

# California State Assembly



## Assembly Budget Agenda

### Subcommittee No. 1 on Health

Assemblymember Dr. Akilah Weber, Chair

Monday, April 8, 2024

Upon Adjournment of the Budget Committee Hearing

State Capitol, Room 127

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**Public Comment will be taken in person after the completion of each panel and any discussion from the Members of the Subcommittee.**

## Items To Be Heard

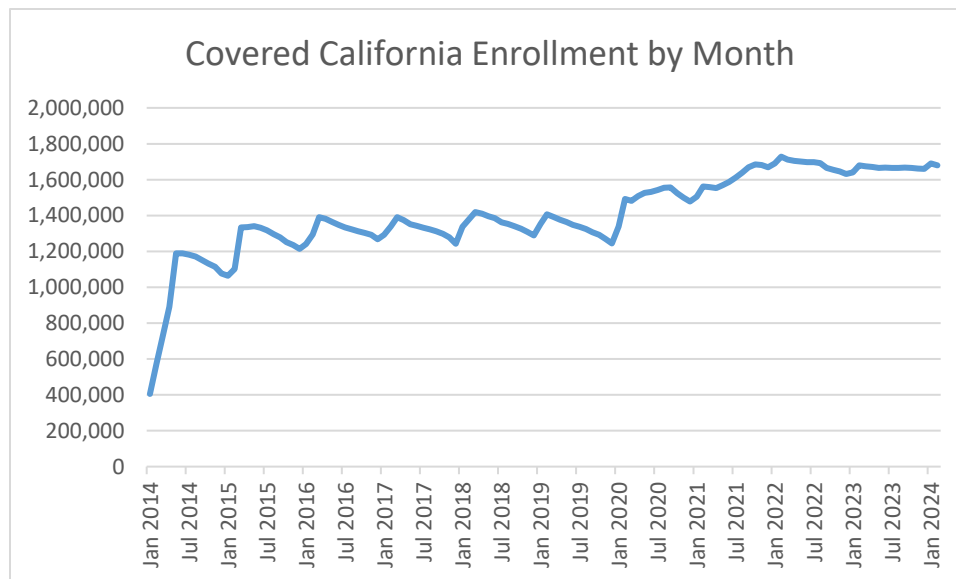
### 4800 California Health Benefit Exchange

#### Issue 1: Covered California in 2024

The Covered California Health Exchange is the government agency offering subsidized Obamacare plans for this state. The California Health Exchange was created to assist citizens and legal residents with applying for marketplace coverage to comply with the Affordable Care Act (“ACA”). When the law was passed in 2010, each of the 50 states had to decide to either create a state-run health insurance exchange or offer enrollment through a federally-operated exchange. This state chose to create their own exchange and called it “Covered California.”

#### Covered California Caseload Trends

Covered California covers over 1.6 million Californians. Since 2023, the caseload for Covered California has remained stable, with small month-to-month variations.



The Exchange expects the caseload to remain stable during the budget year. However, the Exchange notes that it expects that caseload will be impacted if the federal premium tax credit expires at the end of 2025. The premium tax credit – also known as PTC – is a refundable credit that helps eligible individuals and families cover the premiums for their health insurance purchased through the Health Insurance Marketplace. This credit was created as part of the

American Rescue Plan Act of 2021 and offsets premium costs for taxpayers that make between 100-400 percent of the federal poverty level.

**Covered California Rates**

On July 25, 2023, the Exchange announced a 9.6% average market rate increase, which reflected increased costs of care. However, the Exchange did note that the rate had not increased by as much in prior years so the three-year average in rate increases was 3.6%.

**Covered California in the Budget**

EXPENDITURES BY PROGRAM

Provides expenditures by each budgeted program area for the past, current, and budget years.

