

CPEHN's Final Budget Analysis FY 2024-25

On June 8, the Legislature announced a budget agreement between both houses, which was subsequently passed on June 13th. After continuing negotiations, a budget deal between the Legislature and the Governor was announced on June 22nd. That negotiated budget avoids many of the deep cuts to California's safety net programs that Governor Newsom proposed in the May Revision, which included maintaining IHSS for undocumented immigrants, accessing full-scope Medi-Cal, preserving almost all of the funding for the Future of Public Health, and maintaining critical funding for the Indian Health Program. Additionally, legislators and the Governor worked to raise reimbursement rates for Community Health Workers, Promotoras, and Health Representatives to provide them with a living wage.

CPEHN's FY 2024-25 Final Budget Analysis includes

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Health Care

including Medi-Cal Programs



Elimination of IHSS for Undocumented Californians (\$94.7 million)

May Revision: The revised budget withholds In-Home Supportive Services (IHSS), which allow seniors and those with disabilities to stay in their homes, for approximately 19,000 undocumented immigrants of all ages. Lack of these services could result in an increase in more costly institutionalization, hospitalization, or long-term care, at an additional cost to the state.

Final Budget: Rejected by the Legislature. The final budget maintains IHSS for undocumented Californians.



Elimination of the Indian Health Program (IHP) (\$23 million annually)

May Revision: The May Revision proposes to eliminate the Indian Health Program, with reduced General Fund cost of \$23 million annually beginning in 2024-25. The IHP has been a crucial tool to establish targeted resources for healthcare to indigenous communities across the state of California. Indigenous communities have been colonized, marginalized, and isolated, which has led to deep health disparities. With resources from the Indian Health Program, communities have been able to support services in health facilities and programs that address physical and behavioral health needs in a culturally appropriate manner. Funds in this program were just re-established, and we urge the legislature to reject its elimination, and continue these critical services for communities.

Final Budget: Rejected by the Legislature. The final budget maintains the Indian Health Program.



Maintaining Access to Full Scope Medi-Cal for Undocumented Adults 25-49

May Revision: The revised budget maintains access to provide full-scope Medi-Cal for 700,000 newly eligible undocumented adults, effective January 1st, 2024.

Final Budget: No change.



Health Care

including Medi-Cal Programs



Raising Wages for Community Health Workers/Promotores and Representatives

May Revision: The Governor's May Revision fails to raise wages for CHWPRs providing preventive services in the state's Medi-Cal program. To date, less than 6,000 Medi-Cal beneficiaries have been able to access these services to prevent disease, disability, and other health conditions or their progression; to prolong life; and promote physical and mental health and well-being. Low reimbursement rates, amongst other factors, have resulted in lower take-up rates of this new benefit and will perpetuate cycles of poverty for CHWPR workers, a majority women and communities-of-color workforce.

Final Budget: Rejected by the Legislature. Includes a CHW/P/R Rate Increase: The final budget provides community health workers/promotoras/representatives (CHW/P/Rs) with a living wage. Effective January 2025, CHW/P/R rates would be increased to 100% of the lowest maximum allowance for Medicare for the same or similar services. Starting in 2026, the department will establish a geographically adjusted fee schedule for CHWPR services in California.

The passage of Proposition 35 on the November 5, 2024 ballot, would trigger the elimination of this guaranteed CHW/P/R wage increase.



Inclusion of Medi-Cal Reforms for Seniors and Children

May Revision: The revised budget fails to include a reform to Medi-Cal "Share of Cost" which assists seniors and people with disabilities in affording to access needed Medi-Cal services as well as continuous Medi-Cal coverage for children ages 0 through 4. These reforms were agreed to as part of the 2022 budget, but eliminated as part of trigger cuts.

Final Budget: Partially rejected by the Legislature. The final budget maintains IHSS for undocumented Californians. Includes Continuous Coverage for Children ages 0-4: The enacted budget provides \$33 million annually from the Managed Care Organization Tax to implement continuous Medi-Cal coverage for children ages 0 through 4 beginning January 1, 2026.

If Proposition 35 is enacted by voters in November, continuous coverage will not be implemented, leaving hundreds of thousands of children at risk of being disenrolled each year for procedural reasons.



Health Care

including Medi-Cal Programs



Elimination of Funding for Future Equity and Practice Transformation Payments to Providers (\$280 million)

May Revision: Eliminates \$280 million from the EPT program that provides grants to Medi-Cal practices to support in delivery system transformation and prepare practices for value-based care. The program advances health equity by specifically targeting primary care practices that provide primary care pediatrics, family medicine, internal medicine, primary care OB/GYN services, or behavioral health services that are integrated in a primary care setting to Medi-Cal members. The EPT Provider Directed Payment Program 2024 cohort consists of 211 practices (out of 719 practices that applied) with a maximum potential commitment of \$387 million. \$650 million was originally allocated for the program and this revision would essentially cut the program in half and eliminate future cohorts.

