



May 25, 2009 – Issue #38

THE BUDGET AGAIN BECOMES OUR FOCAL POINT

On May 15th the Director of Finance Mike Genest and the Legislative Analyst, Mac Taylor spoke to my trade association (yes, even lobbyists have a trade association), the Institute of Governmental Advocates (IGA). It was by far the gloomiest budget presentation I can recall. At that point we were looking at a \$15 Billion deficit if the budget initiatives passed. Clearly, the voters spoke loud and clear on May 19th - they did not support the budget initiatives.

So where is California heading financially. The latest budget projection indicates we are facing a \$21.3 Billion deficit. If California was a business, we would be looking at bankruptcy. Since the State cannot declare bankruptcy, where will the money come from to run state government? We will be borrowing from many sources, which obviously will come with a cost. In addition significant cuts will be made in many state programs. Some long time health programs may be on the chopping block. Others will face consolidation and/or realignment with other programs.

Layoff notices were sent out a week ago to about 5000 state workers. The Corrections Agency staff received about 3000 notices. Another 1000 notices were sent to department staff under the Health and Human Services Agency. The remainder of the notices went to various other departments.

On a more positive note, it is clear that the Legislature is attempting to address this fiscal calamity quickly. Last week the Budget Conference Committee began its hearings. The Conference Committee has been expanded and began its meetings on Thursday, May 21. They met again on Friday, May 22. These meetings will continue almost daily, consuming a great deal of the time and energy of its participants, including state and legislative staff.

Another positive note is that many legislators understand the depth of the fiscal problems California is facing. Senate and Assembly Appropriations Committee members are holding bills with costs in the "suspense file." Some of these bills many remain there permanently, depending on the ability of the Legislature to find ways to address their significant deficit.

One interesting note in our budget problems is the action taken by the California Citizens Compensation Committee. On May 20, the Committee voted (5-1) to reduce the salaries of elected state officials. However, this salary cut won't take effect until December 2010 due to our state constitution. Legislator salaries will be reduced from \$116,208 to \$95,291. Their action appeared to be a surprise, but certainly within their right.

LEGISLATIVE PROCESS CONTINUES

The deadline for policy committees to hear bills in both the Senate & Assembly was the 15th for non-fiscal bills and the 22nd for bills with a fiscal cost. However, "he, who makes the rules, can waive the rules." Some policy bills move

through with a “rule waiver” from their respective houses. Some of those bills will be “gut and amend” bills perhaps to address policy issues related to the budget or other urgent matters.

Approximately 2500 bills were introduced in total. Some will now be held as “two-year” bills. Such bills must pass their “house of origin” by January 31, 2010 or they are dead (This is a constitutional amendment and the legislature can not change it.).

Numerous bills are on the floor of their respective houses. Floor sessions are scheduled daily through June 5, the deadline for bills to be passed from their house of origin this year. All committee meetings are scheduled to resume on June 8.

The Budget Conference Committee and its staff will be meeting almost daily. California official deadline for passage of the budget is June 15; however, this deadline is met only rarely. Given the difficulties of trying to put together a “balanced budget” this year, I expect prolonged budget negotiations. These will be difficult decisions for all the Conference Committee Legislators to make. In addition they must convince the members of both houses to pass the budget document they present to their colleagues. Thus far, it appears that additional tax increases are off the table and cuts will be the primary method of reducing this deficit.

DISTRICT ELECTIONS

Congressional District 32 – Los Angeles area – Board of Equalization Member, Judy Chu won this race as a Democrat. As with many special elections, Chu must now face 2 opponents, one Republican, Betty Chu and one Libertarian Christopher Agrella. The runoff is scheduled for July 14. Since this is a Democratic District, Judy Chu should not have any problems. Her main opponent was Senator Gil Cedillo. This was a very long and hard fought battle between these 2 well-known democrats. Chu’s expected win on July 14 will leave a vacancy on the Board of Equalization. Cedillo retains his current Senate Seat, but will be termed-out in 2010.

