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Re: Health Access California's Comments on Governor Newsom's Proposed 2022-23 State Budget

Health Access California, the statewide health care consumer advocacy coalition working for quality, affordable health care for all Californians, respectfully offers the following comments and recommendations on the Governor's proposed 2022-23 state budget.

Health Access commends the Newsom Administration and the Legislature for their continued actions throughout the pandemic to ensure equitable recovery for all. We applaud the actions that have been taken already to ensure that even while in the midst of the pandemic, we continue to move forward on real progress towards quality, affordable health care for every Californian.

Health Access continues to urge the Governor and the Legislature to prioritize life-saving investments to ensure Californians can access the healthcare they need-- especially vulnerable populations. Despite the progress we have made, a significant number of Californians still struggle with healthcare that is out of reach due to rising costs, ever-increasing out-of-pocket expenses, or being excluded from our healthcare safety nets due to immigration status. Closing these gaps will

Anthony Wright
Executive Director

Organizations listed for
identification purposes

require significant health investments that we are committed to bringing to fruition.

In this letter, we support:

- Continued focus on **coverage**, including keeping Californians covered and connected to care, and **extending insurance and affordability assistance** to those still excluded.
- Ongoing **oversight over the health care system** to ensure its **capacity, sustainability, and affordability**.

COVERAGE AND AFFORDABILITY

The past two years of COVID-19 pandemic and the cascading effects upon our healthcare system and economy have served to highlight how important it is for all Californians to have access to coverage. Many lost their coverage due to loss of employment or income, and found themselves transitioning between types of coverage or relying upon our safety net programs for the first time. Still others, including our most vulnerable, have weathered the pandemic while disqualified from Medi-Cal due to immigration status. Those who have been fortunate enough to secure coverage have faced rising out-of-pocket costs that can put care out of reach even for those with coverage.

Health Access continues to advocate for state efforts to expand coverage and affordability, including:

Expanding Medi-Cal to All Regardless of Immigration Status

We commend the Governor's proposed 2022-23 state budget for inclusion of full-scope Medi-Cal expansion to all Californians. As co-chair of the #Health4All campaign, Health Access California strongly supports expanding Medi-Cal to include all income-eligible Californians, regardless of immigration status. We appreciate the investments in prior years to cover children, young adults, and those over the age of 50. Filling in the remaining gap of those age 26-49 is the appropriate and urgent next step to bring us closer to universal coverage.

Without this expansion, over a half million low-income Californians have been left without access to healthcare, including primary and preventive care needed to ensure conditions can be treated before they turn both more deadly and more expensive. Closing this gap will ensure our most critical healthcare safety net is representative of our state's values and commitment to safeguarding the most vulnerable. Our health system is stronger when everyone is included, and such an

expansion would help the public health and financial security for our communities as a whole.

- We will also continue to advocate for investment and support for implementation and outreach for the #Health4All expansion to older adults.
- While recognizing the time it takes to ramp up and do outreach, we would support a sooner start date for the full expansion of Medi-Cal, to get the benefit to Californians quicker, in the budget year.

Continuing California's Commitment to Covered California Affordability Assistance

Affordability remains a significant barrier to care, even for those with health coverage. While the federal government, following in the footsteps of California's leadership, has provided significant help to keep premiums down in our state marketplace, out-of-pocket costs remain burdensome and are expected to increase even more in 2023. Recent surveys by the California Health Care Foundation showed that 60% of Californians are worried about out-of-pocket healthcare costs, and a significant number have delayed or forgone care due to cost concerns.

Thanks to action taken by the administration and legislature in the 2021-2022 budget, Covered California developed a report "Bringing Care Within Reach" to provide a state framework for increased cost-sharing assistance. We appreciate that the Governor's proposed 2022-23 state budget reaffirms their commitment to working with the Legislature and stakeholders to further improve affordability.

We urge the Administration to be bold, and follow through on the path towards increased affordability outlined in Covered California's recent report. We continue to be hopeful that federal resources from the Build Back Better Act would be available to continue the federal premium assistance that is currently provided. But without additional state action in this budget, we could see deductibles rise to \$5,000 for Silver-level plans in Covered California.

- Building on pending federal proposals, our state has the ability to eliminate deductibles and significantly reduce co-payments for all Covered California enrollees in Silver metal tier plans.
- Such state subsidies could be supported by a combination of potential federal funds, money raised from the individual mandate and in the California Health Care Affordability Reserve Fund, and from the General Fund, as the Legislature prioritized on premium assistance just a few years ago before the federal government supplanted those efforts.
- If federal premium assistance does not continue, then General Fund support for state affordability assistance will be even more important, to help mitigate the significant potential increase in premiums in 2023.

