



BEHAVIORAL HEALTH COMMISSION

Budget & Legislative Update

May 8, 2025

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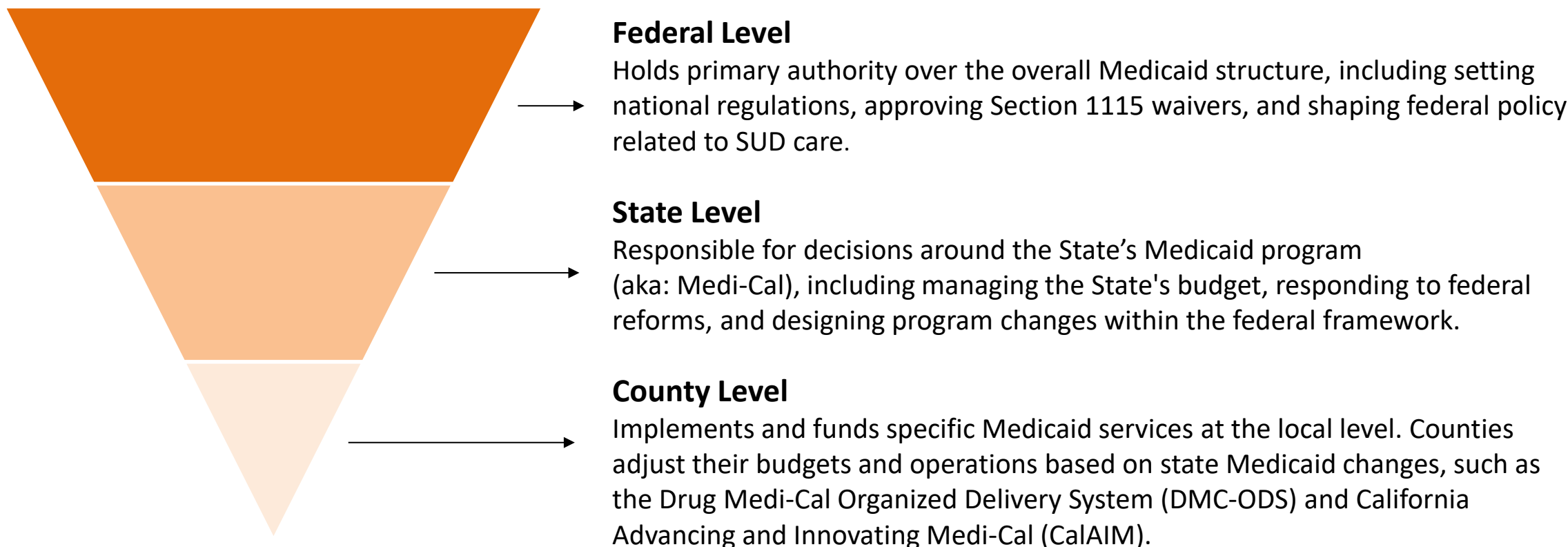


Federal Budget Implications on Substance Use Services



Drug Medi-Cal Organized Delivery System (DMC-ODS)

Interconnected Systems



Federal Level Medicaid (Medi-Cal) Uncertainties

Active discussions around who the program covers and how the program is financed are at the heart of this uncertainty.

Proposals Include:

- Decreasing federal spending (e.g., reducing federal Medicaid Assistance Percentage FMAP reductions, state spending cap)
- Limiting coverage (e.g., focusing Medicaid services on children, older adults, and people with disabilities)
- Adding contingencies (e.g., work requirements)



Medi-Cal Eligible
Before
Affordable Care Act
**County/State Pays
50% of the Claim**
**Federal Pays (FMAP)
50% of the Claims**



Medi-Cal Eligible
After
Affordable Care Act
**County/State Pays
10% of the Claim**
**Federal Pays (FMAP)
90% of the Claims**

Local Implications with Waiver Changes

If FMAP is Decreased ↴

- *Commensurate increase in local costs to deliver previously covered services*
- *If mandated benefit may require diversion of other funding or service reductions*

If Coverage is Decreased ↴

- *Gaps in medically necessary care for those with terminated coverage, likely adults*
- *Assess viability of community-based service sites with decreased volume and dependent on Medi-Cal reimbursement*