Final Budget: No change.



Amending the Managed Care Organization (MCO) Tax to Pull Down More Federal Funding

May Revision: The revised budget proposes amending the calculations used in the MCO Tax by including MCO Medicare revenue in the total revenue limit calculation, which increases the allowable size of the tax resulting in an additional net state benefit of \$689.9 million in 2024-25, \$950 million in 2025-26, and \$1.3 billion in 2026-27. Overall, the revised budget includes an additional \$9.7 billion to support the Medi-Cal program over the next three years. While the MCO Tax is a crucial tool to address the budget shortfall, amendments to the Tax are band-aids that do not address long-term solutions that ensure the Medi-Cal program remains fully funded beyond the current tax period. The size of future MCO taxes are uncertain and depend on federal rules that may differ depending on the administration.

Final Budget: Adopted by the Legislature. The majority of the MCO Tax revenue will be used to support existing Medi-Cal services (backfill the State's General Fund) with \$6.9 billion in 2024-25, \$6.6 billion in 2025-26, and \$5.0 billion in 2026-27 in MCO Tax funding provided for this purpose.

The passage of Proposition 35 on the November 5, 2024 ballot would prohibit the state from using most of these funds to support existing Medi-Cal services. Proposition 35 could end up costing the state up to \$2 billion annually according to the Legislative Analyst's Office or \$12 billion total through 2026-2027 according to the Department of Finance.



Health Care

including Medi-Cal Programs



Elimination of the MCO Tax-Funded Medi-Cal Provider Rate Increases Planned for 2025

May Revision: The revised budget eliminates \$6.7 billion planned for Medi-Cal rate increases and investments beginning in 2025 for physician and non-physicians services, community and hospital outpatient procedures and services, abortion and family planning services, services and supports for FQHCs and RHCs, emergency department services, designated public hospitals, emergency medical transportation, behavioral health facilities, graduate medical education, and Medi-Cal workforce pools. The revision also rolls back \$75 million in 2024 graduate medical education investments. The initial proposal for physician and non-physician services would have brought the Medi-Cal reimbursement rates to 80-100% of Medicare. The 2024 rate increases for Primary Care, Maternal Care, and Mental Health, that bring rates to no less than 87.5% of Medicare, are maintained.

Final Budget: Rejected by the Legislature with Modifications. Maintains MCO Tax-funded Medi-Cal provider rate increases for 2025 and adds new categories of workers, including CHW/P/Rs: The Legislature maintains many of the planned rate increases, with reductions and delays, and includes new provider categories left out of the 2023 Budget Act. In total, the enacted budget includes \$133 million in 2024-25, \$728 million in 2025-26, and \$1.2 billion in 2026-27 for new targeted Medi-Cal provider rate increases and investments.

Rate increases taking effect January 1, 2025:

- Emergency Department Physician Services (\$100 million)
- Abortion Care and Family Planning (\$90 million)
- Ground Emergency Medical Transportation (\$50 million)
- Air Emergency Medical Transportation (\$8 million)
- Community-Based Adult Services (\$8 million)*
- Congregate Living Health Facilities (\$8 million)*
- Pediatric Day Health Centers (\$3 million)*
- Community Health Workers to achieve 100 percent of Medicare rate (\$5 million)*

Rate increases taking effect January 1, 2026:

- Physician/Non-Physician Professional Health Services (\$753 million)
- Private-Duty Nursing (\$62 million)*
- Services and Supports for FQHCs/RHCs (\$50 million)
- Continuous Coverage for Children Aged 0 through 4 (\$33 million)*
- Non-Emergency Medical Transportation (\$25 million)*

* Denotes providers/investments previously excluded in the 2023 Budget Act. The passage of Proposition 35 would trigger the elimination of these new rate increases/investments and lock in MCO tax funds for specified providers indefinitely.



Health Care

including Medi-Cal Programs



Elimination of Proposed Equity Adjustments Within the Targeted Medi-Cal Provider Rate Increases

May Revision: As a part of the elimination of Medi-Cal provider rate increases slated to begin in 2025, the May Revision eliminates Equity Adjustments, which would have provided additional rate increases to Medi-Cal providers that practice in areas of the state where Medi-Cal members experience barriers in accessing health care due to provider shortages and social determinants of health. Equity Adjustments would have increased reimbursement to over 100% of Medicare for evaluation and management codes for primary care and specialty office visits, preventative services, care management, obstetric services, non-specialty mental health services, vaccine administration, and vision services.