Code	Program	Actual 2022-23*	Estimated 2023-24*	Proposed 2024-25*
4200	California Health Benefit Exchange	\$-	\$12,727	\$14,413
4201	California Health Benefit Exchange	\$841,942	\$423,284	\$410,026
4202	State Subsidy Program	\$18,817	\$105,076	\$187,350
Total Expenditures (All Programs)		\$860,759	\$541,087	\$611,789

The Governor’s budget proposes \$611.8 million in special funds for Covered California and 1,384 positions. Growth in State Subsidy program funding accounts for a \$82.3 million increase to the budget in 2024-25, with state operations costs declining slightly by \$11 million and 3.2 positions.

Covered California has no budget proposals in the January budget.

**Health Care Affordability Reserve Fund**

The Health Care Affordability Reserve Fund is a special fund that receives proceeds from the Shared Responsibility Payment for individuals that do not purchase insurance and is to be used for health care affordability. The budget projects that this fund will have \$333.4 million in the budget year. Of this amount, the Department of Finance projects \$167 million will be used for affordability initiatives, with \$165 million for the Cost Sharing Reduction Program adopted in the 2023-24 budget and \$2 million for healthcare coverage for striking workers.

**Panel**

- Katie Ravel, Covered California
- Joseph Donaldson, Department of Finance
- Albert Pineda, Department of Finance
- Ryan Miller, Legislative Analyst’s Office

**Staff Comments**

Covered California is not seeking any policy or budget changes thus far, giving the Subcommittee time to consider the department's progress, outcomes, challenges, and opportunities.

Some possible questions the members may wish to consider:

- Can you provide an update on Covered California's enrollment levels over the last year and expectations for enrollment trends for the near future?
- Did the 9.6% average rate increase by Covered California result in a change in enrollment? Do you expect rate increases of this magnitude later this year?
- Has Medi-Cal Redetermination deadline and process impacted Covered California's operations?
- Can you provide an update on the Strike Fund that was funded last year?
- What is Covered California doing to address concerns regarding health care coverage affordability?

**Budget Proposals Related to Covered California**

Staff notes two proposals have been received that proposes to use part of the remaining balance of the Health Care Affordability Reserve Fund to expand healthcare coverage:

- *Expansion of Strike Fund to \$20 million.* Labor stakeholders seeks the expansion of the Strike Fund from \$2 million to \$20 million to allow striking workers to continue to receive healthcare coverage during labor actions. The Department of Finance noted that in the current year, the Strike Fund has only spent \$40,000 of the \$2 million, however, since this is the first year of the Strike Fund that may have contributed to the low expenditure rate at this point.
- *Provide Covered California Coverage to undocumented Californians.* Advocates for health care access seek funding to expand Covered California coverage to undocumented Californians that would otherwise qualify for the program. This expansion is seen as a companion measure to the State's expansion of Medi-Cal to this population. Both Colorado and Washington have expanded their ACA marketplace to qualified undocumented immigrants. In 2016, California began the process of seeking a waiver to

allow for the expansion but withdrew it days before the inauguration of Donald Trump in 2017. UC Berkeley's Labor Center estimates that 520,000 individuals in California currently are uninsured and could potentially qualify if this expansion were adopted. Estimated costs for this expansion range from \$15 million to \$35 million per year, depending on the structure of the expansion.

**Staff Recommendation: Hold Open**

## 4140 Department of Health Care Access and Information

### Issue 2: Update on HCAI in 2024 and Update on Workforce Training

The Department of Health Care Access and Information (HCAI) has a number of responsibilities. These include: (1) promoting health care access and affordability, (2) overseeing state health workforce issues, (3) regulating the design and construction of health care facilities, (4) insuring loans for nonprofit healthcare facilities, and (5) collecting healthcare data. In 2023-24, the department is authorized to have 706 positions to manage operations and administer programs. For many decades, the department was known as the Office of Statewide Health Planning and Development (OSHPD). AB 133 (Committee on Budget, Chapter 143 of 2021) changed the department's name to HCAI and expanded its mission and operations in several ways. For example, the legislation expanded the department's scope to include health care affordability issues, and also reorganized and expanded the department's pre-existing activities around health care workforce planning and development.