If Contingencies are Added ↴

- *Likely significant impact on those with SUD due to time required for treatment*

Federal Level Medicaid (Medi-Cal) Waiver Uncertainties

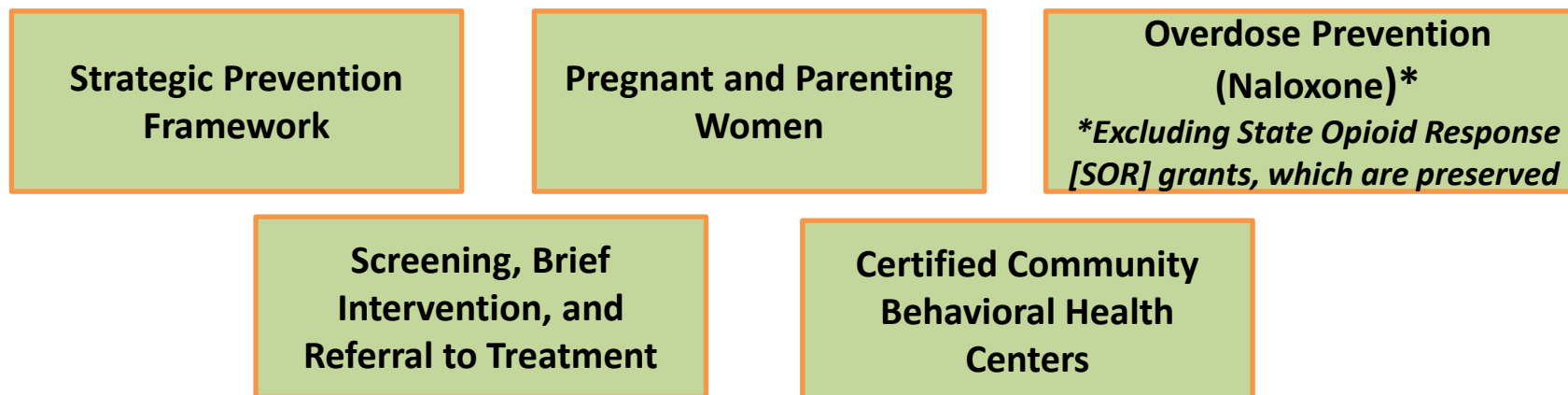
- **DMC-ODS operates under the authority of federal Medicaid waivers.**
 - **1115 waiver:** Enables coverage of inpatient and residential services in facilities with over 16 beds, also called the Institutes for Mental Disease (IMD) waiver.
 - **1915b waiver:** Enables coverage of other ASAM levels of care.
- **Medicaid waivers have expiration dates and must be renewed to continue**

Waiver	Expiration Date
DMC-ODS	12/31/2026
CalAIM (most)	12/31/2026
BH-CONNECT	12/31/2029

Federal Level - Health and Human Services Proposed Budget

A recent Office of Management and Budget (OMB) leaked budget revealed the Administration's plans to:

- Eliminate the Substance Abuse and Mental Health Services Administration (SAMHSA) and the Health Resources and Services Administration (HRSA)
- Make significant changes to other departments like the Centers for Disease Control and Prevention.
- Maintain programs like the Substance Use Block Grant (SUBG).
- Eliminate some programs:



Key Priorities for SAPC, Providers and Clients

- **Protect Medi-Cal coverage and benefits package to ensure safety net populations have continued access to medically necessary substance use disorder (SUD) treatment services at all levels of care.**
- **Continue support for DMC-ODS and CalAIM through the 1115 and 1915b waivers that enabled significant system expansion by optimizing Medicaid funding and which enabled critical advancement in SUD care over the last 10 years.**



Legislative Report Highlights



Item President's FY 2026 Discretionary Budget Request

Status 5/2/2025- Discretionary Budget Request

Analysis Would establish the Administration for a Healthy America (AHA) and would set an overall \$33 billion (-26.2%) reduction in HHS funding from prior year.

