

California's 2022-23 Budget Proposal Builds Upon Enduring Goals of Healthcare Access and Affordability

In January, Governor Gavin Newsom unveiled California's 2022-23 state budget proposal—dubbed the [California Blueprint](#)—which proposes spending \$286.4 billion in total state funds.^[1] As the California Blueprint acknowledges, “[t]oo many Californians find themselves on the wrong end of income inequality – crushed by the rising costs of the most basic expenses like healthcare.”^[2] With proposed investments to tackle health care issues facing the state, the Governor's 2022-23 budget proposal addresses healthcare inequality, access, and affordability in a number of ways—such as in establishing an Office of Health Care Affordability; creating universal access to healthcare coverage for all state residents; and reducing the cost of the life-saving and sustaining medication insulin. This post provides a sneak peek of a handful of proposals within the 2022-23 proposed budget that may impact healthcare cost, affordability, and transparency for Californians.

Other than education, health and human services expenditures lead all state spending categories in the 2022-23 budget proposal. The Governor's 2022-23 budget proposes \$94 billion state funds to support health and human services programs.^[3] The California Department of Health and Human Services (CalHHS) oversees state entities that provide health and social services to Californians, including California's Medicaid program, Medi-Cal. Additionally, CalHHS, along with the Administration's Office of Emergency Services, is charged with leading the

response to the COVID-19 pandemic. Besides addressing critical current COVID-19 needs,[\[4\]](#) the remainder of the proposed 2022-23 health and human services budget includes notable allocations that build upon last year's budgetary efforts and investments in making healthcare more accessible than ever before in several ways, including establishing an Office of Health Care Affordability, reducing the cost of insulin, offering more subsidies for larger populations to access health care via Covered California, and expanding and improving Medi-Cal.

Promoting the Sharing of Information by Creating the Office of Health Care of Affordability within the new Department of Health Care Access and Information

Late last year, the former Office of Statewide Health Planning and Development (OSHPD) officially launched its new name, the Department of Health Care Access and Information (HCAI), to reflect the office's expanding responsibilities and to establish it as a state department. Though HCAI will continue with OSHPD's existing initiatives, "[t]he new HCAI is committed to expanding equitable access to health care for all Californians – ensuring every community has the health workforce they need, safe and reliable health care facilities, and health information that can help make care more effective and more affordable."[\[5\]](#) Notably, the Department values communication, the sharing of information, and is committed to "making healthcare information available to the public."[\[6\]](#)

The Budget Proposal includes \$310.5 million General Fund in 2022-23 for the HCAI. Specific programs include building and expanding the health care workforce.[\[7\]](#) Additionally, included within the budget is a reappropriation of \$30 million to create the Office of Health Care Affordability[\[8\]](#), which was proposed

in last year's budget and has been an executive and legislative goal for the last few years. As the Budget Summary states, "[t]he Office will be charged with increasing transparency on cost and quality, developing cost targets for the health care industry, enforcing compliance through financial penalties, and improving market oversight of transactions that may adversely impact market competition, prices, quality, access, and the total cost of care."[\[9\]](#) See The Source Blog [post](#) from last month for detailed information on the proposed Office of Health Care Affordability.

Reducing the Cost of Insulin

Addressing the skyrocketing costs of medications, especially the costs of insulin, has been a longtime goal of the Governor's. "There are powerful forces arrayed against us – not just politicians in Washington, but drug companies that gouge Californians with sky-high prices," noted Governor Newsom at his inauguration in January 2019.[\[10\]](#) To address this growing concern, Governor Newsom has made partnering within a contract manufacturer of insulin part of the 2022-23 budget proposal to not only make insulin affordable, but to "lay[] the groundwork for future collaborations on other high-priority drugs [and] secur[e] more consistent and reliable supply chains." Notably however, the budget does not specify funding amounts or specific mechanisms to achieve the proposed goal. Rather, the budget proposal signals the Administration's willingness to "continue to work on plans to increase the availability of insulin that is priced at a fraction of current market prices, which often exceed \$300 per vial" and "find drug affordability solutions [for] other high-priority drugs... [and] essential medicines."[\[11\]](#)

Supporting Healthcare Affordability Through Covered California

California has made Covered California (California Health Benefit Exchange), the state's health insurance marketplace, more affordable by providing state subsidies to low-income consumers and to middle-income consumers not eligible for federal subsidies. Specifically, the 2019 Budget Act authorized \$1.5 billion to fund those efforts. However, since the federal American Rescue Plan Act expanded federal subsidies until 2022, the federal expansion replaced the state subsidies, and California was able to save those allocated state funds. As required by the Legislature, those saved funds were placed into reserves to be used for future affordability programs.

