and Assembly failed to reach agreement on a High-Speed Rail bond allocation deal. See **chart** comparing the two plans.

The subcommittee held the item open in recognition of the upcoming May Revision and that the Assembly is also working on its own transportation investment package. A broad range of stakeholders testified in support of the

Senate's approach during the hearing – from local and regional government to transportation industry groups to environmental and equity advocacy organizations. The Senate appears to have crafted a plan that offers something for everyone. Moreover, the transit and other competitive grant program investments are statewide, which brings more geographic equity to the overall transportation package.

At the time of this writing, the fate of the High-Speed Rail bond allocation remains unclear. The Department of Finance testified that the Governor remains staunchly committed to coupling any General Fund investments for transportation with a bond allocation. We look forward to reporting on the Governor's May Revision next week, changes to his January transportation package, if any, details from the Assembly as soon as they become available, and developments on High-Speed Rail.

### **Senate Holds Joint Hearing to Discuss Medi-Cal Direct Contract with Kaiser Permanente**

On Wednesday, the Senate Health Committee and the Senate Budget and Fiscal Review Subcommittee No. 3 met for **a joint hearing** focused on the Administration's proposal to enter into a direct, statewide Medi-Cal contract with Kaiser Permanente. The hearing included the following panelists:

- Michelle Baass, Director, Department of Health Care Services
- Arif Shaikh, Director, California Medi-Cal and State Sponsored Programs, Kaiser Permanente
- Linnea Koopmans, Chief Executive Office, Local Health Plans of California
- Andie Martinez Patterson, Senior Vice President, California Primary Care Association
- Jose Torres Casillas, Policy & Legislative Advocate, Health Access California

Senator Pan opened the hearing by explaining the goal was to consider the following questions:

1. Is the contract in the best interest of Medi-Cal beneficiaries?
2. Should Kaiser be treated differently than other Medi-Cal managed care plans?
3. Will Kaiser have adequate local relationships to ensure that Medi-Cal beneficiaries are connected to other services in their communities?
4. Will both Kaiser and other Medi-Cal managed care plan rates adequately compensate plans for the cost of providing care to

Medi-Cal recipients, particularly if there is a difference in the case mix?

Director Baass' comments focused on the contract aiming to improve experiences for Medi-Cal beneficiaries, and she highlighted that Kaiser is a "high performer." She also stated that this contract gets Kaiser to do more in Medi-Cal for even non-Kaiser members, and the contract will allow direct oversight and transparency of Kaiser that they have never had.

However, the Administration spent a significant amount of the hearing on the defensive. The Local Health Plans of California (LHPC) was clear in their testimony that the proposal would have unintended consequences not contemplated by the Administration and that it threatens to fragment care for members. This sentiment was shared by the California Primary Care Association when they explained the contract could create a two-tiered Medi-Cal program as Kaiser's commercial lines of business give them an unfair advantage when it comes to workforce recruitment and retention.

Legislators also echoed some questions and concerns raised by panelists, with members focusing on the need for additional detail and a lack of planning and communication on the proposal. Members asked questions like:

- Will this contract disadvantage other plans and leave them with the sickest patients?
- Does the contract/proposal limit primary care to Kaiser facilities or, for example, can they contract out with Federally Qualified Health Centers?
- Why not be clear in statute which counties this proposal does not apply to, rather than explaining in a fact sheet the 22 existing, and 10 new, counties that they intend for it to apply to?

Recall that the Kaiser contract proposal is currently being carried in **AB 2724** by Assembly Member Arambula; the bill now awaits hearing in the Assembly Appropriations Committee. Therefore, the joint hearing was not necessarily to discuss the bill but, rather, the concept included in AB 2724. This was a topic of conversation as multiple members asked for information about the process for amending the bill to provide additional clarity or details. Clearly, multiple members did not want to see the current version of the bill come to them for a vote without incorporating amendments. Senator Pan generally explained the goal of the hearing was to hear from Senators and take the feedback into discussions regarding bill amendments.

Other resources and information made available for the hearing are available for review:

- [Background](#)
- [Contract memo](#)
- [LHPC opposition](#)
- [Kaiser Medi-Cal agreement fact sheet](#)
- [Kaiser support for contract](#)
- [Health Access support letters](#)

### **Governor's CARE Court Proposal Faces Fiscal Hearing on May 16**

**SB 1338** (Umberg and Eggman), which contains language to implement the Governor's CARE Court proposal, is set for hearing on Monday, May 16 in the Senate Appropriations Committee. This hearing that will focus on a fiscal assessment of the bill marks another important milestone in the trajectory of the CARE Court proposal. The county coalition will be highlighting the areas of SB 1338 that appear to contemplate new county functions and responsibilities; it is clear that in order for the proposal to be both feasible and successful both for implementers and – most importantly – those who stand to benefit from CARE Court services and interventions that appropriate and sufficient resources must be provided. We will share more on how the fiscal hearing goes in our update published the week of May 16.

### **Newsom and Legislative Leadership Announce Constitutional Amendment to Address Abortion Access**

Earlier this week, *Politico* obtained a draft U.S. Supreme Court opinion that signaled the court was poised to overturn the 1973 *Roe v. Wade* decision legalizing abortion nationwide. In response, Governor Newsom, Speaker Anthony Rendon and Senate President pro Tempore Atkins announced that they would be working on a ballot measure to place permanent protections for abortion access in the California Constitution. Senator Atkins will be the author of the constitutional amendment. To ensure that the measure is on the November ballot, lawmakers must approve the constitutional amendment by a two-thirds vote in each chamber before the end of June.

At a press conference in Los Angeles Wednesday, Governor Newsom also touted the work California has done to lay the groundwork for the state to be a “safe haven” for women across the country, including funding to prepare for an influx of individuals from other states seeking abortion services in California. The Legislative Women's Caucus is carrying a package of bills, and the Governor's budget included funding for “safe haven” work.

### **The Latest on the Vaccine Mandate Bill Package**

The Legislative Workgroup on Vaccines introduced several bills in January to address vaccine related issues, many stemming from the COVID-19 public health emergency. However, the bill package was significantly scaled back this

spring. Notably the respective authors of the employer vaccine measure (**AB 1993**, Wicks) and the bill to mandate COVID vaccines in schools (**SB 871**, Pan) decided to not move those measures forward.

This week, the Senate Judiciary Committee heard Senator Wiener's **SB 866**, which would allow youth aged 12 and older to receive federally approved vaccinations without parental consent. Under existing law, California minors can already consent to medical care for specified issues, including vaccines for hepatitis B and the human papillomavirus. SB 866 would extend the ability to consent to COVID, measles, flu or any other immunizations that have been approved by the Food and Drug Administration and meet the recommendations of the federal vaccine advisory committee. After a lengthy hearing, Senate Judiciary Committee passed the measure 7-0.