California State Assembly

Assembly Budget Agenda

Subcommittee No. 1 on Health

Assemblymember Dr. Akilah Weber, Chair

Monday, May 20, 2024

Upon Adjournment of Session – State Capitol, Room 126

(Note time and room change)

INFORMATIONAL HEARING

1. Call to order
2. Member Comments and Questions
3. Public Comment

Major Issues - 2024 Budget

Introduction

The Assembly Budget Committee Subcommittee #1 on Health will conclude hearings on May 20, 2024 with one final opportunity for Members of the Assembly to provide input, make comments, or ask questions regarding health issues in the proposed 2024 budget. This memo highlights major issues considered by the Committee as the Assembly works to finalize the details of the 2024 budget.

Given the State's difficult fiscal position, the 2024 budget process was dominated by discussions of potential solutions to a budget problem. Including the May 20th hearing, the Subcommittee held 12 hearings to consider budget issues this year.

May Revision Contained Most of the Major Proposals in Subcommittee #1

The January Budget included over $5.4 billion in total solutions in Subcommittee #1, most of which reflected the Early Action proposal to expand the scope of the MCO tax and capture projected MCO revenue funding earlier. The remaining January solutions were mostly fund shifts and borrowing that were then included in the Early Action bill, AB 106, Chapter 9, Statutes of 2024. There were only four reductions proposed in the January budget which were all minor unallocated funding reversions as opposed to cuts to current service levels.

The May Revision included many new complex and difficult proposals that directly impact Californian's health. With over $15 billion in savings over four fiscal years, the proposal assumes $11.2 billion of the savings resulting from 35 different reduction proposals, many with direct impact on the current level of services. On Wednesday, May 15, the Subcommittee heard these proposals. The Subcommittee has had less than a week to grapple with the details of the proposals and hear from stakeholders so far, so this memo and the Monday, May 20th hearing offers a further opportunity to help the Assembly set its course for the budget in this policy area.

MCO, Major Reductions, and Key Trailer Bill Proposals

Overall, Subcommittee #1 considered hundreds of proposals including budget solutions, budget change proposals, and language items. Staff have highlighted a few key issues that reflect discussion at the committee this year.

Managed Care Organization Solutions

The MCO solutions are one of the largest overall solutions to consider in the budget this year. The Assembly has already taken action to expand the MCO tax's scope, generating $1.5 billion in General Funds savings over the next three years. The May Revision has over $9.6 billion in additional proposed solutions over three years from a further expansion of the tax and the elimination of some of the proposed investments.

California, like other states, has used a MCO tax scheme to claim more federal funds for health care expenditures. This claiming has typically been very helpful in reducing the General Fund pressure of California's growing health care costs. The tax on managed care plans, provides funding that supports the Medi-Cal program and thus draws down critical matching funds. Last year, the budget extended the MCO tax differently than it had in the past, devoting over $7 billion of the new revenue generated over four years by the tax to provide rate increases and other investments in health care, in addition to offsetting state costs.

In 2023, only part of these rate increases were provided or articulated, with the original plan by the Administration to use the spring of 2024 to develop a plan for over $4.8 billion in additional targeted rate increases that would be articulated in the May Revision. In the 2024 budget discussions, much of the Subcommittee's time and attention was in anticipation of this proposal, as MCO represented a rare opportunity for providers to see any type of rate increase.

The chart below illustrates the projected MCO investment plan that was included in the January budget:

(Dollars in Millions)

	CY 2023-24	BY 2024-25	BY+1 2025-26	BY+2 2026-27	All Years Total[2]
Total Revenue	$8,269	$9,770	$9,514	$7,138	$34,690
- Medi-Cal Managed Care Capitation Payments	$3,464	$3,960	$3,792	$2,614	$13,831
= Total State Funding	**$4,805**	**$5,810**	**$5,721**	**$4,524**	**$20,859**
State Administration Costs	-	$2	$2	$2	$7
+ Medi-Cal Provider Rate Increases Effective 1/1/24	$121	$291	$305	$321	$1,038
+ Medi-Cal Provider Rate Increases Effective 1/1/25	-	$774	$1,962	$2,078	$4,814
+ Behavioral Health Throughput Effective 7/1/25	-	-	$300	$300	$600
+ University of California Graduate Medical Education Programs	$75	$75	$75	$75	$300
+ Medi-Cal Workforce Pool - Labor Management Committee	-	$30	$75	$75	$180
+ Distressed Hospital Loan Program and the Small and Rural Hospital Relief Program for Seismic Assessment and Construction	$200	-	-	-	$200
= Total Expenditures[1]	**$396**	**$1,172**	**$2,720**	**$2,851**	**$7,139**
2023 Budget Act Funding to Support the Medi-Cal Program	$3,389	$1,858	$2,019	$1,050	$8,316
+ 2024-25 Governor's Budget Funding to Support the Medi-Cal Program	$1,020	$2,779	$466	$299	$4,564
= Total Funding to Support the Medi-Cal Program	**$4,409**	**$4,637**	**$2,485**	**$1,349**	**$12,880**