The 2022-23 budget proposal expresses a desire of a collaborative effort between the administration, Legislature, and stakeholders in working on options to improve affordability and access to health care coverage. Though the proposal does not lay any concrete plans, it notes that Covered California has already developed a report on options to reduce out-of-pocket costs.

Expanding and Improving Medi-Cal

The Department of Health Care Services (DHCS) administers Medi-Cal, California's Medicaid program that provides comprehensive health care to low-income Californians at low or no cost. In 2022-23, Medi-Cal is projected to cover approximately 14.2 Californians, more than one-third of the state's population.[\[12\]](#) The 2022-23 budget proposal includes \$132.7 billion (\$34.9 billion General Fund) for Medi-Cal[\[13\]](#) and acknowledges the ongoing need for further Medicaid support due to the consequences of the pandemic. The 2022-23 proposal includes multiple changes and advancements to the Medi-Cal program,

including 1) expanding comprehensive Medi-Cal to undocumented income-eligible individuals; 2) eliminating certain AB 97 provider rate reductions; and 3) reducing Medi-Cal premiums to zero for certain populations.

Expanding Comprehensive Medi-Cal to All Income-Eligible Populations, Regardless of Immigration Status

The 2022-23 budget proposal “will make California the first state to realize the goal of universal access to health coverage for all Californians by closing a key gap in preventative coverage for individuals ages 26 to 49, regardless of immigration status.”[\[14\]](#) Historically, undocumented individuals who were income-eligible for Medi-Cal qualified for only emergency and pregnancy-related services. However, within the past decade, the Legislature has expanded full comprehensive Medi-Cal coverage to all income-eligible young adults (under the age of 26) and older adults (over the age of 49). In 2019, Governor Newsom signed [SB 104](#), which expanded comprehensive Medi-Cal coverage to income-eligible undocumented young adults aged 19-25, building upon an existing law expanding Medi-Cal to undocumented minors. Most recently, last year, Governor Newsom signed [AB 133](#), which expanded comprehensive Medi-Cal coverage to undocumented older individuals (over the age of 49) effective May 1, 2022. To support this expansion, the 2022-23 budget includes \$54 million (\$43.1 million General Fund) in 2021-22 and \$660.9 million (\$567.1 million General Fund) in 2022-23.[\[15\]](#)

Building upon those recent expansions, the 2022-23 proposal includes \$819.3 million (\$613.5 million General Fund) in 2023-24 and \$2.7 billion (\$2.2 billion General Fund) annually at full implementation “to expand full-scope eligibility to all income-eligible adults aged 26 through 49 regardless of immigration status.”[\[16\]](#) Essentially, the Governor’s proposal would expand comprehensive Medi-Cal coverage to the remaining ineligible

population. The expansion is expected no sooner than January 1, 2024.

Eliminating Certain AB 97 Provider Rate Reductions

[AB 97](#) required DHCS to reduce most Medi-Cal provider payments by 10% for services provided on or after June 1, 2011. Since then, some provider payment reductions have been rescinded. The 2022-23 budget proposes to rescind rate reductions for eight provider types based on COVID-19 pandemic impacts and DHCS's quality and equity goals: nurses of all types, alternative birthing centers, audiologists and hearing aid dispensers, respiratory care providers, select durable medical equipment providers, chronic dialysis clinics, non-emergency medical transportation providers, and emergency medical air transportation providers. To eliminate these reductions, the 2022-23 budget proposal provides fee-for-service costs of \$20.2 million (\$9 million General Fund) in 2022-23 and \$24 million (\$10.7 million General Fund) annually thereafter.[\[17\]](#)