Final Budget: No change.



Elimination of Funds for Community Health Navigators (\$18 million & \$8 million in 2024-25)

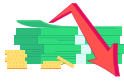
May Revision: The revised budget eliminates spending for enrollment assistance in Medi-Cal by community health navigators (-\$18 million) and community clinics (-\$8 million). Enrollment assistance by trusted community based organizations is critical to ensuring more Californians are able to maintain their health care coverage. Close to 1.8 million Medi-Cal beneficiaries have been disenrolled from Medi-Cal as of March 2024, according to the Kaiser Family Foundation, with a majority (76%) for procedural reasons, with Spanish speaking beneficiaries significantly more likely to experience enrollment challenges.

Final Budget: Partially Adopted/ Partially Rejected by the Legislature. Health Navigator Enrollment Funding for Clinics is Restored, but not for Community-Based Health Navigators: The final budget eliminates the Community Health Enrollment Navigators Project (\$18 million). The project was terminated on June 30, 2024. But restores funding for the Health Enrollment Navigators Project for Clinics (\$8 million) which was also identified for general fund savings in the May 2024 Revision via budget trailer bill SB 109 (CH 36, Statutes of 2024).



Health Care

including Medi-Cal Programs



Elimination of Funds for the Health Care Workforce, including Community Health Workers

May Revision: The budget eliminates \$300.9 million in 2023-24, \$302.7 million in 2024-25, \$216 million in 2025-26, \$19 million in 2026-27, and \$16 million in 2027-28 for various healthcare workforce initiatives including community health workers. These funds are essential to ensuring the sustainability of the CHWPR workforce, a majority women and community-of-color. Funds were to be used for strengthening pipeline programs and training and recruitment of thousands of CHWPR workers to meet the needs of diverse Medi-Cal beneficiaries.

Final Budget: No change. Eliminates Funds for the Health Care Workforce, including CHW/P/Rs: The final budget eliminates the Department of Health Care Access and Information's (HCAI's) health workforce programs totaling \$746.1 million from the General Fund, including a cut of \$246.4 million intended for the CHW/P/R Initiative over the next two years. HCAI maintains approximately \$12 million to support CHW/P/R programming.

CalHHS, HCAI and DHCS previously paused the July 2023 guidance on the CHW/P/R certificate program in order to hear from additional stakeholders. These additional stakeholder meetings have been on pause since May 2024, while HCAI determined the impact of the proposed budget cuts on their operations. With the budget finalized, HCAI has resumed scheduling dialogues for August through October 2024. Outcomes from the community dialogue sessions will inform plans for the remaining \$12 million. HCAI also plans to establish a Standing Committee to provide ongoing guidance, oversight, and strategic direction regarding HCAI activities relative to the CHW/P/R workforce.



Covered California



Redirecting Individual Mandate Penalty Funds for Strengthening Covered California Affordability and Access to Backfill the General Fund

May Revision: The May Revision proposes an annual transfer of \$109 million annually 2025-2026 from revenue collected from California's tax on the uninsured to backfill the General Fund. The Administration had committed to preserving those funds for affordability and future efforts to expand access to Covered California for all Californians.

The May revision leaves intact a \$165 million investment in cost-sharing reductions for Covered California enrollees. Over 600,000 enrollees have zero deductibles and lowered co-pays, and next year the assistance will extend even further to Silver plan enrollees of all income levels.

Final Budget: Approved by the Legislature with Modifications. The final budget approves a one-time transfer of \$109 million from the Health Care Affordability Reserve Fund (HCARF) but requires the state to make annual loan repayments of \$200 million over the 2026-27, 2027-28, and 2028-29 fiscal years, preserving funds for affordability and future efforts to expand access to Covered California for all.



Medi-Cal Mental Health Programs



The Children and Youth Behavioral Health Initiative

May Revision: Reducing \$72.3 million one-time in 2023-24, \$348.6 million in 2024-25, and \$5 million in 2025-26 for school-linked health partnerships and capacity grants for higher education institutions, behavioral health services and supports platform, evidence-based and community-defined grants, public education and change campaign, and youth suicide reporting and crisis response pilot.