Instead of providing a roadmap for these new investments, the May Revision proposes to eliminate many of the rate increases and investments included in the MCO. However, it does maintain increases provided in 2023 for Medi-Cal providers and includes a new proposed increase for Children's Hospitals. The chart below illustrates the proposed May Revision MCO spending plan:

(Dollars in Millions)

	CY 2023-24	BY 2024-25	BY+1 2025-26	BY+2 2026-27	All Years Total[2]
Total Revenue	$8,269	$10,720	$10,579	$8,538	$38,106
- Medi-Cal Managed Care Capitation Payments	$3,464	$3,960	$3,792	$2,614	$13,831
= Total State Funding	**$4,805**	**$6,760**	**$6,786**	**$5,924**	**$24,275**
State Administration Costs	-	-	-	-	-
Medi-Cal Provider Rate Increases Effective 1/1/24	$121	$291	$305	$321	$1,038
Medi-Cal 2025 Provider Rate Increases	-	-	-	-	-
Behavioral Health Throughput	-	-	-	-	-
University of California Graduate Medical Education Programs	-	-	-	-	-
Medi-Cal Workforce Pool - Labor Management Committee	-	-	-	-	-
Distressed Hospital Loan Program and the Small and Rural Hospital Relief Program for Seismic Assessment and Construction	$200	-	-	-	$200
Children's Hospital Directed Payment	-	$115	$115	$115	$345
Proposition 56 Provider Payments Backfill	-	$145	-	-	$145
= Total Expenditures[1]	**$321**	**$551**	**$420**	**$436**	**$1,728**
2023 Budget Act Funding to Support the Medi-Cal Program	$3,389	$1,858	$2,019	$1,050	$8,316
+ 2024-25 Governor's Budget Funding to Support the Medi-Cal Program	$1,020	$2,779	$466	$299	$4,564
+ 2024-25 May Revision Funding to Support the Medi-Cal Program	$75	$1,569	$3,363	$4,653	$9,660
= Total Funding to Support the Medi-Cal Program	**$4,484**	**$6,206**	**$5,848**	**$6,002**	**$22,540**

Included in the chart above is the May Revision's less controversial solution is to further expand the MCO tax to include Medicare providers. This proposal would generate over $2.9 billion in new revenue over the next three years. In the recent post on the expansion proposal, the LAO opined this expansion was reasonable.

To provide further contrast, this January budget chart from the administration illustrated the proposed investment plan with greater detail. Only the last three of the rows in the chart below are maintained in the May Revision: the Primary Care, Maternal Care, and Mental Health rates that began in January of this year, and $200 million for hospital payments.

Proposed Spending Plan

Spending Plan: Calendar Year 2024 through Fiscal Year 2027-28		
Annual Amount (starting in 2025)		**$2,656,000,000**
Category[1]	**Estimated Spend**[2]	**% of Annual Spend**
Primary Care and Specialty Care		**62%**
Primary Care, Maternal Care, and Mental Health[3] *(started 1/1/24)*	$291,000,000	11%
Physician and Non-Physician Health Professional Services[4]	$975,000,000	37%
Community and Hospital Outpatient Procedures and Services	$245,000,000	9%
Abortion and Family Planning Access	$90,000,000	3%
Services and Supports for FQHCs and RHCs	$50,000,000	2%
Emergency and Inpatient Care		**21%**
Emergency Department (Facility and Physician) Services	$355,000,000	13%
Designated Public Hospitals	$150,000,000	6%
Ground Emergency Medical Transportation	$50,000,000	2%
Behavioral Health		**11%**
Behavioral Health Throughput *(starts 7/1/25)*	$300,000,000	11%
Healthcare Workforce		**6%**
Graduate Medical Education *(started 1/1/2024)*	$75,000,000	3%
Medi-Cal Workforce Pool – Labor-Management Committee	$75,000,000	3%
Total	**$2,656,000,000**	**100%**
Distressed Hospital Loan Program *(one-time: FY 2023-24)*	$150,000,000	
Small and Rural Hospital Relief for Seismic Assessment and Construction *(one-time: FY 2023-24)*	$50,000,000	