State Senate District 26 – This is the seat vacated by Senator Mark Ridley-Thomas who was elected to the L.A. County Board of Supervisors a few months ago. Assembly Member Curren Price won this race in the May 19th election and will move up to the Senate, leaving a vacancy in the Assembly District 51.

Congressional District 47 – Currently this seat is held by Representative Loretta Sanchez. Assembly Member Van Tran recently announced he will be running against Sanchez in 2010. Tran will be termed-out in 2010 leaving an opening in this Orange County 68th Assembly District.

HEALTHCARE - A MAJOR CONGRESSIONAL ISSUE

Healthcare has again become a national issue. What is interesting is that over the last few months, various groups have somewhat come together, including various healthcare leaders, health plans, key members of Congress and the Administration. Like all “leaks” to the press, the story changes a bit from time to time. However, what seems to be unfolding is that, at the federal level, healthcare remains a major issue and recognition that “one size does not fit all” is being included in the discussion.

The Senate Finance Committee Chair, Senator Baucus (D-Montana) one of the major leaders of the healthcare endeavor, and Senator Grassley, Ranking Member of the Committee appear to be making some progress. Also very involved is Senator Ted Kennedy, Chairman of the Senate Health Committee.

Like a bouncing-ball, sometimes the comments in the various news outlets are positive and sometimes they are negative. However, it does appear that progress is being made and that there may be a combination of approaches to implementing

a plan to include healthcare for the majority of our citizens, including a public insurance policy plan. This may be a concern for some of the Republican Members of Congress.

Judging by the comments in the Washington Post, the New York Times and the Wall Street Journal, taxes to pay for healthcare are certainly on the table, especially taxes on employer-provided health insurance. This will raise some interesting political dynamics for a number of entities including the Administration.

LEGISLATION OF INTEREST

A number of Workers Compensation bills were introduced this year. Several of them attempting to undo the AB 899 workers compensation reform legislation of several years ago.

AB 2 (De La Torre) – This is a redo of last year’s bill that was vetoed by the Governor. It addresses the regulations of health plans. Prohibits a plan or insurer from canceling an individual plan contract or policy unless specific conditions are met. Requires completion of medical underwriting prior to issuing a contract or policy.

AB 98 (De La Torre) – A repeat of last year’s bill that was vetoed. Requires all insurance policies to cover maternity benefits.

AB 361 (B. Lowenthal) – Addresses the issue of medical provider network and authorizations for treatment. The bill was recently amended to revise the language and remove concerns.

AB 513 – De Leon – Requires plans and insurers to include coverage for lactation consultation and for the rental of breast pumps. Also includes language to have the employer provide a place for women to express breast milk.

AB 721 – Nava – Allows patients to access physical therapists treatment directly. Sets forth additional responsibilities for the therapist. Provides for unprofessional conduct violations.

AB 933 (P. Fong) – Relates to utilization review of workers’ compensation claims. The bill is the same as the one vetoed by the Governor last year. It requires that only California licensed physicians may do medical utilization reviews. Standards for such reviews are accepted nationally and are done by physicians adhering to the same standards.

AB 1147 (Arambula) – This bill would have authorized the department to approve the use of alternative methods of containerization or storage of medical waste. This is a critical area for both producers of medical waste and those that provide transportation and treatment. This bill was held in the Assembly and may be revisited in January.

AB 1201 (V. Perez) Requires a health plan or insurer that provides coverage for immunizations to reimburse a physician or physician group in an amount to cover the actual cost of the vaccine, plus the cost of administering the vaccine.

SB 1 (Steinberg) Expands Medi-Cal and Healthy Families Programs. Requires Health Care Services and the MRMIB to maximize federal matching funds for these programs and to monitor them for timely of services.

SB 26 (Simitian) – This bill clarifies that the disposal of home-generated sharps waste is not medical waste.

SB 56 (Alquist) – Creates a new program within the Department of Health Care Services for the purpose of expanding cost-effective public health coverage to the uninsured and purchasers of health insurance.

SB 58 (Aanestad) – Requires annual reports by peer review bodies to the State Medical Board. Requires the Board to administer an early detection and resolution program. Allows licensees to complete training in lieu of disciplinary action.

More legislation next time.