Reducing Medi-Cal Premiums to Zero

Although some recipients of Medi-Cal do not pay premiums, about 4%, or approximately 500,000 enrollees are required to pay a monthly premium for Medi-Cal coverage.[\[18\]](#) In furthering the California Blueprint major goal of tackling the cost of living,[\[19\]](#) the 2022-23 budget proposal includes \$53.2 million (\$18.9 million General Fund) in 2022-23 and \$89 million (\$31 million General Fund) annually "to reduce premiums for beneficiaries, including pregnant women, children, and disabled working adults, whose income is marginally above the threshold for no cost Medi-Cal."[\[20\]](#)

What's Next in the Budget Process

Currently, the governor's budget proposal is under legislative review. The Assembly and Senate will conduct policy-specific sub-committee hearings, where various parties or stakeholders—such as the nonpartisan Legislative Analyst Office (LAO), the Governor's Department of Finance, and any interested citizens or interest groups—make public comments to voice their opinions. Additionally, the Governor is expected to release the "May Revise" by May 14, 2022, to account for changes in revenues since January. The final budget is a process of negotiation between the Legislature and Governor. The Legislature is required to provide a balanced budget—which requires a majority vote in both houses—by June 15, 2022. The final budget bill is then advanced to the Governor, who has 15 days to sign, so that the bill becomes law by Friday, July 1, 2022 to begin the new 2022-23 fiscal year. Stay tuned to the California Legislative Beat for any changes that are unveiled with the May Revise.

[1] 2022-23 Governor's Budget, State of California, <https://ebudget.ca.gov/budget/2022-23/> – [/Home](#) (last visited April 13, 2022).

[2] The California Blueprint: California's 5 Greatest Existential Threats, Office of Governor Newsom, <https://www.gov.ca.gov/wp-content/uploads/2022/01/Governors-California-Blueprint-Fact-Sheet.pdf> (last visited April 9, 2022).

[3] See supra note 1.

[4] To support COVID-19 needs, the proposal includes \$1.2 billion total funds for testing, vaccinations, contact tracing, medical surge staffing, and state operations support. Governor's Budget Summary – 2022-23 Health and Human Services, State of

California, at p. 131
<https://ebudget.ca.gov/2022-23/pdf/BudgetSummary/HealthandHumanServices.pdf> (last visited April 13, 2022).

[5] Department of Health Care Access and Information Officially Launches New With New Name, Expanded Program Portfolio, HCAI (Oct. 4, 2021), <https://hcai.ca.gov/department-of-health-care-access-and-information-officially-launches-with-new-name-expanded-program-portfolio/>.

[6] Vision, Mission, and Values, HCAI, <https://hcai.ca.gov/about/mission-statement/> (last visited April 9, 2022).

[7] See supra note 4, at p. 137.

[8] See supra note 4, at p. 137.

[9] See supra note 4, at p. 112.

[10] Angela Hart, et al., California Governor's Big Promises on Drug Prices Are Slow to Materialize, Kaiser Family Foundation (Mar. 4, 2022), <https://www.latimes.com/california/story/2022-03-03/newsom-promised-lower-drug-prices-california-hasnt-delivered>.

[11] See supra note 4, at p. 112-13.

[12] See supra note 4, at p.121.

[13] See supra note 4, at p. 120-21.

[14] Governor's Budget Summary – 2022-23 Introduction, State of California, at p. 10, <https://www.ebudget.ca.gov/2022-23/pdf/BudgetSummary/Introduction.pdf> (last visited April 13, 2022).

[15] See supra note 4, at p. 124.

[16] See supra note 4, at p. 113.

[17] See supra note 4, at p. 123.

[18] Elizabeth Aguilera, California eyes end to Medi-Cal premiums for children, vulnerable adults, Cal Matters (Feb. 17, 2022),

<https://calmatters.org/health/2022/02/medi-cal-health-insurance-premiums/>.

[19] See supra note 4, at p. 125.

[20] See supra note 4, at p. 125.