The proposal eliminates \$1.065 billion from SAMHSA, including elimination of funding for the Mental Health Programs of Regional and National Significance, Substance Use Prevention Programs of Regional and National Significance, and the Substance Use Treatment Programs of Regional and National Significance. The proposal indicates that costs of services should be shifted to States, supported by mental health and SUD block grant funding. The Budget proposal maintains \$5.7 billion for the activities formerly part of SAMHSA. There is no specific mention of SUBG funding levels, which may indicate they are not proposing significant or any cuts.

Additional information on Medicaid funding is not included in the proposal, although it asserts that there will be no impact on providing benefits to Medicare and Medicaid beneficiaries.

Bill	AB 1037 The Substance Use Disorder (SUD) Care Modernization Act (Elhawary)
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Objective	AB 1037 seeks to change outdated requirements and policies within existing statutes to align with current evidence-based practices and increase access to SUD treatment.
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Analysis	The SUD Care Modernization Act would help address historical stigmas, outdated policies, and significant statutory barriers to more successfully engage and treat people with SUDs and ultimately save lives. This bill aligns statutes with the overarching policies of California around SUD treatment, recently enacted laws, and best practices throughout an individual's recovery journey and no matter their readiness for change. Whether someone is ready for complete abstinence from substances or not, they should benefit from SUD treatment. California statutes can facilitate greater and more streamlined approaches to accessing care with the SUD Care Modernization Act.
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Position	DPH Position: Support County Position: Support (LA County Sponsored) CBHDA Position: Support
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Bill AB 309 Hypodermic needles and syringes (Zbur)

Objective

AB 309 aims to indefinitely extend the current law that allows individuals 18 years and older to obtain hypodermic needles and syringes from licensed pharmacists or physicians without a prescription. The bill seeks to eliminate the January 1, 2026 repeal date of existing regulations.

Analysis

Making permanent sterile syringe access at pharmacies and authorization for individuals to possess syringes for personal use will sustain the efficacy of harm reduction programs operating in LA County. It will promote greater access to sterile syringes among people who use injectable drugs in LA County, prevent the spread of HIV and viral hepatitis, preserve opportunities for health engagement in pharmacies, and promote proper disposal of used syringes.

Position

DPH Position: Support
County Position: Support
CBHDA Position: No position taken yet.

Bill AB 396 Needle and syringe exchange services (Tangipa)

Objective	AB 396 mandates that entities providing needle and syringe exchange services ensure proper disposal and tracking of each syringe dispensed, including unique serial numbers. Entities must report this data quarterly, and penalties for inaccurate reporting include fines and operation suspensions. Additionally, the bill establishes a Needle and Syringe Disposal Fund, highlighting accountability in addressing public health concerns related to needle disposal and potential health risks from improper handling.
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Analysis	The proposed penalties for abandoned or improperly discarded syringes is overly punitive to Syringe Services Programs (SSPs) and would create barriers for individuals with SUD to access their services. Not only do SSPs provide clean needles and syringes, which reduces the spread of bloodborne diseases like HIV and Hepatitis, they also provide opportunities for engagement with individuals about SUD treatment and distribute opioid overdose reversal medications. Should SSPs be burdened with high penalty fees or suspended from operation, communities would be negatively impacted. Furthermore, the disposal of medical waste, including sharps waste, is already regulated under the Medical Waste Management Act, additional oversight over SSPs is redundant and unnecessary.
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Position	DPH Position: Watch County Position: No position taken yet. CBHDA Position: No position taken yet.
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Bill AB 255 The Supportive-Recovery Residence Program (Haney)

Objective	AB 255 would allow state departments or agencies to fund supportive-recovery residences (SRRs) that have been certified by a National Alliance for Recovery Residences (NARR) affiliated organization, comply with Housing First components as determined by DHCS, and meet other specifications.
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Analysis	While DPH-SAPC does not currently offer permanent supportive housing (PSH), this legislation could provide funding streams that expand its Supportive Recovery-Oriented Residences program for much needed recovery-oriented permanent housing. This bill would also permit counties to require their own quality and performance standards when contracting for recovery residence services, in addition to NARR standards and Housing First principles.
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Position	DPH Position: Watch County Position: No position taken yet. CBHDA Position: No position taken yet.
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**“The opposite of addiction is NOT sobriety;
the opposite of addiction is **connection**.”**

- Johann Hari, British-Swiss Writer