

**California Department of Health Care Services
Proposed Trailer Bill Language**

Extension of Proposition 56 Program Funding

FACT SHEET

Title: Extension of Proposition 56 Program Funding. This proposal would extend, as specified, various supplemental payments and rate increases, funded through Research & Prevention Tobacco Tax Act of 2016 (Proposition 56) including Value Based Payment (VBP) programs. The proposal also identifies dates to suspend the authority for the Department of Health Care Services (DHCS) to make specified supplemental payments and rate increases and to complete VBP programs.

Background: Proposition 56 raised the tax rate on cigarettes and other tobacco products and includes statutory formulas allocating funding to various programs including Medi-Cal. Funding allocated to the Medi-Cal program is transferred to the Healthcare Treatment Fund and is subject to appropriation by the Legislature. The 2020 Budget Act appropriated Proposition 56 Medi-Cal funding to various provider supplemental payment programs and rate increases to support access to health care for low-income Californians covered by the Medi-Cal Program.

The 2019 Budget Act included three-year limited-term Proposition 56 funding and statutory changes for DHCS to establish VBP programs aimed to improve care for some of the most vulnerable or at-risk populations in Medi-Cal managed care. VBP strategies offer financial incentives to health care providers who improve their performance on predetermined measures or meet specified targets that focus on quality and efficiency of care. These programs include behavioral health integration, prenatal and postpartum care, chronic disease management, and quality and outcomes for children.

The 2020 Budget Act made statutory changes suspending DHCS's authority to operate most supplemental payments, rate increase, and VBP programs for service periods on or after July 1, 2021 unless specified fiscal conditions were met.

Justification for the Change: This proposal would delay the suspension of Proposition 56 supplemental payments and rate increases until July 1, 2022 excluding:

- Payments to intermediate care facilities for the developmentally disabled, freestanding pediatric subacute facilities, and Community Based Adult Services, which are proposed to be suspended December 31, 2022, due to the managed care calendar rate year.
- Payments for Women's Health, Family Planning, and the Loan Repayment Program which were exempt from suspension by the 2020 Budget Act.
- Payments for the AIDS waiver, Home Health, and Pediatric Day Health as DHCS does not believe it would receive federal approval to suspend these payments.

These suspensions would not take effect if specified fiscal conditions are met in Fiscal Years (FYs) 2022–23 and 2023–24.

Additionally, this proposal would end VBP programs, excluding the Behavioral Health Integration (BHI) Program, effective July 1, 2022 consistent with the original three-year limited term funding. Because of the multi-year grant-based structure of the BHI program, this proposal would end the BHI program upon the expenditure of \$95 million state funds.

All proposed amendments and suspension extension dates are dependent upon DHCS obtaining any necessary federal approvals as well as the determination that federal financial participation for the Medi-Cal program is not otherwise jeopardized.

Proposition 56 programs support access to health care for low-income Californians covered by the Medi-Cal program. By extending specified programs and payments, low-income Californians covered by the Medi-Cal program will continue to have access to higher quality and more efficient health care services. These programs and payments also incentivize providers to improve their performance thereby improving the experience of and health care services received by some of California's most vulnerable populations.

Summary of Arguments in Support:

- Extending these suspension dates will result in greater continuity of funding for the specified Proposition 56 services while state revenues are available.
- Providers will continue to be incentivized to continually improve their performance on predetermined measures or meet specified targets that focus on quality and efficiency of the care being received by Californians covered by the Medi-Cal program.