Final Budget: Adopted by the Legislature with Modifications. The Budget eliminates funding in the Evidence-Based and Community-Defined Behavioral Health Program Grants, reducing funding by \$47.1 million in 2024-25. The Budget also eliminates funding in the School-Linked Health Partnership and Capacity Grants, including \$100 million in grants for community colleges (including \$30 million in 2023-24 and \$70 million in 2024-25); and \$50 million in other higher education (CSUs and UCs) grants in 2024-25.



The Behavioral Health Continuum

May Revision: Eliminating \$450.7 million one-time from the last round of the Behavioral Health Continuum Infrastructure Program, while maintaining \$30 million one-time General Fund in 2024-25.

Final Budget: Modified by the Legislature. The Budget includes a reduction of Behavioral Health Continuum Infrastructure Program (BHCIP) funding by \$70 million General Fund in 2024-25 and \$380.7 million General Fund in 2025-26. Reverts General Fund expenditure authority of \$450.7 million for the final round of the BHCIP. Additional rounds will be supported by Proposition 1 bond funding.



The Behavioral Health Bridge Housing Program

May Revision: Reducing \$132.5 million in 2024-25 and \$207.5 million in 2025-26 for the Behavioral Health Bridge Housing Program, while maintaining \$132.5 million General Fund in 2024-25 and \$117.5 million (\$90 million Mental Health Services Fund and \$27.5 million General Fund) in 2025-26.

Final Budget: Modified by the Legislature. The Budget includes a reduction in BHBH funding by \$132.5 million General Fund in 2024-25 and \$207.5 million General Fund in 2025-26. An additional \$90 million in Behavioral Health Services Act funding will be provided in 2025-26, resulting in a net reduction of \$117.5 million for that year.



Public Health



Elimination of Critical Public Health Infrastructure Funding (\$300 million General Fund Ongoing)

May Revision: The Governor's May Revision for Budget Year 2024-2025 proposes to slash the Public Health Infrastructure Funding for state and local public health departments originally included in the state's Budget Year 2022-2023. The revision would cut \$52.5 million from the current budget year (2023-24), and completely eliminate the ongoing \$300 million General Fund spending for future years. The current \$300 million spending plan included \$100 million allocated to the California Department of Public Health and \$200 million to the state's 61 Local Health Jurisdictions. The funding was meant to strengthen public health workforce, data systems and other foundational aspects of governmental public health and to better prepare California for future and ongoing public health crises.

Final Budget: Rejected with modifications by the Legislature. The enacted Budget maintains \$276.1 million General Fund in 2024-25 and ongoing for state and local public health infrastructure, in line with the state 7.95-percent efficiency reductions.

Other Health Programs



Acupuncture Benefit Cut

May Revision: The May Revision proposes to cut acupuncture as a Medi-Cal benefit starting January 2025 for \$13 million ongoing annual reduction.

Final Budget: Rejected by the Legislature.



Human Services



CalWORKS Home Visiting Program Cuts

May Revision: The May Revision cuts \$47.1 million ongoing from the CalWORKs Home Visiting Program. This reduction could affect the support available to families who rely on home visits for assistance and guidance with parenting and child development. By reducing funding, fewer families may receive these beneficial services, which can impact the well-being of parents and children and potentially limit early childhood support and family stability.

Final Budget: Rejected by the Legislature. Rejects the Governor's May Revision ongoing reduction of \$47.1 million General Fund, starting in 2024-25 for the CalWORKs Home Visiting Program (HVP), and instead modifies the action to reduce funding for the CalWORKs HVP by up to \$30 million in 2023-24, and temporarily reduce by up to \$25 million in 2024-24 and 2025-26.



CalWORKS Mental Health and Substance Abuse Services Reductions

May Revision: The May Revision cuts \$126.6 million in ongoing funding for CalWORKs Mental Health and Substance Abuse Services. This reduction could impact the level and availability of support for mental health and substance abuse programs within CalWORKs.

Final Budget: Rejected by the Legislature. Rejects the Governor's May Revision ongoing reduction of \$126 million General Fund, starting in 2024-25, for the CalWORKs Mental Health and Substance Abuse Services Program (MH/SA), and instead modifies the action to reduce funding by up to \$30 million in 2023-24, up to \$37 million in 2024-25, and up to \$26 million in 2025-26.



Child Care Slot Expansion Pause at Current Level

May Revision: Around 119,000 slots or positions have been added. Pausing the expansion at the current level until the state's finances improve would result in earning \$489 million in revenue for the fiscal year 2024-25 and \$951 million in revenue for the fiscal year 2025-26.

Final Budget: Modified by the Legislature. Codifies the 2021-22 Budget Year agreement to grow the state-subsidized child care system by over 200,000 new children served, with a new 2028 goal timeline to reflect the May Revision "pause" proposal.