Major Initiatives at HCAI this year

#### HCAI in 2024

While the budget items for HCAI mostly center on their workforce and training initiatives, the department has undertaken some major initiatives related to the Office of Health Care Affordability, the CalRX program to reduce the cost of prescription drugs, the Naloxone Access Initiative, and the implementation of the Health Care Payments Data Program to enhance research on health care spending.

#### HCAI in the 2024-25 budget

The Governor proposes providing the HCAI \$373 million General Fund (\$523 million total funds) in 2024-25, of which most is one time. This amount is after accounting for a proposed \$140 million delay to planned spending on workforce initiatives from 2024-25 to 2025-26. The chart below, prepared by the Legislative Analyst's Office, illustrates the reductions in the current and budget years:

Figure 2

**Overall Spending Varies Year to Year**

*HCAI Funding (In Millions)*

	2023-24		2024-25 Proposed	Change From 2023-24 Revised	
	Enacted	Revised		Amount	Percent
<b>General Fund</b>					
Ongoing	\$88	\$70	\$88	\$19	27%
One time	220	170	285	115	68
Carryover	—	753	—	-753	-100
<b>Totals</b>	<b>\$288</b>	<b>\$992</b>	<b>\$373</b>	<b>-\$619</b>	<b>-62%</b>
<b>Other Funds</b>	<b>\$379</b>	<b>\$247</b>	<b>\$150</b>	<b>-\$97</b>	<b>-39%</b>
<b>Grand Totals</b>	<b>\$667</b>	<b>\$1,240</b>	<b>\$523</b>	<b>-\$716</b>	<b>-58%</b>

HCAI = Department of Health Care Access and Information.

**Proposed Delays in Healthcare Workforce Proposals**

The 2022-23 budget included a multiyear package of limited-term health workforce initiatives at HCAI totaling over \$900 million General Fund. The package spanned several areas of health care, including primary care and behavioral health. It also included funds for an initiative called “Workforce for a Healthy California for All,” which supports activities to expand the statewide supply of community health workers, nurses, and social workers. Last year’s budget delayed \$115 million community health worker funds in the Workforce for a Health California for All initiative from 2023-24 to 2024-25 and shifted \$196 million in 2023-24 for several behavioral health initiatives from the General Fund to the Mental Health Services Fund. However, it left the overall multi-year investment amount intact.

The 2024-25 Governor’s Budget proposes additional delays to some of these items as a budget solution. The chart below, prepared by the Legislative Analyst’s Office, illustrates seven different proposals to delay workforce funding, as proposed in the Governor’s Budget.

### Proposed Delays and Reductions Impact Several Initiatives

Package of Limited-Term Workforce Initiatives at HCAI

	2022-23	2023-24	2024-25	2025-26	Total
<b>Spending at 2023-24 Enacted Budget</b>	<b>\$120</b>	<b>\$311</b>	<b>\$424</b>	<b>\$58</b>	<b>\$913</b>
General Fund	120	115	424	58	716
Mental Health Services Fund	—	196	—	—	196
<b>Proposed Delays and Reductions in 2024-25 Governor’s Budget</b>					
<b>Workforce for a Healthy California for All</b>					
Nursing	—	—	-\$70	\$70	—
Social workers	—	-52	-70	122	—
<b>Behavioral Health</b>					
Master’s in social work programs	—	-\$30	—	30	—
Behavioral health training programs	—	-52	—	52	—
Addiction psychiatry and medicine GME	—	-49	—	49	—
Psychiatry loan repayment (counties)	—	-7	—	7	—
Psychiatry loan repayment (State Hospitals)	-\$7	-7	—	—	-14
<b>Totals</b>	<b>-\$7</b>	<b>-\$196</b>	<b>-\$140</b>	<b>\$330</b>	<b>-\$14</b>
General Fund	-7	—	-140	140	-7
Mental Health Services Fund	—	-196	—	189	-7
<b>Total Spending at 2024-25 Governor’s Budget</b>	<b>\$113</b>	<b>\$115</b>	<b>\$284</b>	<b>\$387</b>	<b>\$899</b>
General Fund	113	115	284	198	709
Mental Health Services Fund	—	—	—	189	189
HCAI = Department of Health Care Access and Information and GME = graduate medical education.					

