Use of Proposition 56 Revenues in Medi-Cal in 2018-19

Around $1.4 Billion in Proposition 56 Revenue Available for Medi-Cal in 2018-19. Using the administration’s budget documents, we estimate that his amount includes:

- $961 million in 2018-19 Proposition 56 revenue dedicated to Medi-Cal.

Governor’s May Revision Reflects Proposed Spending of $855 Million in Proposition 56 Medi-Cal Funding in 2018-19. This amount is comprised of the following:

- $369 million to extend the existing Proposition 56-funded supplemental payments into 2018-19.
- $233 million on new physician and dental services supplemental payments. (The May Revision did not include a detailed spending proposal for how these payments would be structured, instead leaving these details to be worked out with the Legislature.)
- $28 million for a home health services rate increase.
- $225 million to offset General Fund spending on cost growth in Medi-Cal.

May Revision Left $571 Million in Projected Medi-Cal Proposition 56 Revenue Unspent. The administration left this amount unspent until a detailed spending plan could be worked out with the Legislature. This amount reflects the difference between total available revenues ($1.4 billion) and the Governor’s spending proposal of $855 million.

Assembly Approved the Governor’s May Revision Proposal as Budgeted. While intending to ultimately approve a detailed Proposition 56 spending plan that increases funding for
supplemental payments and potentially other new Medi-Cal programs, the Assembly delayed approval of a detailed plan to the conference committee process.

☑ Senate Approved and Augmented the Governor’s May Revision Proposal. Regarding new supplemental payments, the Senate action specifies a way to spend the $233 million in new supplemental payments included in the May Revision. The Senate then augments funding for new provider payments by an additional $194 million, bringing total spending on new provider payment increases to $427 million. Specifically, the Senate action would fund the following new supplemental payments:

- $300 million in supplemental payments to reimburse Medi-Cal pediatric primary care services at the same rate as Medicare.
- $45 million in supplemental payments for pediatric specialty providers.
- $40 million in supplemental payments for preventive adult dental services.
- $30 million in supplemental payments for dental providers that treat children with special needs.
- $4 million in supplemental payments for pediatric day health centers.
- $4 million in supplemental payments for pediatric subacute facilities.
- $4 million in supplemental payments for breast pumps provided under Medi-Cal.

The Senate’s action makes the above new supplemental payments ongoing and directs the Department of Health Care Services to apply for federal approval for two years for all Proposition 56-funded supplemental payments. In addition,
Use of Proposition 56 Revenues in Medi-Cal in 2018-19

on a one-time basis, the Senate dedicates $150 million in available Proposition 56 revenue to workforce development programs and $144 million to a physician incentive payment program. We estimate the Senate action would leave $83 million in Proposition 56 revenue for Medi-Cal unspent at the end of 2018-19.

Governor’s Conceptual Proposal Released After the May Revision to Spend Proposition 56 Revenue. Following the release of the May Revision, the Governor released a conceptual plan to on how to (1) spend some of the $233 million allocated in the budget to new supplemental payments and (2) spend a significant portion of the $571 million in unallocated revenues. This conceptual plan would spend available Proposition 56 funding in the following ways:

- **$500 Million on Additional Supplemental Payments.** An unspecified portion of this $500 million would be allocated to further increase the physician services supplemental payments that are currently authorized. An unspecified remaining portion of this $500 million would fund supplemental payments for physician services (primarily pediatric services) that do not currently receive these payments. The intent is to increase Medi-Cal payments for designated physician services to between 85 percent and 100 percent of the reimbursement rates paid by Medicare.

- **Between $150 Million and $190 Million for a Physician Loan Repayment Program.** It is our understanding that under this proposal the state would repay student loans for physicians who provide significant care to the Medi-Cal patient population.

We estimate the Governor’s conceptual proposal, in conjunction with the May Revision proposal, would leave $114 million in Proposition 56 revenue for Medi-Cal unspent at the end of 2018-19.