

# Policy At A Glance:

## Health (SB 159)

*On June 29, 2024, Governor Newsom signed into law SB 159, a budget trailer bill for healthcare, notably delaying the implementation of the statewide minimum wage for healthcare workers. This brief provides an overview of the updated minimum wage schedule for healthcare workers, the Electronic Cigarettes Settlements Fund, and some healthcare provisions outlined in SB 159.*

## Introduction

On June 29, 2024, Governor Gavin Newsom signed into law a \$300 billion health budget trailer bill, SB 159.<sup>1</sup> SB 159 makes several funding changes to public health and healthcare provisions, including increasing access to necessary oral health care in dental health professional shortage areas and increasing the network of school-based behavioral health professionals throughout the state.<sup>1</sup>

Furthermore, SB 159 delays the implementation of the multi-tiered statewide minimum wage system for healthcare workers until at least October 15, 2024.<sup>1,2</sup> Originally, the minimum wage system was supposed to go into effect on June 1, 2024, but has been delayed due to the state's budget deficit. In addition to the delay, SB 159 includes approximately \$800 million in cuts to public health and healthcare workforce programs.<sup>2</sup>

This policy brief provides an overview of the updated minimum wage schedule for healthcare workers, the Electronic Cigarettes Settlements Fund, and some of the public health and healthcare provisions outlined in SB 159.

## Relevant Dates for SB 159<sup>1</sup>

01/18/2023	Introduced in the California State Senate
03/27/2023	Passed in the California State Senate
03/30/2023	Referred to the Committee on Budget
06/27/2024	Assembly amendments concurred in the California State Senate
06/27/2024	Passed in the California State Assembly
06/29/2024	Signed into law by Governor Gavin Newsom

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# Minimum Wage Schedule for Healthcare Workers

In October 2023, Governor Gavin Newsom signed SB 525 into law, introducing a multi-tiered statewide minimum wage system for covered healthcare workers employed at specific healthcare facilities set to begin on June 1, 2024.<sup>3</sup> SB 525 created distinct minimum wage schedules based on the type of employer and mandated to increase the minimum wage to \$25 per hour in coming years.<sup>3,4</sup> Under SB 525, a covered healthcare employee is defined as anyone providing patient care, healthcare services, or support services for healthcare delivery. It also includes independent contractors who have agreements with healthcare facilities to offer healthcare or support services if the facility directly or indirectly controls their wages, hours, or working conditions. Additionally, covered healthcare facilities include hospitals, home health agencies, skilled nursing facilities, psychiatric hospitals, and a patient's home when healthcare services are delivered by an entity owned or operated by a hospital.<sup>3,5</sup>

In May 2024, however, Governor Newsom signed SB 828 which delayed the implementation of SB 525 to July 1, 2024, due to California's \$36.86 million budget shortfall.<sup>6</sup> Then, in June 2024, Governor Newsom signed the healthcare budget trailer bill SB 159 into law, which further delayed the implementation of the minimum wage to no earlier than October 15, 2024, and no later than June 1, 2025.<sup>1,7</sup> When the healthcare minimum wages increases, the increases applicable are as follows:<sup>8,9</sup>

- Large employers and integrated healthcare systems will increase to \$23 per hour initially and eventually reach \$25 per hour in June 2026.
- Clinics, licensed skilled nursing facilities, and other healthcare facilities will increase to \$21.00 per hour and eventually increase to \$25 per hour in June 2027.
- Healthcare facilities with a high or elevated federal payor mix and rural independent healthcare facilities will increase to \$18.00 per hour initially and eventually reach \$25 per hour in June 2028.

Of note, some community-based facilities have already implemented the minimum wage increase in June and July 2024.

## Electronic Cigarettes Settlements Fund

In 2016, electronic cigarettes were made popular by JUUL among youth and young adults due to their discrete, pod-style design and plethora of flavors like mango and mint.<sup>10,11</sup> This led to a widespread e-cigarette crisis among youth, affecting schools, communities, and households across the nation.<sup>11</sup> In April 2023, California Attorney General Bonta announced a \$462 million settlement with JUUL Labs Inc., negotiated by the California Department of Justice and six other states. The settlement resolved multiple lawsuits, including one filed by California alleging that JUUL targeted young adults through its advertising.<sup>12</sup> SB 159 creates the Electronic Cigarettes Settlements Funds in the State Treasury and requires the CDPH to administer the fund.<sup>13</sup> Through the settlement, California will receive \$175.8 million, the largest amount among all the states, to fund research, education, and enforcement on e-cigarettes.<sup>1,12,13</sup>