Despite these delays, the budget still maintains \$284 million of workforce initiatives for the budget year and anticipates \$228 million for these programs would be spent by the end of this fiscal year.

### Other Budget Solutions

The HCAI budget includes three other budget solutions:

- *Proposal to Eliminate Psychiatric Loan Repayment Program.* This proposal reverts \$14 million (\$7 million General Fund) that was in the 2022 Budget for a Psychiatric Loan Repayment Program was included by the Legislature but was never established by the department.



- *Clinic Workforce Stabilization Payments.* The January Budget proposes reverting the remaining \$14.9 million for Clinic Workforce Stabilization Payments at HCAI. These funds are the remaining balance of a \$70 million 2022-23 budget item for clinic workforce, after \$55.1 million was spent by the Department of Health Care Services for this purpose.
- *Special Fund Loans.* The Governor's budget proposes to loan \$66 million of special fund balances at HCAI to the General Fund. According to the Department of Finance, these Special Funds have sufficient balances to allow this borrowing without any programmatic impact. These loans are from the following funds:
  - \$50 million from the Hospital Building Fund
  - \$11 million from the California Health and Data Planning Fund
  - \$3 million from the Nurse Education Fund
  - \$1 million from the Vocational Nurse Education Fund
  - \$1 million from the Mental Health Practitioner Fund

### **Budget Change Proposal for Position Authority**

The Department has two proposals to request position authority within existing funds:

- Three positions to support administration of the CalRx program. This proposal requests technical changes to enable HCAI to true up its position authority with the increasing workload of administering the CalRx program including the recently authorized Naloxone Access Initiative.
- 16 positions within the Office of Health Workforce Development in Fiscal Year (FY) 2024-25 and ongoing to address the issues identified in this proposal and support multiple new and expanded health workforce development programs.

#### **Panel**

- Scott Christman, Department of Health Care Access and Information
- Libby Abbott, Department of Health Care Access and Information
- Vishaal Pegany, Department of Health Care Access and Information
- Albert Pineda, Department of Finance
- Joseph Donaldson, Department of Finance
- Jason Constantouros, Legislative Analyst's Office

**LAO Comments**

The Legislative Analyst's Office provide the following three recommendations for HCAI budget items:

- *Consider Proposed General Fund Solutions as Starting Point.* Given the size of the state's budget problem, we recommend the Legislature adopt the proposed General Fund delays at a minimum. If the Legislature does not adopt the proposed solutions, it would need to identify a like amount of General Fund support elsewhere in the budget to reduce or delay. Also, considering additional solutions beyond those proposed by the Governor—such as reducing or delaying remaining one-time workforce funding in 2024-25—would be prudent in light of the state's deteriorating budget situation. In tandem, we recommend the Legislature adjust HCAI's staffing levels to reflect its expected workload needs over the coming years, after accounting for enacted budget solutions.
- *Adopt Mental Health Services Fund Delays.* We recommend the Legislature adopt the proposed delays in Mental Health Services Fund support for behavioral health initiatives, given the fund's capacity constraints. That said, the Legislature likely will want to keep apprised of the fund's condition in the future and, if capacity for behavioral health workforce initiatives remains limited, take further actions as needed.
- *Withhold Action on MCO Tax-Funded Initiative Until More Information Provided.* Though the administration states that the Governor's budget includes MCO tax funds for a new HCAI-administered workforce program, it has not released basic information about the proposal. In discussions with our office, the administration has stated that more information will be available at a later date. Until this time, the Legislature cannot assess the extent to which the proposed program would meet the stated goal of the MCO tax package of improving access, quality, and equity in the Medi-Cal program. Therefore, we recommend the Legislature withhold action on the proposed MCO tax-funded program until the administration provides more information on which to assess its merits. To the extent more information is not forthcoming, we recommend the Legislature use the funds to support workforce programs of its choosing, support other high-priority areas, or offset General Fund spending in Medi-Cal

**Staff Comments**

The 2022 Healthcare Workforce Initiative was a historic increase in funding for this purpose and despite changes in the 2023 budget and proposed changes in the 2024 budget, it represents the high water mark in state investment in this area. As the Subcommittee considers how much of the remaining package to maintain, it may wish to reflect on the outcomes of the \$228 million that will be expended by the end of this fiscal year.

