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CALIFORNIA GOVERNOR PROPOSES SWEEPING HEALTHCARE REFORMS

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California's new governor, Gavin Newsom, has [announced](#) a set of sweeping executive actions and budget proposals to bring down state spending on prescription drugs, expand healthcare subsidies for low- to middle-income residents and reinstate the individual health-coverage mandate in the state. Newsom also called on federal leaders to empower states like California to lay the groundwork for a single-payer healthcare system.

PRESCRIPTION DRUG NEGOTIATIONS

California currently has multiple different agencies separately negotiating prescription drug purchases for the state's Medicaid program, employee and retiree health plans, prison system, and other public programs. The governor's [executive order](#) to bring down drug costs authorizes the [Department of Health Care Services](#) to negotiate prices on behalf of all 13 million beneficiaries in Medi-Cal managed care and directs all state agencies to purchase drugs together.

The executive order also charts a path for all Californians, including private employers, to join forces with public purchasers. While block purchasing could reduce the state's prescription drug costs, what impact these changes will have on private employers' health plans operating in the state isn't clear.

INDIVIDUAL MANDATE

California would join Massachusetts, New Jersey, Vermont and Washington, DC, by imposing an individual-coverage mandate on state residents, with the uninsured facing penalties consistent with the ones originally in the federal Affordable Care Act (ACA). As discussed below, the governor's proposed Health and Human Services [budget](#) for 2019–2020 calls for using the penalty's revenues to help residents buy coverage through the state's public insurance marketplace.

Few details about the individual mandate are available so far. When more information becomes available, plan sponsors will want to review how the state defines minimum essential coverage (MEC) and what MEC-reporting obligations employers might face.

EXPANDED SUBSIDIES, COVERAGE

The governor's proposal to help more individuals buy coverage would make subsidies available at annual income levels more than 50% higher than the current cutoff. The income limits for subsidy eligibility would increase from \$48,000 to \$72,000 for individuals and from \$98,000 to \$150,600 for a family of four.

The expanded California subsidies would be available to individuals and families earning between 400% to 600% of the [federal poverty level](#) (FPL). In contrast, federal subsidies under the ACA are currently available to individuals and families earning between 100% to 400% of the FPL.

The proposed Health and Human Services budget also calls for extending Medi-Cal to undocumented young adults up to age 26 who otherwise meet the program's eligibility requirements. Children without legal status currently are eligible for California's Medicaid benefits until age 19.

The governor's office hasn't provided any details on how to fund these initiatives, beyond recouping some costs through individual-mandate penalties.

SINGLE PAYER

In a [letter](#) to the Trump administration and congressional leaders, the governor advocates easing federal restrictions to enable "transformational cost and universal coverage waivers." This new type of waiver would allow California to lay the groundwork for a single-payer healthcare system without losing federal funding. In his letter, Newsom says these waivers would allow states to "re-invest federal funding — combined with State funds — to increase coverage, contain costs, and drive improvements in health care quality." However, neither the Trump administration nor congressional leaders appear inclined to ease restrictions so states could use federal funds to build a single-payer healthcare system.

ADDITIONAL PROPOSALS

The governor's executive order establishes a California surgeon general to research the root causes of serious health conditions, such as adverse childhood experiences and the social determinants of health. A Jan. 21 [announcement](#) named pediatric specialist, Dr. Nadine Burke Harris, as the state's first surgeon general.

RELATED RESOURCES

- [Press Release Naming California's New Surgeon General](#) (CA Governor's Office, Jan. 21, 2019)
- [Summary of Governor's Proposed Health and Human Services Budget](#) (CA Finance Dep't, Jan. 10, 2019)
- [Press Release on Prescription Drug and Health Care for All Proposals](#) (CA Governor's Office, Jan 7, 2019)
- [Executive Order N-01-19](#) (CA Governor's Office, Jan. 7, 2019)
- [Governor's Letter to Congress and White House](#) (CA Governor's Office, Jan. 7, 2019)

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