Challenges for the Assembly in addressing MCO

The proposed MCO solution is one of the pillars of the Governor's proposal to balance the budget in both 2024 and 2025. Without the proposed savings, the budget is no longer mathematically balanced in either year. However, the Legislature is tasked with enacting the budget and has other options, including using more of the Rainy Day Fund, to partially or fully reject the Governor's proposal if this a priority for the Assembly.

Beyond finding replacement resources to fund an alternative approach, the Assembly was never part of the discussions between the administration and stakeholders about how the additional rate increases would be provided. Therefore, if members want to explore options to restore all or part of the funding for additional investments, the Assembly would also need to consider how it would structure which providers would receive a rate increase, as well as how the rates would be earned. Given the lack of a roadmap to start this process, there is no way to complete such a task before the beginning of the fiscal year six weeks from now.

Since the MCO agreement from last year was between stakeholders and the administration, with minimal involvement from the Assembly, it was not informed of the priorities of the Members of the Assembly. Given the administration has abandoned the MCO agreement, if the Assembly were to revisit MCO investments, it would need to establish a different process to consider the spending priorities that directly includes the voice of the members themselves.

Elimination and Reductions to Public Health Program

Another significant reduction included in the May Revision is a series of cuts aimed at recent public health investments undertaken during the pandemic. The most visible being the complete elimination of $300 million in ongoing public health investments; $200 million for counties and $100 million for state operations. This Subcommittee has received constant and varied opposition to this reduction from a broad group of stakeholders including counties, public health professionals, and labor.

If the Subcommittee wishes to explore maintaining any of this investment, one possibility is to reduce funding to actual baseline expenditures.

According to the Department, in 2023, both local and state funding for the public health investments are expected to be almost completely utilized.

Local Assistance (County Funding)

Fiscal Year	Total Appropriation	Actual Expenditures Invoiced as of March 30th	Projected Expenditures through June 30, 2024	Unspent Balance	Projected Percentage to be Expended
FY 22/23	$200,400,000	$114,122,584	$73,265,666	$13,011,750	94%
FY 23/24	$202,700,000	$94,407,090	$93,413,929	$14,878,981	93%

While most of the local public health funding has been expended, it is likely that some level of savings could be adopted with minimal impact on the current level of staffing and services counties are providing.

State Operations (State funding)

State Operations includes one-time expenditures that make the amount available less clear than local funding. However, it is possible that some savings could also be achieved in this item while retaining the current level of service from the investment.

Fiscal Year	Carryover from 2022-23	Appropriation	Total Expenditures	Unspent Balance	Projected Percentage to be Expended
2022-23*	N/A	$99,600,000	$20,916,000	$78,684,000	21%
2023-24**	$78,684,000	$97,300,000	$147,827,000	$28,157,000	84%

* Note that 80% of year 1 funds were carried forward into year 2, the 84% expenditure reflects the expenditure of both the carry over and new funding for FY 23/24)
**YR2 Rates include estimates for Q4 (through June 30, 2024)

It is also important to note that the Department will be required to absorb the 7.95 percent across-the-board cut to administration which will compound any reduction made in this area. The Department also has two other proposed state operations cuts that begin in 2025, 1) a $10 million reduction that will reduce recent information technology investments by over 55 percent and; 2) a $6.9 million reduction to Disease Surveillance infrastructure that represents a 11.6 percent reduction to that investment.

CalCONNECT Funded Until 2025

CalCONNECT is the state's information technology system for communicable disease case and outbreak investigation, contact tracing, symptom monitoring of exposed individuals, and communication with affected persons, including the dissemination of isolation and quarantine, guidance for cases and contacts. The Subcommittee discussed CalCONNECT and the possibility that support for the system would end due to the one-time General Fund provided in the 2023 budget not being proposed again in 2024.