# Public Health and Healthcare Provisions in SB 159

## Oral Health Clinical Dental Rotations

Current law established the Office of Oral Health under the California Department of Public Health (CDPH) and mandates the department to operate a dental program aimed at developing comprehensive dental health plans to optimize resource utilization.<sup>1,14</sup> Under SB 159, the Office of Oral Health would be mandated to facilitate the development of community-based clinical training opportunities for dental students in their final year or dental residents.<sup>1,13</sup> These opportunities are required to be set in designated dental health professional shortage areas.<sup>13</sup>

## School-Based Behavioral Health Services

Current law established the Children and Youth Behavioral Health Initiative under the California Health and Human Services Agency, which aims to create an innovative behavioral health system that supports, screens, and serves children and youth under 25, regardless of insurance coverage.<sup>1,15</sup> Furthermore, the State Department of Health Care Services (DHCS) is required to award competitive grants to qualified entities to build partnerships, enhance capacity, and develop infrastructure to support school-based behavioral health services. It also requires the DHCS to develop and maintain a statewide network of behavioral health counselors based at schools.<sup>1</sup> SB 159 authorizes the DHCS to contract an entity to manage the statewide school-based behavioral health provider network. Health plans covering school-based services must adhere to network requirements and reimburse providers at the fee schedule rate.<sup>13</sup>

## Managed Care Organization Tax

The Managed Care Organization (MCO) tax, a critical Medicaid funding tool, leverages state funds to secure additional federal Medicaid dollars for California.<sup>16</sup> SB 159 restructures the MCO tax plan by eliminating funding for outpatient hospital care and behavioral health throughput meant for emergency room services.<sup>1</sup>

SB 159 eliminates the annual \$75 million transfer to the University of California for expanding graduate medical education programs from the Provider Payment Reserve Fund. Instead, it directs a \$40 million transfer from the fund to support workforce investments for previously excluded providers, including air ambulances and non-emergency medical transportation, cover increased costs related to continuous eligibility for children up to age 5, and cover administrative costs for implementing the Medi-Cal Provider Payment Increases and Investments Act.<sup>1,13</sup>

## AIDS Drug Assistance Program Rebate Fund

Through the CDPH, the AIDS Drug Assistance Program (ADAP) offers essential medications to eligible California residents living with HIV, supports costs associated with HIV pre-exposure prophylaxis for individuals at risk of HIV, and provides post-exposure prophylaxis for those potentially exposed to HIV.<sup>17</sup> SB 159 authorizes the CDPH Office of AIDS to use ADAP Rebate Funds for HIV prevention services targeting vulnerable individuals, including harm reduction, condoms, and other preventative measures. It allows CDPH to allocate funds to local health departments and community-based organizations for HIV prevention efforts. Furthermore, SB 159 mandates CDPH to develop a plan for modernizing ADAP to enhance HIV/AIDS care and access.<sup>1,13</sup>

## Children's Hospital Directed Payments

Starting July 1, 2024, SB 159 requires DHCS to establish or revise existing directed payment reimbursement methods for children's hospitals.<sup>1</sup> Furthermore, SB 159 mandates an annual continuous appropriation of \$115 million from the General Fund to support these payments, beginning on July 1, 2024.<sup>1,13</sup> This funding must be in addition to the regular Medi-Cal payments already provided to children's hospitals and cannot replace other funding sources.<sup>1</sup> This ensures the funding is supplementary and not offset by other funds.<sup>1,13</sup>

## Conclusion

Due to California's nearly \$38 million budget shortfall, Governor Newsom's health trailer bill makes several changes to California's spending on healthcare, notably delaying the increased minimum wage for healthcare workers and making other cuts.<sup>6</sup> The budget must address last year's financial deficit in its current budget, while also adjusting spending to ensure ongoing fiscal sustainability in future years. Several programs face delays or cuts in funding as a result. However, in other aspects, SB 159 aims to expand healthcare access and improve the delivery system, particularly for vulnerable populations.<sup>18</sup> Therefore, SB 159 reflects an effort to enhance lives and improve wellbeing while balancing fiscal limitations.

## References

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## Did you know?

In 2020, healthcare spending in California totaled \$405 billion, or approximately \$10,300 per person.<sup>19</sup>



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