

Newsom Diverges Sharply From Washington With Health Care Budget

SACRAMENTO, Calif. – Gov. Gavin Newsom on Thursday unveiled his first state budget, one that leads California down a very different health care path than the one Washington has forged. The progressive blueprint embraces a state health insurance mandate, beefed-up insurance subsidies, coverage for undocumented immigrants and six months of paid parental leave – not unexpected from a Democrat who campaigned on expanding health care and criticized President Donald Trump and congressional Republicans for eroding the Affordable Care Act. The new governor declared his \$209 billion state budget proposal, of which health care accounts for nearly 30 percent, “a reflection of our values.”

Newsom’s 2019-20 budget plan is just the starting point. He must negotiate with the legislature on a final budget by June 15 – so some of these proposals are certain to change or be eliminated.

“These are first-in-the-nation, new steps to provide new help for people to afford access and coverage,” said Anthony Wright, executive director of Health Access California. “That’s a good thing.”

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Lee Ohanian, a senior fellow at the conservative Hoover Institution and an economics professor at the University of California-Los Angeles, countered that California would need to cut costs if it wants pay for Newsom’s initiatives.

“Newsom has a long list of very expensive things he would like to do,” Ohanian said. “He’s going to have to take money from something else.”

While the Democratic legislature is generally supportive of expanding health care coverage, there are both political and financial obstacles to the sweeping proposals that Newsom has laid out.

The governor's plan to create subsidies for middle-class Californians, for example, relies on lawmakers approving a financial penalty on the uninsured, which was an unpopular provision in the Affordable Care Act. Newsom estimated the penalty would raise roughly \$500 million a year.

The estimated subsidies would be modest. For an individual who earns between 250 and 400 percent of the federal poverty level – or between about \$30,350 and \$48,560 – the subsidies would average about \$10 a month, said Newsom cabinet secretary Ana Matosantos. Although these Californians already qualify for a federal tax credit under the Affordable Care Act, many still can't afford their insurance.

For individuals who make between 400 and 600 percent of the federal poverty level – or between about \$48,560 and \$72,840 – and therefore don't qualify for federal tax credits, the state subsidy would come to about \$70 a month on average, depending on location and premium costs, Matosantos said.

"It will certainly be a help to some people," but doesn't do a lot to address overall affordability, said Larry Levitt, a senior vice president at the Kaiser Family Foundation. (Kaiser Health News, which produces California Healthline, is an editorially independent program of the foundation.)

Congress eliminated the federal tax penalty for uninsured people, effective this year, as part of its 2017 tax bill. In response, New Jersey, Vermont and the District of Columbia have passed their own mandates in an effort to keep healthy enrollees from dumping coverage. A third state, Massachusetts, already had a state mandate.

Newsom argued during his budget briefing that, unlike the federal tax penalty, the California penalty would not be considered a tax and would only need a simple majority to win legislative approval.

"California does not need to go in the direction of the rest

of the country," he said.

Whether lawmakers will embrace the penalty is unclear, even though Democrats have supermajorities in both houses. California voters last year recalled a Democratic state senator who voted for a gas tax increase.

Assembly Health Committee Chair Jim Wood acknowledged the vote could be "a difficult one." The Healdsburg Democrat, who is carrying a bill to create state-based subsidies, said he is hopeful his colleagues will consider all the governor's health care proposals as a revenue-neutral package.

For example, the executive order that Newsom signed earlier this week that directs state agencies to work together to negotiate prescription drug prices could save the state hundreds of millions of dollars, Wood said. Those savings, along with the revenue from the health insurance penalty, could help pay for subsidies, or for coverage under Medi-Cal for unauthorized immigrant young adults, he said.

"It's kind of a three-dimensional chess game right now in trying to put all these things together," Wood said.

Lawmakers last year considered extending full Medi-Cal benefits to both young adults and seniors who are in the country illegally. But the proposals were dropped during budget negotiations, in part because former Gov. Jerry Brown balked at the cost.

Medi-Cal is California's version of the federal Medicaid program.

Newsom's budget includes \$260 million to pay for Medi-Cal for undocumented immigrant adults ages 19 to 25. California already covers all kids up to age 19, regardless of their immigration status. Newsom described the expansion as the right thing to do from both a moral and a financial standpoint.

U.S. Sen. Bill Cassidy (R-La.) on Tuesday announced he would introduce legislation in Congress prohibiting California from using federal dollars to provide Medi-Cal to undocumented immigrants. However, Newsom's budget would use state dollars to pay for the expansion, just as state funds pay for

undocumented children's coverage. Cassidy's spokesman did not return an email seeking comment.

Among the health-related proposals that still need more vetting is Newsom's plan to expand the state's paid parental leave program from six weeks to six months.

Details were scarce, and the governor said a task force is studying how to pay for it – whether through increased taxes on employers or using general fund dollars. That too could be a sticking point among lawmakers.

"I am a big proponent of parents spending time with newborn children," said Assemblyman Jay Obernolte, the ranking Republican on the Assembly Budget Committee. "However, I am absolutely opposed to forcing employers to do that."

Newsom's budget also includes several other health-related initiatives, including:

\$25 million to improve the detection and treatment of early psychosis, which includes symptoms such as hallucinations and disorganized thoughts and behaviors.

\$10 million to provide clean water, including bottled or hauled water, to communities during emergencies.

\$100 million for programs that coordinate health and social services and help provide housing for people with mental illness.

\$60 million to increase developmental screenings for children at 9, 18 and 30 months of age.

\$342.3 million to restore recent cuts in the In-Home Supportive Services program, which provides in-home care and transportation to low-income older people or those with disabilities.