

The May Revise and Final 2022-2023 State Budget Proposal

Last month, California Governor Gavin Newsom released the May Revise (Revise) of his initial 2022-23 state budget proposal, projecting the largest spending plan of \$300.6 billion for the fiscal year.[\[1\]](#) The governor's initial budget, introduced in January, proposed a \$286.4 billion spending plan. The May Revise addresses many of the concerns that have arisen since the release of the initial budget proposal, including the expiration of federal subsidies provided during the COVID-19 pandemic and a broad-based relief package addressing rising inflation concerns. In this post, we provide an overview of the final budget proposal comparing the initial proposal and new proposals from the Revise that may impact healthcare cost, access, and affordability for Californians.

New Healthcare Proposals in the May Revise

Notably, the Revision includes \$227.6 billion (originally \$217.5 billion in initial budget) for all health and human services programs in 2022-23.[\[2\]](#) Though the Revise leaves many of the initial healthcare proposals unchanged, it builds upon those efforts by including new investments enhancing healthcare access and affordability and providing COVID-19 support.[\[3\]](#)

Specifically, in furthering affordability and access, the May Revise proposes an additional \$57 million General Fund—building upon the \$68 million in the initial proposal—to expand access to reproductive care. This funding boost followed the leaked US

Supreme Court's draft option which would roll back constitutional abortion protections, which if taken effect, would cause an influx of patients traveling to California from other states that would restrict access to abortion.

The May Revise also includes major proposals supporting future COVID-19 relief. Specifically, the May Revise proposes \$176.5 million towards the COVID-19 Public Health Emergency (PHE) Unwinding Operational Plan to help inform and prepare Medi-Cal beneficiaries, providers, managed care plans, counties, and other stakeholders of upcoming changes come the end of the federal PHE, which is set to expire on July 15, 2022.[\[4\]](#) Another significant part of the Revise is ensuring middle-class Californians have access to state healthcare subsidies should the PHE federal subsidies expire.[\[5\]](#) The May Revise also includes The SMARTER Plan, a set of strategies for the State to implement as the State moves into the next phase of COVID-19, e.g., to prepare for future surges or variants.[\[6\]](#)

Final Budget Proposal with May Revision Updates

Early in the legislative session, the [California Legislative Beat](#) covered the major healthcare proposals in Governor Newsom's January Budget Proposal. Most of the original proposals went unaddressed in the Revise. In the chart below, we summarize those initial proposals and include any new changes from the Revise. The most significant updates reflected in the Revise are definitive plans to 1) reduce insulin costs by establishing the CalRx Biosimilar Insulin Initiative to implement partnerships for increased generic manufacturing of essential medicines; and 2) reinstitute California subsidies for Covered California to fill the void of the expected federal subsidy expiration.

Proposal	Goals	Budget
<p>Establishing Office of Health Care Affordability within the new Department of Health Care Access and Information (See The Source Blog post for detailed information)</p>	<ul style="list-style-type: none"> • Increase transparency on cost and quality • Develop cost targets for the healthcare industry • Enforce compliance through financial penalties • Improve market oversight of transactions that may adversely impact market competition, prices, quality, access, and total cost of care 	<ul style="list-style-type: none"> • The January Budget includes \$30 million to create the Office of Health Care Affordability.

