



OFFICE OF THE GOVERNOR

SEP 13 2022

To the Members of the California State Senate:

I am returning Senate Bill 944 without my signature.

This bill would require Covered California to adopt standard benefit designs that reduce cost sharing if federal premium subsidies are available for the 2023 and 2024 calendar years.

I have been very pleased to work with the Legislature and health care stakeholders to enact groundbreaking coverage expansions for lower-income persons through the Medi-Cal program and other mechanisms to assist persons in retaining coverage such as state-sponsored reductions in premiums in both the Medi-Cal and Covered California programs.

In my January budget proposal, I indicated that the Administration would work with the Legislature, Covered California, and stakeholders on options to further improve affordability and access to health care coverage, while considering what level of federal subsidies would be available through Covered California. Because of the uncertainty of whether the American Rescue Plan Act's enhanced federal subsidies would be extended beyond the initial two-year period, I proposed approximately \$300 million in state-only premium subsidies in 2022-23 to partially offset the loss of federal funds. With the very recent extension of enhanced federal subsidies through the federal Inflation Reduction Act for a new three-year period, the Administration's goal has been to reserve the proposed \$300 million state-only premium subsidies for when they would be needed again after the enhanced federal subsidies sunset in 36 months.



Furthermore, while the goal of this bill to establish new state-only subsidies for cost-sharing is laudatory, I am concerned about a downturn in revenues that may make such a new program unsustainable, especially in light of our important commitment to fund the expansion of the Medi-Cal program in 2024 to remaining low-income populations. Rather, the funds should be reserved to ensure that state-only premium subsidies are available again when they are most needed.

Sincerely,

A handwritten signature in black ink, appearing to be 'Gavin Newsom', written over a horizontal line. The signature is stylized and somewhat illegible due to the cursive nature of the handwriting.

Gavin Newsom