The annual cost to support CalCONNECT is $33.5 million in 2024-25, $34.2 million in 2025-26, and $35.3 million in 2026-27. CDPH states that they are able to redirect federal Epidemiology and Laboratory Capacity (ELC) grant funding that was intended to be spent over two years on FDSS and CalCONNECT to support CalCONNECT in Budget Year. This will result in a need for funding for CalCONNECT in 2025-26 for both staffing and system costs. State funding for CalCONNECT system costs ends in June 2024 and most state funding for CalCONNECT staffing would end in June 2025 (due to the reversion of $6.9 million in BY+1 from IT M&O funding proposed in the May Revision), this will result in federal funds allocated to CalConnect to be expended by July 2025.

Children’s and Youth Behavioral Health Initiative

During the pandemic, the State created a $4.7 billion one-time investment in children’s mental health to help the vulnerable population recover from the impact that the lockdown on mental health and the renewed awareness of the lack of resources and services for this population.

The May Revision proposes a $426 million in reductions to the CYBHI services, with $59 million in reductions to workforce programs, which are mentioned again in a later section. The administration has prepared the following table to outline the proposed changes to the program.

The chart below illustrates the proposed reductions to the investment plan.

Dept	Governor's Budget Funding over 6 years (FY 21-22 to 26-27)	May Revision 2024 Proposed Budget Changes	Revised Funding over 6 years
Total	**$4,708,151,000**	• **Proposed Program Reduction of $425,900,000** • **Proposed Workforce Reduction of $59,000,000**	**$4,052,216,000**
CDPH	$190,000,000	• Reduction of $73.8m from $100m Stigma Reduction Campaign • Reduction of $15m from $50m for Youth Suicide Reporting and Crisis Response	$101,200,000
DHCS	$3,335,905,000	• Elimination of program: $100m for Capacity Grants to Community Colleges • Elimination of program: $50m for Capacity Grants to CSUs and UCs • Reduction of program: elimination of one round of grants ($47.1m) to scale community evidence practices • Reduction of $140m for Virtual Service Platforms • Decrease of $170 million to reflect lower estimated utilization for the Dyadic Services benefit	$2,828,770,000
HCAI	$825,000,000	• Reduction of $60m from $338.25m Certified Wellness Coach Program	$765,000,000
OSG	$25,600,000	No proposed changes	$25,600,000
MHSOAC	$281,646,000	No proposed changes	$281,646,000
CalHHS	$50,000,000	No proposed changes	$50,000,000

The Subcommittee has heard a great deal of input from stakeholders about the distribution of the proposed reduction, specifically the disproportionate impact on Office of Health Equity activities to reduce the stigma of mental health. The Subcommittee may wish to explore if reducing the reduction or redistributing the reductions among more of the components of the CYBHI that makes sense moving forward.

Indian Health Grant Program

The Indian Health grant program focuses on improving the health of American Indians by addressing primary care recruitment and retention in Indian health clinics.

According to the Department of Health Care Services, health disparities for American Indians indicate the need to provide infrastructure support to Indian health programs. Recent data shows that American Indians continue to experience lower life expectancy and disproportionate disease burden. In fact, the health status of California Indians is recognized as one of the lowest of any ethnic group in the state with higher prevalence of preterm births, suicide, substance use disorders, drug-induced death, diabetes, and other chronic diseases than that of the general population. Reducing the primary care shortage in Indian health programs will improve access to care, reduce disparities, and improve the health status of American Indians.

The May Revision proposed eliminating the ongoing $23 million budgeted for this program starting in 2024-25.

According to the Department, Indian health clinic grantees have received/expended 90% of their FY 2022-23 funds with the final 10% expected to be received by grantees in June 2024. FY 2023-24 funds have been allocated and are pending release based on Budget appropriation. Of the FY 2023-2024 allocation, DHCS projects 50% of the funds will be expended in September 2024, with an additional 40% in January 2025, and the remaining balance by June 2025.

Given the dire health outcomes this population experiences, the Subcommittee may wish to defer any reduction until it has an opportunity to evaluate the effectiveness of the last two years of investments before taking action. If the Subcommittee were to consider this option, staff recommends adding reporting to allow a comprehensive review this investment that can be part of the 2025 Subcommittee process.

Healthcare Workforce Training Cuts

The May Revision includes $854 million in cuts to health care workforce training programs, most of the $956.9 million allocated over five years for that purpose. The chart below details the proposed reductions.

