

Enacted H.R.1 Reconciliation Legislation: Medi-Cal Impact Update

January 2026

Agenda

- » Overview of HR 1 Medicaid Provisions
- » Work and Community Engagement Requirements
- » Six Month Renewals
- » Immigrant Coverage
- » Governor's Budget Proposal

Major Medicaid Provisions of H.R.1

**Bottom Line: Up to 2 million Medi-Cal members may lose coverage;
Tens of billions in federal funding is at risk annually;
major disruption in Medi-Cal financing structure for safety nets.**

Eligibility/Access Requirements	State Financing Restrictions	Immigrant Coverage Limitations	Abortion Providers Ban
<ul style="list-style-type: none">» Work requirements» 6-month eligibility checks» Retroactive coverage restrictions» Cost sharing	<ul style="list-style-type: none">» Managed Care Organization (MCO) and Provider Tax limitations» State Directed Payment (SDP) restrictions» Federal funding repayment penalties for eligibility-related improper payments	<ul style="list-style-type: none">» Reduction in FMAP* for emergency UIS**» Restrictions on lawful immigrant eligibility (increases UIS) <p>* <i>Federal Medical Assistance Percentage</i></p> <p>**<i>Unsatisfactory immigration status</i></p>	<ul style="list-style-type: none">» One-year ban on federal Medicaid funding for "prohibited entities" that provide abortion services

All numbers are estimates and subject to change.

Effective Dates for Key Provisions

	2025				2026				2027				2028				2029			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Eligibility and Access	<div><div></div><div><div></div> Work requirements</div><div><div></div> Copayments for expansion adults</div><div><div></div> Option to Delay</div><div><div></div> 6-month eligibility redetermination</div><div><div></div> Shorten Medicaid retroactive coverage</div></div>																			
Payment and Financing	<div><div>Provider Taxes</div><div><div></div> Limits on provider taxes and rates</div><div><div></div> Ramp-down of provider tax cap</div><div><div></div> Potential Transition Period</div></div>																			
	<div><div>SDPs</div><div><div></div> Cap new State Directed Payments (SDPs) above Medicare rate</div><div><div></div> Gradual reduction of SDPs above Medicare rate</div></div>																			
	<div><div>Other</div><div><div></div> Abortion provider restrictions</div><div><div></div> CMS authority related to waiving improper payments eliminated</div></div>																			
Immigrant Coverage	<div><div></div> Change to federal funding for emergency Medi-Cal services</div> <div><div></div> Ends federal funding for some noncitizens</div>																			

Effective Dates for Key Provisions: Eligibility and Access

2025				2026				2027				2028				2029			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4

- **JANUARY 1, 2027:**
Implement **mandatory work requirements** for Medicaid expansion adults ages 19 to 64.

🕒 *State option to delay implementation until December 31, 2028; California unlikely to obtain approval from HHS Secretary.*

- **JANUARY 1, 2027:**
Redetermine eligibility for expansion adults once every 6 months.
- **JANUARY 1, 2027:** Shorten Medicaid **retroactive coverage**; provide Children's Health Insurance Program (CHIP) retroactive coverage at state option.

- **OCTOBER 1, 2028:**
Impose **copayments** on most services for expansion adults with incomes above 100% of the federal poverty level (FPL).

Effective Dates for Key Provisions: Immigrant Coverage

2025				2026				2027				2028				2029			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4

- **OCTOBER 1, 2026:**
Federal Medical Assistance Percentage (FMAP) for emergency Medi-Cal will be reduced from 90% to 50%.
- **OCTOBER 1, 2026:**
Ends the availability of federal Medicaid and CHIP funding for **refugees, asylees, and certain other noncitizens.**

