



OFFICE OF THE GOVERNOR

SEP 25 2022

To the Members of the California State Assembly:

I am returning Assembly Bill 2079 without my signature.

AB 2079 would establish, no later than July 1, 2023, a direct patient related services spending, reporting, and rebate requirement for skilled nursing facilities (SNFs), as specified, which would be reported to the Department of Health Care Services (DHCS).

As part of the Budget Act of 2022 and AB 186 (Committee on Budget, Chapter 46, Statutes of 2022), a new Medi-Cal reimbursement rate structure for SNFs was established to focus on quality and includes a per patient per day penalty for not meeting quality metrics in addition to a quality award for meeting certain patient quality metrics. Unfortunately, AB 2079's takeback methodology does not align with the quality payments under this new program and may result in instances where a facility's quality payment is recouped because it does not meet the specific benchmarks noted in the bill. It is unclear how DHCS would successfully operationalize a system of simultaneous takebacks and quality payments.

Efforts to incentivize direct patient care and quality through SNF financing should leverage the existing framework and be considered in the annual budget process. Therefore, I cannot sign this bill.

Sincerely,

Gavin Newsom