Initiative/Program	Total Funds (FY 23-28)	Total Reduction Proposed (all years)	Remaining Program Total Funds
Community Health Worker Initiative	261.4	-246.4	15
Nursing Initiative	210	-210	0
Social Work Initiative	126	-122	0
Addiction Psychiatry and Medicine Fellowships	50	-48.5	0.8
University and College Grants for Behavioral Health Professionals	52	-52	0
Expanded Masters in Social Works Slots at Public Universities and Colleg	60	-60	0
Psychiatry Local Behavioral Health Program	7	-7	0
California Medicine Scholars Program	14	-8.4	0
Health Professionals Career Opportunity Program	18		2
Song-Brown Primary Care Residency	108.1	-108.1	0
Song-Brown Nursing	50	-35	15
Total	**956.5**	**-897.4**	**32.8**

Note that the chart above does not display $25.7 million of the total funds detailed are spent or obligated, which is why the three columns do mathematically align.

At the May 15th hearing, HCAI provided details on the specifics of the proposed $854 million reduction to health care workforce training. One of the observations at the hearing is that some of the reductions were training programs that had yet to begin, but many of the reductions were programs that were either fully underway or soon to be moving forward. According to HCAI, $99.3 million of the proposed reductions are for programs that have been awarded or support a cohort of students that are enrolled in a training program.

In addition, as discussed in the March 12, 2024 joint informational hearing between the Subcommittee and Assembly Health Committee on Community Health Workers (CHWs), the HCAI workforce effort to certify and train CHWs is critical to support the delivery of the recently launched Medi-Cal CHW benefit and improve health equity and delivery of culturally concordant care for Medi-Cal enrollees. The Subcommittee may wish to consider whether there are alternative options to continue the development of this workforce in light of the significant funding reduction proposed in the May Revision.

Staff will develop options for the Subcommittee to consider reductions to training that either completely avoid or minimize disruptions to individuals that have already begun in a training program. However, staff notes that during Subcommittee hearings, workforce shortages were a constant source of concern given the impact the COVID-19 pandemic had on the health care field and the proposed reduction needs to be considered within that frame.

Other Health Program Reductions

Equity and Practice Transformational (EPT) Payments

EPT is a five-year program that incentivizes primary care practices to work on improving population health, quality of care, and equity for the Medi-Cal members they serve. The May Revision includes proposed elimination of some funding but does not eliminate the program entirely. Of the $227,500,000, a total of $26,160,640.95 has been spent, leaving a total of $201,339,359.05 available (inclusive of both State general fund and Federal match). Overall, the May Revision proposes to maintain $70 million General Fund of the $350 million General Fund originally intended for this program.

Health Navigator Programs

The navigator programs were one-time appropriations to fund county and community-based organization (CBO) entities to engage in eight specified activities for hard-to-reach target populations to enroll, retain, and assist Medi-Cal applicants and current Medi-Cal members. All data and information is available on various published materials on the Navigators homepage and its Project Partner webpages.

Health Enrollment Navigators (Senate Bill (SB) 154 (CH 43, Statutes of 2022)): The May Revision proposes the reduction of $18 million General Fund for the last year of the program (FY 2024-2025). Approximately $12 million General Fund of the $30 million General Fund appropriation has been expended. With the elimination of the last year of funding, there will be no remaining funds for the program.

Health Enrollment Navigators at Clinics (AB 102 (CH 38, Statutes of 2023)): The May Revision proposes the reduction of $8 million General Fund of the $10 million General Fund appropriation for the program. Approximately $2 million General Fund has been expended and there are no funds remaining in this program after the proposed elimination.

County Administration Freeze

The May Revision proposes freezing County Administration so that it no longer is adjusted to reflect increases in cost of doing business. This proposal saves $20.4 million, growing to $88.8 million in savings by 2027-28. This cost increase adjustment has been suspended 9 times since 2008.

Staff notes that the Cost of Doing Business adjustments returned in part to ensure that Medi-Cal enrollment and call center performance reduced the burden on families to apply and retained on the program. Therefore, the Subcommittee may wish to consider pausing this cost increase, but not agreeing to permanently eliminate the mechanism, so that the discussion can be revisited in future budget years.

Free Clinic Augmentation Elimination

The May Revisions proposes to eliminate $2 million per year, starting in current year, for grant funding for the support of free and charitable clinics that are not Medi-Cal providers. This funding was established in the 2021 budget package.