Implementation Guiding Principles

- » **Automate to Protect Coverage.** Maximize the use of data sources to confirm eligibility without burdening members. Reduce paperwork, streamline verifications, and safeguard coverage stability.
- » **Communicate with Clarity and Connection.** Implement an outreach and education campaign that is culturally relevant, linguistically accurate, and written in plain language to build trust and help members understand the changes.
- » **Simplify the Renewal Experience.** Modernize and streamline the Medi-Cal renewal process with a clearer, member-friendly form and six-month renewal steps that are easier to navigate.
- » **Educate and Train Those Who Serve Medi-Cal Members.** Deliver comprehensive training on all H.R. 1 provisions for county eligibility workers. Provide clear policy guidance, practical tools, and ongoing technical assistance so counties and DHCS Coverage Ambassadors can confidently support members.
- » **Provide Timely and Transparent Communication to Members.** Share information on H.R. 1 changes early on so members can build awareness, anticipate changes to their coverage, and have ample preparation time to meet new requirements.

Work and Community Engagement Requirements



Overview of Work and Community Engagement Requirements

Section 71119: Requires states to condition Medicaid eligibility on compliance with work rules (called "community engagement requirements") for adults ages 19 through 64. The provision applies to adult expansion enrollees under the Affordable Care Act (ACA), also called the "MAGI New Adult Group."

Effective Date: January 1, 2027

Impact:

An estimated **up to 233K Medi-Cal members will lose coverage by June 2027, 1 million by Jan 2028, and 1.4 million by June 2028**. This coverage loss will significantly drive up the uninsured rate and raise costs for hospitals and clinics treating uninsured patients.

Overview of Work and Community Engagement Requirements

- » **Requirement:** Individuals must complete one or more qualifying activities:
 - Have monthly income at least 80 times the federal hourly minimum wage (\$580) or employment of 80 hours/month (Seasonal work will be averaged over the last six months)
 - Community service of 80 hours/month
 - Enrolled at least half-time in an educational program
 - Participation in a work program of 80 hours/month
- » **Exemptions.** The law outlines mandatory and short-term hardship exemptions. Exemptions must be verified every 6 months.
- » **All County Welfare Director's Letter (ACWDL) [26-30](#): Work and Community Engagement Requirements for New Adult Group**
 - *Note: This is preliminary DHCS guidance that is subject to change as federal guidance evolves.*

Work and Community Engagement Requirements: Mandatory Exemptions (1 of 2)

H.R. 1 provides that “specifically excluded individuals” are not subject to work reporting requirements. At any point during a month, DHCS will exempt the following individuals from work reporting requirements.

Mandatory Exemptions (Eligibility Group Related)

- » Children under age 19
- » Individuals eligible for another mandatory eligibility group (e.g., non-Modified Adjusted Gross Income)
- » Foster youth
- » Former foster youth under age 26, who were in foster care on their 18th birthday
- » Parents and other caretaker relatives
- » Pregnant women and those entitled to postpartum coverage
- » Individuals receiving Supplemental Security Income
- » Individuals entitled to Medicare Part A or Part B

Work and Community Engagement Requirements: Mandatory Exemptions (2 of 2)

Mandatory Exemptions

- » American Indians and Alaska Natives (AI/AN)
- » Parents/caretaker relatives of a dependent child(ren) 13 years or younger
- » Parents/caretaker relatives of a disabled individual(s)
- » Veterans with a disability rated as total (section 1155 of Title 38, United States Code)
- » Medically frail individuals or those with special medical needs (as defined by the U.S. Health and Human Services Secretary)
- » Individuals meeting Temporary Assistance for Needy Families
- » Individuals not exempt from Supplemental Nutrition Assistance Program (SNAP) work reporting requirements
- » Individuals participating in a drug addiction or alcohol treatment program
- » Inmates of a public institution and recently released from incarceration within the past 90 days

Work and Community Engagement Requirements: Optional Temporary Exemptions

DHCS will also exempt individuals for a given month if, at any point during that month, they experience a “short-term hardship” exemption, including:

