

California Budget Watch (Part 3 of 4): California's Newly Enacted Budget Contains Impactful Healthcare Initiatives That Will Help Increase Healthcare Access

On June 27, 2019, Governor Newsom signed [AB 74](#), the Legislature's final budget with no [line item changes](#) related to health care. Previously, we glimpsed at the [Governor's May Revise](#) and the [Legislature's final proposal](#). While not much has changed, we recap and delve deeper this month into specific programs under the enacted budget that could impact healthcare access and costs.

Final Allocations for New Healthcare Programs

While many different healthcare initiatives are included in the enacted budget, we focus our discussion specifically on programs laid out in the enacted budget that aim to 1) increase access to health insurance, 2) increase healthcare workforce, 3) increase benefits, and 4) increase provider payments.

1. To expand the pool of Medi-Cal recipients or to simply encourage Californians to buy health insurance, the enacted budget includes:

Subject	Amount
Medi-Cal Expansion for Undocumented Adults	\$98 million (\$74.3 million General Fund) for Undocumented Adults through Age 25
Medi-Cal Expansion for Aged, Blind, and Disabled	\$63 million (\$31.5 million General Fund) to expand eligibility in the Medi-Cal Aged, Blind and Disabled (ABD) Program to 138 percent of the federal poverty level.
State Premium Assistance Subsidies	\$428.6 million for individuals between 200 and 600 percent of the federal poverty level and individuals at or below 138 percent of the federal poverty level

2. To increase the health care workforce, the enacted budget includes new investments such as:

Subject	Amount
Physician and Dentist Loan Assistance	\$120.0 million from Proposition 56
Mental Health Workforce Investment	\$47.4 million one-time General Fund to fund scholarships and loan repayment awards for mental health workforce programs
Workforce Education and Training Implementation	\$60 million one-time (\$35 million General Fund and \$25 million Mental Health Services Fund) to implement the 2020-2025 Five Year Workforce Education and Training (WET) Plan which addresses workforce shortages in the state's public mental health system. To be funded, regional partnerships will be required to provide a 33 percent match of local funds.
Primary Care Clinician Psychiatry Fellowship	\$2.7 million one-time General Fund for scholarships for physicians participating in a Primary Care Clinician Psychiatry Fellowship administered by the University of California
Pediatric Residency Programs	\$2 million one-time General Fund to fund grant awards at pediatric residency programs
Increase Direct Care Nursing for State Hospitals	\$15 million General Fund and 117.3 positions for the first year of a three-year phase-in to staff 128 medication rooms and to provide nighttime nursing supervisors in units across the five state hospitals
Psychiatric Technician Training	\$1.8 million total fund: (1) expand partnerships with community colleges to increase capacity in existing Psychiatric Technician training programs, and (2) establish a Forensic Psychiatry Residency program at Napa State Hospital.

3. To create new (or restore) benefits to assist Californians, the enacted budget includes funding for:

Subject	Amount
Whole Person Care Pilots	- \$100 million one-time General Fund for county pilots that coordinate health, behavioral health, and social services focused on individuals who are experiencing homelessness, or who are at risk of becoming homeless, and have a demonstrated medical need for housing and/or supportive services. - \$20 million one-time General Fund for counties that currently do not operate pilots.
Medi-Cal Optional Benefits	\$56.3 million (\$17.4 million General Fund) for audiology services and speech therapy services, podiatric services, optician and optical lab services, and incontinence creams/washes
Telepsychiatry for State Hospitals	\$3.7 million General Fund in 2020-21 and \$3.5 million General Fund annually thereafter for the Department of State Hospitals to expand the use of telepsychiatry to treat patients remotely via video-conferencing.
Black Infant Health Program Expansion	\$19.4 million ongoing (\$7.5 million General Fund) to expand the Black Infant Health Program, including the California Perinatal Equity Initiative, to improve African-American infant and maternal health.
California Home Visiting Program Expansion	\$45.9 million ongoing (\$23 million General Fund) to expand the California Home Visiting Program to increase participation and provide a wider range of home visiting models based on varying family needs.

4. To increase provider payments and positions, the enacted budget includes funding for:

Subject	Amount
Home Health Providers	<u>\$31.2 million</u>
Pediatric Day Health Care Facilities	<u>\$6.9 million</u>
Behavioral Health Counselors in Emergency Departments	<u>\$20 million</u> one-time General Fund to hire trained behavioral health counselors in emergency departments of acute care hospitals to screen patients and offer intervention and referral to mental health or substance use disorder programs
Physician Services	<u>\$454.2 million</u>
Dental Services	<u>\$195.7 million</u>
Women's Health and Family Planning	<u>\$43.5 million</u>
Non-Emergency Medical Transportation	<u>\$5.6 million</u>
Free-Standing Pediatric Subacute Facilities	<u>\$4.0 million</u>
Hospital-Based Pediatric Physicians Services	<u>\$2.0 million</u>
Value-Based Payments Program	<u>\$250.0 million</u>

**Funding is from Proposition 56 funding unless otherwise noted*

Implications of the Newly Enacted Budget

The initial impact of the budget has already been felt. Citing the new state subsidies and the restoration of the individual mandate, Covered California just announced an astoundingly low [0.8% rate change in 2020](#). For context, Covered California premium rates increased [8.7% in 2019](#) and [12.5% in 2018](#).

Other implications will take some time. For example, increased loan repayment and scholarships will help increase and retain rural and other necessary providers in California. Many regions in California [do not have enough doctors](#). Loan repayment programs and scholarships under this budget will help recruit additional mental health providers and rural providers.

In addition to increasing the healthcare workforce, increased benefits and funding for healthcare initiatives will also help increase healthcare access. The restoration of benefits, in particular, will most certainly be welcomed. According to a [Health Affairs study](#), the elimination of a Medicaid benefit (dental coverage, in that instance) led to increased use of emergency departments, increased costs, and

disproportionate effects on young adults, members of racial/ethnic minority groups, and urban residents. The restoration of benefits under the new budget will provide greater access and lower costs.

Lastly, increased provider payments, whether it be supplemental payments or increased rates, will further increase healthcare access. [One study](#) found that the largest increases in reimbursements correlated with the largest increases in the availability of primary care appointments. [Another study](#) also supported the finding that higher reimbursement rates would improve access to health care. Although [other studies](#) caution that higher fees alone do not increase healthcare access, California's targeted increases in provider payments may help improve access to health care in places like free-standing pediatric subacute facilities or hospital-based pediatric physician services.

After the Governor approved the budget, the Legislature passed a pair of trailer bills, SB 78 and SB 104, to implement the budget. Be sure to tune in next month as we wrap up the 2019 Budget Watch with an in-depth discussion on how the Legislature intends to implement the value-based payment program, the individual mandate, the subsidies for the individual market, and more!