The Subcommittee may wish to consider the following questions.

- Can you provide an update on the status of workforce initiatives?
- Do you have outcome data on the impact that these programs have had on increasing the workforce?
- Can you articulate how the delay in workforce funding will impact worker training?
- What does the latest data tell us about workforce shortages? Any progress, and where are we still lacking?
- Do you expect the proposed delays in funding to impact the workforce numbers in the near future?
- Why did HCAI not implement the Psychiatric Loan Repayment Program, as proposed by the Legislature?
- Can you provide an update on the CalRX program?
- Has the Health Care Payments Data Program dataset been used to analyze health care costs?

At the time of writing this agenda, the HCAI delays in workforce training proposed by the Governor are likely to be included in the Early Action package being discussed with the Senate and the Administration.

Staff believes the proposed budget change proposals for position authority for positions is reasonable and will recommend adding this item to a vote-only agenda at a future hearing.

Staff notes that HCAI also oversees 2023 Hospital Relief Program. The Subcommittee already heard an update on this program on March 11, 2024 and therefore, this agenda item does not revisit that program.

**Staff Recommendation: Hold Open**

## 4120 Emergency Medical Services Authority

### Issue 3: Update on EMSA in 2024

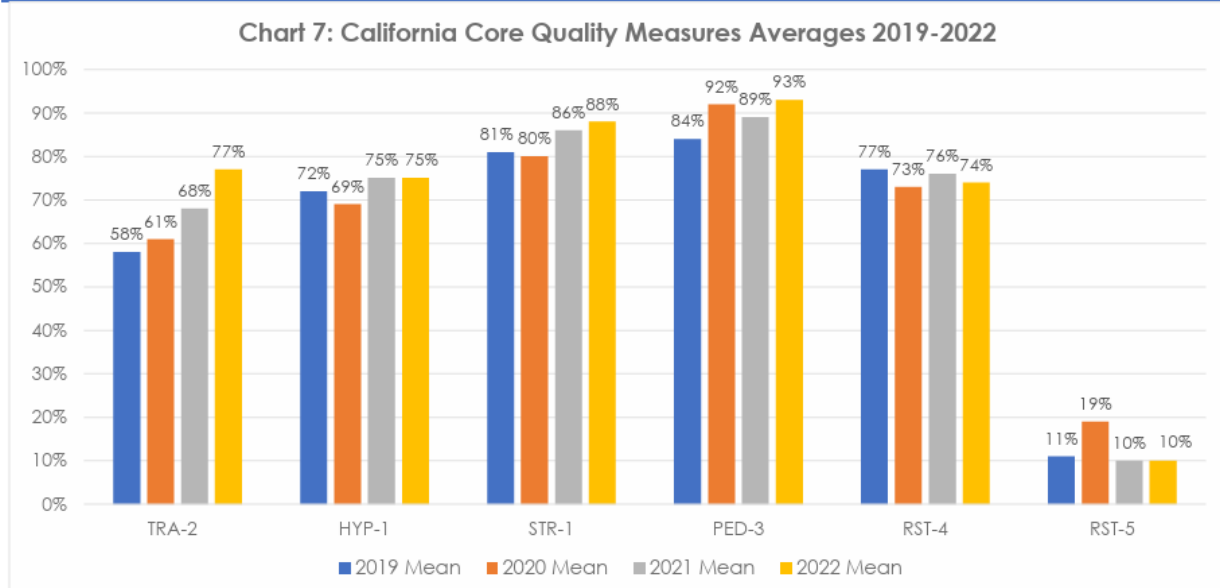
The Emergency Medical Services Authority (EMSA) develops and implements emergency medical services in California, including regulation of emergency medical services personnel (such as emergency medical technicians), and aids in preparing for, coordinating, and supporting emergency medical response to disaster events. EMSA also oversees the operation of California's statewide poison control system and is required by statute to set standards for and approve training programs in pediatric first aid, CPR, and preventive health practices for child day care providers and school bus drivers.