<p>Reducing Cost of Insulin</p>	<ul style="list-style-type: none"> • Address skyrocketing costs of prescription medications, a longtime goal of the Governor • Partner with contract manufacturer of insulin to make insulin affordable, lay groundwork for future collaborations on other high-priority drugs, and secure reliable and consistent supply chains 	<ul style="list-style-type: none"> • The January Budget did not specify funding amounts or specific mechanisms to achieve proposed goal. • May Revise: Allocated a \$100 million one-time allocation for the CalRx Biosimilar Insulin Initiative to implement partnerships for increased generic manufacturing of essential medicines under Chapter 207, Statutes of 2020 (SB 852).
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<p>Supporting Healthcare Affordability Through Covered California</p>	<ul style="list-style-type: none"> • Improve affordability of Covered California, the state’s health insurance marketplace, considering federal healthcare subsidies are expected to expire in 2022 • Reduce out-of-pocket costs for low-income and middle-income consumers not eligible for federal subsidies by reinstating California’s own premium subsidy program that was in effect in 2020 and 2021 	<ul style="list-style-type: none"> • The January Budget discussed the forthcoming expiration of federal healthcare subsidies and noted a need for collaboration between the administration, Legislature, and stakeholders to improve affordability assistance, but did not lay a concrete plan. • May Revise: Allocated \$304 million to decisively reinstitute California’s subsidy program to make Covered California affordable for low- and middle-income Californians.[7]
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<p>Expanding Comprehensive Medi-Cal to All Income-Eligible Populations, Regardless of Immigration Status</p>	<ul style="list-style-type: none">• Close gap of access to health coverage for all Californians• Expand full comprehensive Medi-Cal coverage to all income-eligible individuals aged 26-49 regardless of immigration status• Build upon recent expansions of Medi-Cal (all income-eligible young adults—under the age of 26—and older adults—over the age of 49)	<ul style="list-style-type: none">• The January Budget includes \$819.3 million for 2023-24 and \$2.7 billion annually to support expansion; expected to start no sooner than January 1, 2024.• May Revise: Adjusted amounts to \$834 million in 2023-24 and \$2.6 billion annually to support expansion.[8]
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<p>Eliminating Certain AB 97 Provider Rate Reductions</p>	<ul style="list-style-type: none"> • Rescind Medi-Cal provider payment rate reductions for eight provider types based on COVID-19 pandemic impacts and DHCS's quality and equity goals 	<ul style="list-style-type: none"> • To eliminate these reductions, the January Budget includes fee-for-service costs of \$20.2 million in 2022-23 and \$24 million annually thereafter. • May Revise: Added additional services beyond the existing eight provider types to also be eliminated from rate reductions. The estimated cost of the new eliminations, as proposed in the Revise, is \$9.6 million in 2022-23 and \$11.2 million annually thereafter.[9]
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<p>Reducing Medi-Cal Premiums to Zero</p>	<ul style="list-style-type: none"> • Improve cost of living, a California Blueprint major goal • Reduce Medi-Cal premiums for pregnant women, children, and disabled working adults, whose income is marginally above the threshold for no cost Medi-Cal 	<ul style="list-style-type: none"> • The January Budget includes \$53.2 million in 2022-23 and \$89 million annually to reduce Medi-Cal premiums to zero for these populations.
<p>Increasing Access to Reproductive Care</p>	<ul style="list-style-type: none"> • Protect right to safe and accessible reproductive healthcare services <ul style="list-style-type: none"> • Increase flexibility for Medi-Cal providers to provide clinically appropriate medication abortion services • Support clinical infrastructure of reproductive healthcare services 	<ul style="list-style-type: none"> • The January Budget includes \$68 million to support access to reproductive health care services. <ul style="list-style-type: none"> • May Revise: Allocated additional \$57 million General Fund to support access to reproductive healthcare services.

What's Next in the Budget Process

Next in the budget process, the Legislature will decide whether they will adopt the Governor's revised budget. The Legislature will have to act quickly to pass a balanced budget bill by June 15. Following passage of a balanced budget bill, the Governor may exercise his "line item veto" authority to reduce or eliminate any item within the budget bill. He will have until June 30 to sign the budget bill, which will then take effect at the beginning of the new fiscal year starting July 1.

[1] Ben Christopher, California's \$100 Billion Surplus: What to Know About Newsom's Spending Plan, Cal Matters (May 13, 2022), <https://calmatters.org/politics/2022/05/newsom-budget-spending/>.

[2] 2022-23 May Revision – Health and Human Services, State of California, _____ at _____ p. 67, <https://www.ebudget.ca.gov/2022-23/pdf/Revised/BudgetSummary/HealthandHumanServices.pdf> (last visited June 9, 2022).

[3] Id.

[4] Id. at 75.

[5] Id. at 69.

[6] Id. at 86-88.

[7] Id.

[8] 2022-23 Governor's May Revision – Department of Health Care Services Highlights, Department of Health Care Services (DHCS),

at p.
13, <https://www.dhcs.ca.gov/Documents/Budget-Highlights/DHCS-FY-2022-23-MR-Highlights.pdf> (last visited June 9, 2022).

[9] Id. at 8.