Naloxone Distribution Project and Medication Assisted Treatment Program Reduction

The May Revision includes a $61 million ongoing reduction to two programs. The Naloxone Distribution Project would be reduced by $39 million General Fund and the Medication Assistance Treatment Program would be cut by $22 million.

The Naloxone Distribution Project was created in 2018 to combat opioid overdose-related deaths in California through the provision of free naloxone to eligible California entities. To date, the NDP has distributed more than 4 million naloxone kits and has received more than 268,000 reported overdose reversals.

The proposed reduction to the Naloxone Distribution Project should not impact the level of services. For FY 24-25, the projected spending for the Naloxone Distribution Program is $42 million. This will all be funded with Opioid Settlement Funding. The NDP will have sufficient funding for FY 24-25. Please note, this is not a reduction in the amount to be purchased and instead reflects a reduction in costs since we are able to procure the product for $24 dollars per unit, almost half the current market price, via CalRx.

However, with the proposed reductions to the Medication Assisted Treatment Program, it represents an elimination of the $22 million General Fund investment for startup grants for new treatment and distribution facilities.

If the Subcommittee agreed to eliminate the Medication Assisted Treatment program funding, the Subcommittee should consider oversight mechanism and reporting it can put in place to allow it to monitor the availability of treatment so it can evaluate if it needs to revisit this investment at a future time.

Elimination of the Acupuncture Optional Medi-Cal Benefit

The May Revision eliminates the Acupuncture Optional Medi-Cal Benefit for $5.4 million in savings in the budget year, growing to over $13 million in future years. This benefit had previously been eliminated from 2009-2016.

Behavioral Health Continuum Infrastructure

The Behavioral Health Infrastructure Program provided DHCS $2.2 billion in funding to award competitive grants to construct, acquire, and rehabilitate mental health and substance use disorder treatment facilities. The May Revision proposes to decrease the final round, round 6 of the original BHCIP funding by reducing $70 million General Fund in 2024-25 and $380.7 million

General Fund in 2025-26. This is a total cut of $450.7 million and leaves $1.75 billion of the initial $2.2 billion. The Governor announced on Tuesday the program guidance for $4.4 billion in Proposition 1 Bond funding for BHCIP Round 1 and Round 2. The Bond BHCIP Round 1: Launch Ready request for application will be released in July 2024.

Behavioral Health Bridge Housing

Behavioral Health Bridge Housing provides funding to county behavioral health agencies and tribal entities to operate bridge housing settings to address the immediate housing needs of people experiencing homelessness who have serious behavioral health conditions, including serious mental illness (SMI) and/or substance use disorder (SUD). The May Revision proposes to reduce BHBH funding by $132.5 million General Fund in 2024-25 and $207.5 million General Fund in 2025-26. The May Revision proposes $90 million in Behavioral Health Services Act funding for BHBH in 2025-26, resulting in a net reduction of $117.5 million for 2025-26. This is a total overall proposed reduction of $250 million of the initial $1.5 billion allocated.

Oral Health Backfill

The May Revision proposed to undo a statutory provision that uses the General Fund to offset the shrinking revenue from tobacco taxes that support Oral Health programs. The proposal saves $4.6 million per year ongoing.

The projected revenue for the Proposition 56 State Dental Program Account in 2024-25 is $19.8 million. However, due to the availability of $19.2 million in fund balance, planned spending in 2024-25 is $35.1 million, of which $9.7 million is for the Clinical Dental Rotations solution included in the Early Action agreement, and the remaining $25.4 million is for other Office of Oral Health activities.

CDPH projects that there will not be enough funding to support all activities through FY 2026-27; however, program is tracking salary savings and unspent current year funding that can be used to close the deficit for the next two years.

In 2021-22, CDPH spent $1.2 million of the General Fund backfill, and $2.6 million in 2022-23.

The projected revenue for the Proposition 56 State Dental Program Account in 2024-25 is $19.8 million. However, due to the availability of $19.2 million in fund balance, planned spending in 2024-25 is $35.1 million, of which $9.7 million is for the Clinical Dental Rotations solution included in the Early Action agreement, and the remaining $25.4 million is for other Office of Oral Health activities.