### EMSA in 2024

EMSA has just emerged from an extensive one-year long strategic planning process that included internal and external stakeholders, emergency services providers, local governments, labor, and other state departments. According to EMSA, "The Plan provides a path for the California EMS System partners, participants, and stakeholders to achieve our collective vision of a person-centered and evidence-based healthcare system that provides, with dignity, respect, and the highest level of safety and care, the best possible outcomes for all patients and professionals."

EMSA also reports on outcome measures for emergency services across the state. The latest data shows progress in most of the major outcome metrics across the state. The chart below from EMSA shows the outcomes up until 2022, the latest date reported.

#### COMPARISON OF CORE QUALITY MEASURE RESULTS



For the 2022 calendar year, EMSA requested that each LEMSA use the National Emergency Medical Services Information System (NEMSIS) Version 3.4.0 data standard to report data for six core quality measures.

The six measures are:

- TRA-2: Transport of Trauma Patients to a Trauma Center
- HYP-1: Treatment Administered for Hypoglycemia
- STR-1: Prehospital Screening for Suspected Stroke Patients
- PED-3: Respiratory Assessment for Pediatric Patients
- RST-4: 911 Requests for Services That Included a Lights and/or Sirens Response
- RST-5: 911 Requests for Services That Included a Lights and/or Sirens Transport

### **EMT/Paramedics in California**

California is suffering from an EMT and Paramedic workforce shortage that is impacting the response time of critical lifesaving services. This shortfall mirrors a nationwide trend and is the result of a number of factors. Low pay is typically cited as the main factor as the median annual income for paramedics employed in full-time positions (\$51,573) was approximately 55 percent of the median annual incomes earned by registered nurses (\$92,831), police officers (\$94,915), and firefighters (\$95,969). Additionally, the field saw massive turnover after the COVID-19 surge, when large numbers of EMTs and Paramedics left the field in what was attributed to burnout and overwork during the public health emergency.

According to EMSA, there are currently 66,210 active Emergency Medical Technicians in California. However, a 2023 report from the Healthforce Center at UCSF found “A substantial share of certified EMTs and licensed paramedics are likely employed in other public safety occupations (e.g. police officers), in other healthcare occupations (e.g. registered nursing), or serve as a volunteer.” As a result, the study estimated that the state had 12,000 EMT and 10,000 paramedics.

### **Three Budget Proposal in January Budget Continue Existing Initiatives**

The Governor’s budget includes three Budget Change Proposals for a total of \$9.2 million General Fund in 2024-25 to continue existing EMSA Initiatives:

- *California Emergency Medical Services Information System (CEMSIS)*. EMSA requests \$4.2 million General Fund in 2024-25 and \$4.4 million General Fund in 2025-26 to provide for the continued maintenance and operations of the system. EMSA has taken over the

operation of this system in 2022, which is critical to monitor and improve California's Emergency Medical Services (EMS) System. The funds represent the expected costs for the state's operations of this system moving forward.

