

# California’s 2020-2021 Budget Proposal Aims at Consolidation and Drug Pricing

On January 10, California Governor Gavin Newsom released his 2020-2021 State Budget proposal. While the state budget process will not begin in earnest until after the Governor’s May Revise, the state budget provides a glimpse of likely California health care reforms.

The Governor’s January Budget Proposal proposes the following:

<b>Proposal</b>	<b>Goals</b>
Office of Health Care Affordability	<ul style="list-style-type: none"><li>• Increase price and quality transparency</li><li>• Develop cost targets for health care industry</li><li>• Address hospital cost trends by region, with focus on cost increases driven by delivery system consolidation</li><li>• Establish standards for advance evidence-based and value-based payments</li></ul>
Medi-Cal Best Price	<ul style="list-style-type: none"><li>• Expand Department of Health Care Services (DHCS) authority to negotiate state supplemental rebates based on best prices offered by manufacturers internationally rather than other purchases within the United States</li></ul>

<p>Golden State Drug Pricing Schedule</p>	<ul style="list-style-type: none"> <li>• Establish a single market for drug pricing by including: <ul style="list-style-type: none"> <li>- Medi-Cal;</li> <li>- California Public Employees’ Retirement System (CalPERS);</li> <li>- Covered California;</li> <li>- Private insurers;</li> <li>- Self-insured employers; and</li> <li>- Others</li> </ul> </li> <li>• Drug manufacturers would bid to sell drugs at a uniform price in the California market <ul style="list-style-type: none"> <li>• California would invoke a most-favored-nation clause (MFN) in the price bid, which would require manufacturers to offer California prices at or below what is offered in any other state, nation, or global purchaser</li> </ul> </li> </ul>
<p>Generic Contracting Program</p>	<ul style="list-style-type: none"> <li>• Establish the state’s own generic drug label via contracts with one or more generic drug manufacturers</li> <li>• Manufacture certain generic drugs on behalf of the state and participating entities</li> </ul>
<p>Center for Data Insights and Innovation</p>	<ul style="list-style-type: none"> <li>• Among other things, increase the state’s ability to create evidence-based programs and maximize federal reimbursements</li> <li>• Allow policymakers to use linked data to inform policy and decision making</li> <li>• Increase collaboration between university-based researchers and state staff to translate data into knowledge</li> </ul>
<p>Medi-Cal Healthier California for All Initiative</p>	<ul style="list-style-type: none"> <li>• Reduce complexity in Medi-Cal.</li> <li>• Improve quality outcomes and change delivery system transformation via value-based initiatives, modernization of systems, and payment reforms</li> </ul>

<p>Universal Coverage for Medi-Cal</p>	<ul style="list-style-type: none"> <li>• Expand eligibility for full-scope Medi-Cal benefits to all persons aged 65 years and older, regardless of immigration status, no sooner than January 1, 2021. This is already expanded to children and young adults (under age 26)</li> </ul>
<p>Supplemental Payment Pool for Non-Hospital 340B Clinics</p>	<ul style="list-style-type: none"> <li>• Creation of a new supplemental payment pool to pay non-hospital clinics for 340B pharmacy services, starting January 1, 2021</li> </ul>

These budget proposals aim to increase health access and lower healthcare costs (particularly prescription drug costs). How these proposals will end up in the final budget remains to be seen. Stay tuned!