

Governor Newsom Makes Big Steps Towards Establishing California as the Nation's Leader in Health Care Policy

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On his first day as the Governor of California, [Gavin Newsom made his first steps towards](#) carrying out his health care campaign promise of universal health care. Additionally, two parts of his plan look like a direct rebuke of the Trump administration, as Newsom hopes to ensure health coverage for undocumented young people and impose the individual mandate, which Congress attempted to repeal, in California. He also used his first executive orders to work towards lowering the cost of prescription drugs and to create California's first surgeon general.

Expanding Subsidies and Coverage for Californians

Upon taking office, [Newsom announced](#) that his first budget will include proposals aimed at ensuring all Californians have health insurance. Newsom wants to raise the maximum income level of those who qualify for subsidies and increase the size of those subsidies. California would offer additional subsidies to supplement the federal subsidies which help low-income individuals and families purchase health care coverage.

Newsom's attempt to increase insurance subsidies is consistent with his vision of universal health coverage and [ultimately a Californian single payer system](#). However, a "Medicare for all"

system in California faces many barriers, not the least of which is the cost. While the Senate Appropriations Committee put the price tag for a single payer system as high as [\\$400 million](#), some economic experts including The Source Advisory Board Member, [Prof. Richard Scheffler](#), argue it could be [much less](#). Even if Newsom cannot achieve a single payer system, he could still achieve his goal of universal health coverage through subsidy expansions.

Appeal to the Federal Government

But Newsom is not content with subsidies. In a [letter](#) to President Trump and Congressional leaders, Newsom asked for federal legislation to build on the ACA which would allow California to apply for federal waivers to reallocate federal funds to create a single payer system. While Congressional Republicans remain unlikely to vote for legislation bolstering Obama's signature piece of legislation, they might acquiesce to Newsom's waiver request.

The Governor requested a Transformational Cost and Coverage Waiver, which is not currently authorized under the ACA Section 1332 State Innovation Waiver provision. In order for California to obtain the waiver Newsom requested, Congress would need to pass additional legislation. While Democrats have a majority in the House, Republicans maintain control of the Senate and White House. However, a bipartisan deal may be possible on this issue.

The GOP's [traditional health care plan is to give block grants](#) of federal money to the states, which the states can manage as they see fit. Republicans argue that states will save the government money while enjoying the freedom to develop more innovative Medicaid programs. Yet, [Democrats are wary](#) of the

Republican block grant plan. If Medicaid were funded through block grants, the cost burden would shift to states, which could translate into cost increases for individuals. On the other hand, the Transformational Cost and Coverage Waiver would prevent shifting the burden of administering Medicaid onto all of the states, except those who want to do something more innovative, like implement a single payer plan. Thus, Newsom's request for waiver legislation just might be feasible during this administration.

California's Own Individual Mandate

While Newsom waits on an innovation waiver or block grant to develop his California single payer plan, he will not be holding his breath for Congress to reimpose the tax penalty associated with the individual mandate under the ACA. Newsom plans to [create an individual mandate](#) for California residents in his first budget. [Economists](#) and [health policy experts](#) have long argued that we need an individual mandate in order to keep the market stable and insurance premiums affordable. Yet data from 2018, the first year in which there was no tax penalty for not having health insurance, indicates the individual mandate [might not be as necessary](#) as experts previously thought. Premiums have actually gone down slightly, and people are still signing up for health insurance. Compared to the "[death spiral](#)" many predicted would result from removing the mandate, the market has been surprisingly resilient. However, Newsom is not going to rely on apparent market stability. By imposing the individual mandate on California residents, the Newsom administration hopes to bring costs down at an even faster rate than what we are currently seeing on a national scale.

Health Coverage for Young Undocumented Immigrants

Another aspect of the governor's healthcare proposal stakes out Newsom's stance in the immigration debate, particularly vis-à-vis the Trump Administration. Newsom plans to expand [Medi-Cal to cover young undocumented immigrants](#). Currently, Medi-Cal covers undocumented children until they are 19, but the governor's proposal [would increase that age to 26](#), which is the same cut-off age for young adults who want to remain on their parents insurance under the Affordable Care Act (ACA). Because federal law prohibits the use of federal funding to provide health insurance for people without proper documentation in the United States, [California will have the sole responsibility to bear the proposed \\$250 million a year](#) that the Medi-Cal expansion is projected to cost. While this is an expensive upfront cost, the Newsom administration hopes that it will save the state money in the long run by keeping these undocumented residents healthy and better able to become productive members of California society.

A Bulk Pharmacy Purchasing Pool for Public and Private Entities

In addition to his health proposal, Newsom made some immediate changes via executive orders. First, Newsom signed an [executive order](#) creating what will become the nation's largest single bulk purchaser of prescription drugs. Over the next few years, the Department of Health Care Services will transition all Medi-Cal pharmacy services, including those in Medi-Cal managed care plans, to a fee-for-service model. As a result, Medi-Cal will be able to negotiate bulk drug prices on behalf of its 13 million enrollees. [Other states](#) have worked together or on their own to create similar purchasing pools, but California's will be the largest, and will hopefully be able to exert greater leverage in

negotiations.

In addition, Newsom directed the California purchasing program to include a framework enabling private purchasers to opt in to the program. This private option will allow private employers and health plans to join the purchasing pool, increasing its size and bargaining power. It is not yet clear precisely how the bulk purchasing program will work, but Newsom included in the executive order directives for multiple reports within six months on which drugs it should prioritize, how to increase its bargaining power, whether to adjust the reimbursement process for pharmacy services, and how to incorporate private entities.

Other states, including [West Virginia](#) and [Ohio](#), carved pharmacy benefits out of their Medicaid programs. These state agencies took on the functions of a pharmacy benefit manager, and consequently [West Virginia](#) saved an estimated \$70 million, and [Ohio](#) is estimated to save \$223 million a year. Because California's Medicaid program is the largest in the country, covering over 13 million people, its savings may be even larger.

The most powerful change, however, may come when private entities can join the program. With almost 40 million residents in California, the sheer amount of people represented by this bulk purchasing program would exert a considerable influence on pharmaceutical companies and pharmacy benefit managers to drive down costs. Look for more coverage from The Source as the details of the program are announced and the Department of General Services submits reports required in Newsom's executive order.

California's First Surgeon General

Finally, Newsom signed a [second executive order](#) which established the position of the State's first surgeon general.

He [appointed Dr. Nadine Burke Harris](#), a nationally recognized doctor from San Francisco. The California Surgeon General will be in charge of identifying the root causes of the State's worst public health issues and advising the Governor on what policies he should implement to combat those problems. Former California governors have not been uninformed on public health policy, but appointing a surgeon general will allow the executive branch to have a leader who can analyze proposals and make informed recommendations to the governor. Furthermore, the marginal costs of creating and staffing the post of California Surgeon General are vastly outweighed by the potential savings on state health care spending which should flow from focusing on combating the cause, not the symptoms, of current public health crises.

With all of these executive orders and proposals, Newsom demonstrates that he was not just paying lip service to health care reform on the campaign trail. The new governor is making a range of practical and immediate changes, while keeping his eye on long term, system-wide reform. California will be an important state to watch for innovative health policies under Gavin Newsom, so watch out for health news from California.