- *Emergency Medical Response Equipment and Supplies.* EMSA requests General Fund of \$3,002,000 in 2024-25, \$3,086,000 in 2025-26, and \$3,172,000 million in 2026-27 for continued storage and security of Emergency Medical Response Equipment and Supplies. During the COVID-19 pandemic, EMSA expanded the state's storage capacity to meet the needs of the State's emergency operations. This proposal would continue to support that expanded infrastructure and the 255,000 sq ft warehouse that houses this equipment and related supplies.
- *Biomedical Equipment and Medical Supplies.* EMSA requests \$2 million General Fund in 2024-2025 ongoing to maintain biomedical equipment and medical supplies acquired during the COVID-19 pandemic, and provide lifesaving resuscitative and medical surge services to relieve suffering for disaster victims during pandemics or other catastrophic emergencies. The 2021-22 Budget Act included \$2 million General Fund to maintain 3,637 pieces of equipment. Funding for the maintenance contract expires at the end of 2023-24.

#### Panel

- Elizabeth Basnett, Emergency Medical Services Authority
- Craig Johnson, Emergency Medical Services Authority
- Christine Cherdboonmuang, Department of Finance
- Nina Hoang, Department of Finance
- Will Owens, Legislative Analyst's Office

#### Staff Comments

The pandemic dramatically impacted emergency medical services and paramedics staffing the workforce across the country, with communities in California still struggling to attract and retain these critical workers. However, despite this turbulence, overall outcome measures for the EMS systems statewide appear to be improving. EMSA's decision to conduct a strategic plan as the pandemic ebbed provides EMSA with a good starting place to consider how to best move forward from the learned experience of that public health emergency.

Below are possible questions the Subcommittee members may consider:

- What are the biggest challenges facing emergency medical services in California?
- Do you expect the Strategic Plan to alter your business processes or local agencies in any way?
- Do we expect the outcome measures to continue to improve in 2023 and future years?
- What is EMSA seeing regarding EMT workforce? Why doesn't the state have workforce initiatives in this area already?

The budget change proposals appear reasonable and staff will recommend adopting these at a later time on a vote-only calendar. The proposed continuation and maintenance of emergency equipment and supplies reflects the position this Subcommittee articulated early in the pandemic when reflecting on a Great Recession elimination of a previous stockpile was seen as a historic mistake that undercut California's ability to protect the public when COVID-19 emerged. The proposed continuation and insourcing of the CEMIS system is not really an optional state effort given the essential need for that system.

**Staff Recommendation: Hold Open**

## 4150 Department of Managed Health Care

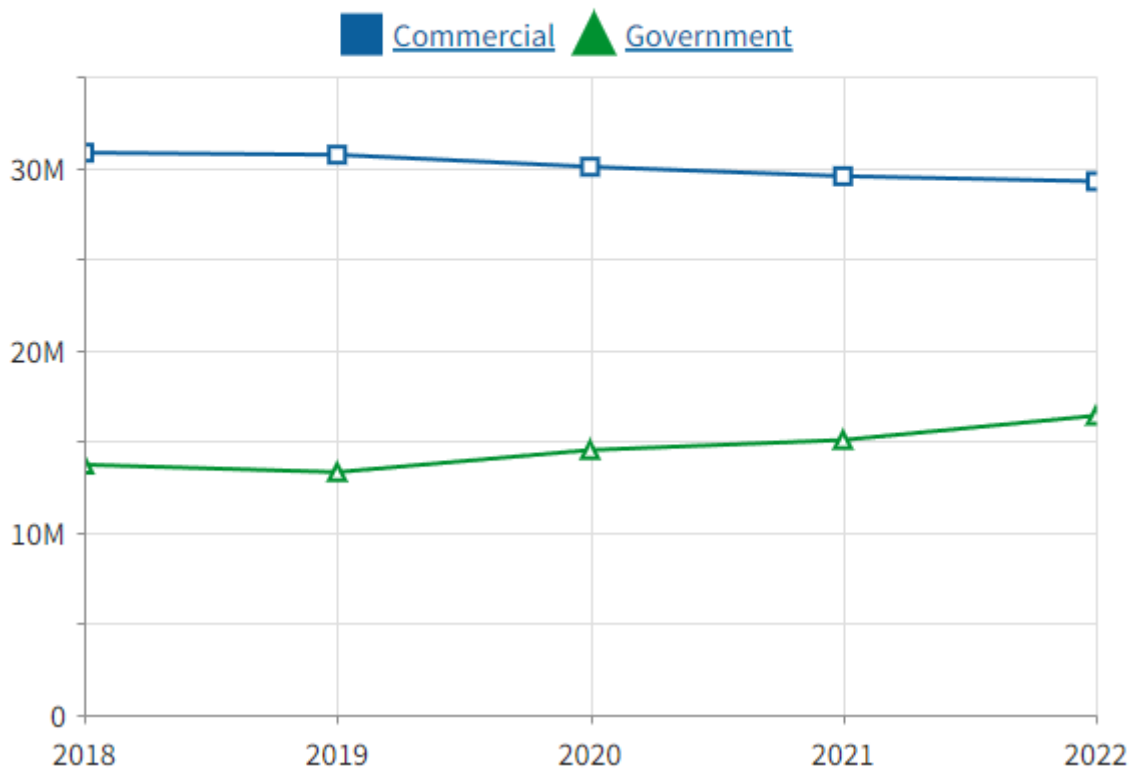
### Issue 4: Update on DMHC in 2024 and Recent State Investments