Elimination of Specialty Dental Clinic Grant Program

The May Revision proposes to eliminate $48.8 million in grant funding to dental providers to make capital improvements associated with serving special needs clients. The grant solicitation

for these awards was issued and applications were received, however, no awards were made. The January budget has proposed delaying this program, rather than eliminating it.

CHDP

The 2022 Health Trailer bill, Senate Bill (SB) 184 (Committee on Budget and Fiscal Review, Chapter 47, Statute of 2022), authorized DHCS to phase out the Child Health and Disability Prevention (CHDP) program and transition services to other Medi-Cal delivery systems by July 1, 2024. Counties are in the process of transiting to new roles, including implementing the new Health Care Program for Children in Foster Care (HCPCFC).

DHCS proposes to allocate approximately $13 million to fund HCPCFC administrative costs, and to redirect the majority of CHDP funding to fund costs for an unrelated county activity, the California Children's Services (CCS) Monitoring and Oversight initiative. DHCS's November 2023 Local Assistance Estimate proposes to redirect $20.8 million of the total $33.9 million CHDP county allocation for FY 2024-25 to CCS Monitoring and Oversight.

In the Subcommittee hearing on April 29, 2024, the Subcommittee requested the Department of Health Care Services to address concerns from stakeholders regarding the allocation of funding to implement HCPCFC and providing county flexibility. The May Revision is responsive to this feedback, including allocating $23.7 million to HCPCFC.

Counties and other stakeholders are requesting that the entire CHDP allocation be shifted to HCPCFC administration.

Sickle Cell Programs of Excellence

AB 74 (Committee on Budget, Chapter 23, Statutes of 2019) included one-time $15 million General Fund allocation to establish five new Sickle Cell Center of Excellence to provide care to adults with Sickle Cell Disease. According to the Department of Public Health, the anticipated five centers have been established, and they operate as a network. The 2019 funding has come to an end, and no new funding source has been established.

The investment the State of California made in 2019 in established network of clinics for patients with SCD has improved outcomes for the highly vulnerable population it has been serving and achieved cost savings to the State. Without additional funding, it is unclear how, as a state, we will ensure continuity of care for patients with this disease, which disproportionately impacts Black Californians.

Major Trailer Bill Proposals

Most of the proposed trailer bills reflect proposed reductions, or the changes to the Managed Care Organizational tax. There are also some proposed language that appears to make technical changes, like renaming "Mental Health" programs "Behavioral Health" in the Health

and Safety Code. However, there are a few bills that have policy impact and are not directly related to a budget solution.

Incompetent to Stand Trial

The Subcommittee rejected the proposed trailer bill to amend the Incompetent to Stand Trial penal code sections to reflect changes recommended by the IST Improvement stakeholder group. In the past, similar changes to these code sections have resulted in objections by public safety stakeholders, but the language was provided to the Committee too late in the process to allow such a review before the June budget deadline. However, the staff has agreed to work with the administration to find a path to adopt a version of this language in August. Assembly staff has already actively solicited input from public safety stakeholders on all sides to facilitate moving forward on that timeline.

Syndromic Surveillance

Public Health is proposing trailer bill language that authorizes CDPH to collect syndromic surveillance data for the purpose of administering a syndromic surveillance program and system. Syndromic Surveillance (SyS) can be used for near real-time monitoring and detecting of outbreaks and public health conditions of interest. Currently, while the relevant public health agency must be ready to receive SyS data, CDPH does not have authority to collect or require SyS data submissions from hospitals. Thus, in California, participation is low and decentralized with independently participating LHDs in various stages of planning, onboarding, and production. While in concept the trailer bill appears reasonable, there was some concerns regarding privacy protection raised by staff. If these policy issues are addressed, it is likely this language may be included in the June budget package.

Children and Youth Behavioral Health Initiative Fee Schedule

The Department of Health Care Services proposes statutory changes to authorize a third-party administrator to provide statewide support services to health care plans by centralizing provider oversight functions and claiming processes for eligible school sites eligible for reimbursement for school-linked behavioral health services.

SB 525 Cleanup

The May Revision includes a reference to the Governor's proposal to include a clean up to 2023's SB 525, which dealt with health care employee compensation, in a budget trailer bill vehicle. Like the bill itself, the discussions of the clean up are occurring outside of the budget discussions. But this placeholder reference is a reminder that if any clean up language is agreed to by the Assembly, it could be included as a budget trailer bill.