Eliminating Medi-Cal Premiums and Costs

We strongly support the Governor's budget proposal inclusion of funding to eliminate premiums in Medi-Cal for the approximately half million enrollees who currently do not qualify for "no cost" Medi-Cal.

These investments (\$19 million general fund) will ensure that Californians who qualify for our safety net programs can do so at no cost, including those who are enrolled in the Children's Health Insurance Program (formerly Healthy Families), the Working Disabled Program, as well as those who benefit from Medi-Cal Access Program (MCAP) and County Children's Health Insurance Programs (C-CHIP).

Aligned with these efforts to increase affordability for Californians, we also support our additional efforts to reduce Medi-Cal share-of-cost, which are significant financial burdens for seniors and people with disabilities just above the threshold of 138% of the poverty level.

Other Medi-Cal Improvements

We support the ongoing and additional investments to secure and improve Medi-Cal for the over 13 million Californians that depend on the program for care and coverage. We generally support the direction of the following:

- the ongoing investments in responding to COVID-19;
- the new investments in CalAIM, including the justice-involved initiatives, and the support of the enhanced case management and community supports;
- the implementation of improvements last year like the elimination of the assets test;
- the elimination of certain planned provider payment reductions;
- the backfilling and transitioning of Prop 56 supplemental payments by the general fund; and
- a new community based mobile crisis services benefit.

OVERSIGHT AND ACCOUNTABILITY

Creating the Office of Health Care Affordability

A top priority for Health Access California is the establishment of an Office of Health Care Affordability. This is an essential and critical step toward addressing health care costs for all Californians, as patients, premium payers, workers, taxpayers, and for purchasers and payers, public and private. Such an Office would set cost targets--taking into account differences in regions and sectors, while providing

industry players with tools to meet these goals, and financial accountability if they don't.

Building on the Health Payments Database created in the 2020-21 state budget, the Office of Health Care Affordability would have a view of the health system as a whole, including its capacity and sustainability—something that would have been beneficial in the current crisis, and hopefully can be in place for the next pandemic or public health emergency. The many market failures in the health market that have led to high prices in some regions have also led to the mismatch of capacity we had to scramble to fix.

Health Access strongly supports the proposed new Office that will provide oversight of inflated health prices and set enforceable cost targets with commensurate penalties. In highly consolidated markets for health insurance, hospital care, and physician practices, the Office will balance slowing the rate of health care cost growth with the impacts on equity, quality and workforce stability while prioritizing primary care and behavioral health. A transformed health care system should deliver better care with improved outcomes and reduced disparities while reducing the growth of health care costs for consumers, employers and other purchasers of care and coverage.

We have been involved on the details and decision points of creating an Office for the past three years, and look forward to further engagement with the Legislature and Administration on this proposal, but we support the broad structure of an Office that will collect and analyze data, increase transparency in the health system, and set enforceable cost targets for the industry by sector. Particularly of import is that the Office will develop system-wide strategies and offer specific tools to attain those goals, and that it has the authority to impose real financial consequences if the targets are not met. The unique value of the Office depends on being able to look at the health care system as a whole, without major exclusions of plans or providers from its view.

This bold proposal will help fix not just specific health care market failures and abuses, but provides a comprehensive approach to contain health care costs. The ultimate goal is to yield savings that are tangible to consumers, employers and other purchasers of private health insurance, as well as to public programs and purchasers, thus benefitting the state budget and the effort to expand coverage and get to a universal health system in California.

Other Health Improvements and Investments

We support other improvements and investments for California's health, including:

- the investments in improved access to reproductive health;

- the ongoing Cal Rx effort, which we actively supported, to increase access and affordability for insulin and other generic drugs;
- new investments, in light of the ongoing pandemic, in California's public health infrastructure, for both state operations and local assistance; and
- in addition, a Health Equity and Racial Justice fund to support community initiatives to address these issues.

We note the new proposal to direct nonprofit hospitals to direct 25% of their community benefit dollars to addressing social determinants of health, but also note there is no minimum requirement for such investment in law or proposed. Health Access has a long history working on hospital charity care and community benefit issues, and have long advocated setting a minimum expectation for such contributions. We look forward to the discussion.

Thank you for your consideration of Health Access California's top budget priorities for 2022-23. Please contact Diana Douglas, Policy and Legislative Advocacy Manager with any questions or for more information.

Sincerely,

A handwritten signature in blue ink, appearing to read "Anthony Wright".

Anthony Wright
Executive Director