The California Department of Managed Health Care licenses, oversees, regulates and enforces state laws and regulations regarding health care plan in California.

#### DMHC in 2024

The Department keeps an updated dashboard of data measures relating to health plans and activities. Overall commercial health plan enrollment slightly decreased while government health enrollment increased in 2022, the latest year for which data is available.

#### Enrollment over time for





The dashboard also provides a number of important indicators relating to health plans. Specifically, these indicators help provide some context for recent experiences.

- In 2022, there were 9,282 consumer complaints, up from 8,282 in 2021.
- So far in 2024, the Department has conducted 28 enforcement actions against plans, which appears in line with the rate of enforcement activities in recent years.
- The Department reviews proposed health plan premium rate changes and asks health plans questions about their changes to make sure health plans are providing detailed information to the public to support any rate increases. For 2024, individual market rate changes ranged from -0.89 to 15 percent with an average rate increase of 10.4 percent. In the small group market, rate changes ranged from -6.5 to 13.4 percent with an average rate increase of 8.4 percent. In the large group market, rate changes ranged from 0 to 15.7 percent with an average rate increase of 11.5 percent.

### **DMHC Budget in 2024**

In 2024, the Department's budget remains relatively flat from the current year with a small decrease of \$2.5 million, \$163 million from \$165.5 million, and addition of nine positions for a total of 724 for the budget year.

However, in the last five years, the department has seen rapid growth in size, with total spending increasing over 87%, from \$87 million in 2019 to a proposed \$163 million in the budget year, and staffing increasing by almost 69%, from 429.5 positions in 2019 to a proposed 724 positions in the budget year.

### **Governor's budget proposes borrowing Special Fund**

The Governor's budget includes proposal to loan the General Fund \$22.9 million from the Managed Care Fund. It is not expected that this loan will have any programmatic impact on the department.

#### **Panel**

- Mary Watanabe, Department of Managed Health Care
- Dan Southard, Department of Managed Health Care
- Albert Pineda, Department of Finance
- Joseph Donaldson, Department of Finance
- Jason Constantouros, Legislative Analyst's Office

**Staff Comments**

While this year's budget process does not significantly change the DMHC budget, the department has seen historic investment over the last five years. This allows the Subcommittee to conduct oversight of the process of the investment.

Possible questions members may consider:

- What are the major trends you are seeing with health care plans?
- What led to the rise in complaints in 2022? Do you see that continuing in 2023?
- How has the increase in resources at the department resulted in better outcomes or better customer service for Californians?

The proposed to loan the General Fund \$22.9 million from the Managed Care Fund is among items that are under consideration for early action and may be included in that package.

**Staff Recommendation: Hold Open**

This agenda and other publications are available on the Assembly Budget Committee's website at: [Sub 1 Hearing Agendas | California State Assembly](#). You may contact the Committee at (916) 319-2099. This agenda was prepared by Christian Griffith.