



## OFFICE OF THE GOVERNOR

**SEP 25 2022**

To the Members of the California State Assembly:

I am returning Assembly Bill 2426 without my signature.

This bill would require the Department of Health Care Services to create a directed payment program in Medi-Cal managed care for Martin Luther King, Jr. Community Hospital's outpatient hospital services so that reimbursement received by the hospital is approximately equal to the hospital's costs for those services.

Although I appreciate the author's goal of supporting critical safety net care provided by this important hospital in his district, the bill imposes a reimbursement structure that conflicts with federal regulations, creating significant implementation challenges. Furthermore, this proposal would require tens of millions of dollars to implement which were not included in the budget.

With our state facing lower-than-expected revenues over the first few months of this fiscal year, it is important to remain disciplined when it comes to spending, particularly spending that is ongoing. We must prioritize existing obligations and priorities, including education, health care, public safety and safety-net programs.

The Legislature sent measures with potential costs of well over \$20 billion in one-time spending commitments and more than \$10 billion in ongoing commitments not accounted for in the state budget. Bills with significant fiscal



impact, such as this measure, should be considered and accounted for as part of the annual budget process. For these reasons, I cannot sign this bill.

Sincerely,

A handwritten signature in black ink, appearing to be "Gavin Newsom". The signature is highly stylized and cursive, with several sharp peaks and loops. It starts with a large, sweeping stroke on the left and ends with a long, horizontal tail on the right.

Gavin Newsom