

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: April 11, 2011
POSITION: Oppose
SPONSOR: California Medical Association

BILL NUMBER: AB 589
AUTHOR: H. Perea
RELATED BILLS: SB 635

BILL SUMMARY: Transfer of Funding to Medical School Scholarships

Beginning January 1, 2014 this bill would require that funds deposited into the Managed Care Administrative Fines and Penalties Fund (MCAFP) in excess of \$1,000,000 be transferred to the Office of Statewide Planning and Development (OSHPD) for the purpose of funding the Steven M. Thompson Medical School Scholarship Program, which is a new program established by this bill. Under current law, effective September 1, 2009, these funds are being transferred to the Major Risk Medical Insurance Fund for use in the Major Risk Medical Insurance Program (MRMIP), upon appropriation by the Legislature. The proposed statute change is based on the author's assumptions that (1) MRMIP will no longer require the funding after December 2013 since federal health care reform institutes "guaranteed issue" in the insurance market effective January 1, 2014; and (2) there is an urgent need for additional health care professionals to be trained in the state.

FISCAL SUMMARY

Current law requires that fines and penalties that accumulate beyond \$1.0 million in the MCAFP annually be transferred to the Major Risk Medical Insurance Fund. This amount varies, but approximately \$2.0 million was provided to MRMIP in 2009-10, \$1.8 million in 2010-11, and \$3.5 million is projected in the Governor's Budget for 2011-12. The funds are needed to help maintain the program's funding in light of the continuing decline in Proposition 99 funding from taxes imposed on the sale of tobacco products. In addition, because of the establishment of the federally-funded high risk insurance pool operated by the state (the Pre-Existing Condition Insurance Plan or PCIP), MRMIP is subject to a federal health care reform maintenance-of-effort requirement to continue to spend at the program's 2009-10 expenditure level.

Finance's fiscal concerns with this bill are three-fold. First and foremost, with the state's current fiscal challenges, it is difficult to forecast the financial circumstances of 2014 and thus it would be premature to prioritize the use of any excess funds to expand any program. Secondly, there is no statutory mandate that requires current MRMIP enrollees to abandon their coverage in the future even with the advent of federal health care reform. Finally, even if all MRMIP enrollees found other coverage as of January 1, 2014, MRMIP would still have fiscal responsibilities well beyond December 2013 since the program pays its health care providers in arrears and the program would have normal phase-out responsibilities (for example, the PCIP program authorizing statute also allows for a six month closes out period to June 30, 2014).

COMMENTS

The Department of Finance opposes this bill for the following reasons:

- Given the state's continuing fiscal challenges, it would be premature to prioritize the use of any excess funds for any program at this time.

Analyst/Principal (0561) T. Williams Date Program Budget Manager Lisa Ann L. Mangat Date

Department Deputy Director Date

Governor's Office: By: Date: Position Approved Position Disapproved

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

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- There is no statutory mandate that requires current MRMIP enrollees to abandon their coverage in the future even with the advent of federal health care reform. Consequently, the amount of funding which MRMIP will require after December 2013 is currently unknown.
- Even if all MRMIP enrollees found other coverage as of January 1, 2014, MRMIP would still have fiscal responsibilities since the program pays its health care providers in arrears and the program would have normal phase-out responsibilities that would take 6 months to a year to complete.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP	2010-2011		2011-2012		2012-2013		
	RV	98	FC	FC	FC	FC			
4140/Stwd Hth Pln	LA	No	-----	See Fiscal Summary	-----	-----	-----	8034	
4280/Managed Risk	SO	No	-----	See Fiscal Summary	-----	-----	-----	0313	
<u>Fund Code</u>	<u>Title</u>								
0313	Major Risk Medical Insurance Fund								
8034	Medically Underserved Account Physicians								