- » Living in a county impacted by a federally declared emergency or disaster.
- » Living in a county with a high unemployment rate (at or above the lesser of 8% or 150% of the national unemployment rate, which was 4.2% as of July 2025). Enrollees in approximately 22 counties (including Alpine, Colusa, Fresno, Glenn, Imperial, Kern, Kings, Madera, Merced, Sutter, and Tulare counties) could qualify for this exemption (approximately 15.6% of Medicaid expansion enrollees in California).¹
- » Receiving inpatient hospital care, nursing facility services, services in an intermediate care facility for individuals with intellectual disabilities, inpatient psychiatric care, or other services of similar acuity (including related outpatient care) determined by the U.S. HHS Secretary.*
- » Traveling for an extended period to access medically necessary care for a serious or complex medical condition that is not available in the individual/their dependent(s)’ community.*

1. KFF, [A Look at the Potential Impact of the High Unemployment Hardship Exemption to Medicaid Work Requirements](#), 2025

*Exemption only available if specifically requested by the individual.

Verification Hierarchy for Medicaid Work Reporting Requirements

- » The following slides outline a proposed stepwise process for verifying whether an individual is subject to work reporting requirements or qualifies for an exemption. The steps prioritize data sources that aim to minimize member burden and only request documentation from individuals when necessary.
- » On the next three slides, the bars narrow across steps to reflect that the population subject to work reporting becomes smaller as exemptions are identified and verified.

Verification Steps

1	Assess if the individual meets an exemption based on being eligible for a non-expansion eligibility category or based on other eligibility information
2	Assess if the individual meets a hardship exemption that can be verified electronically
3	Identify individuals who meet exemptions using data sources or cross-system information data sharing
4	Conduct data verification to identify compliance with qualifying activities based on income and/or hours
5	Request information from the consumer to verify compliance with qualifying activities or an exemption

Verification Steps (1 of 3)

1 Assess if the individual meets an exemption based on being eligible for a non-expansion eligibility category or based on other eligibility information

(*Note: All data below reflects August 2025 Medi-Cal enrollment numbers)

Identify Medicaid Expansion Adults/New Adult Group

Individuals aged 19 to 64

~4,633,636
Individuals

Identify eligibility group exemptions: Exempts individuals identified by aid code based on their eligibility category, including: children under 19; parents and other caretaker relatives; aged/blind/disabled non-Modified Adjusted Gross Income (MAGI) eligibility; pregnant and postpartum individuals; foster youth and former foster youth under age 26; those receiving Supplemental Security Income; and inmates.

**Already
exempted based
on aid code**

Identify individuals who can be coded as exempt based on their eligibility group plus a systems modification: Exempts individuals including parents/guardians/caregivers of dependent child age 13 and younger; individuals recently released from incarceration within the past 90 days.

~619,711
Individuals

Identify individuals who can be coded as exempt based on information provided on the application/renewal form: Exempts individuals including AI/AN; individuals entitled to or enrolled in Medicare Part A or Part B.

~14,385
Individuals

Verification Steps (2 of 3)

2 Assess if the individual meets a hardship exemption that can be verified electronically

Determine individuals who meet a short-term hardship exemption:

Exempts individuals living in a county impacted by a federally declared emergency or disaster; living in a county with high unemployment rate.

~373,389
Individuals

3 Identify individuals who meet exemptions using data sources or cross-system information data sharing

Determine if individuals meet other exemption criteria using new data sources or reports

Verifies that individuals:

- » Meet TANF work requirements;
- » Have a member of a household receiving SNAP or meets a SNAP exemption that is aligned with a Medicaid exemption;
- » Are parents or guardians of a disabled individual;
- » Are veterans with a disability rated as total by Veterans Affairs (VA);
- » Are medically frail; or
- » Are at least half-time enrolled in educational program

TBD
Individuals

Verification Steps (3 of 3)

4 Conduct data verification to identify compliance with qualifying activities based on income and/or hours.

Verify individuals complying with income/work hours qualifying activities:

Verifies individuals who have an income of at least \$580/month;
who have an average monthly income of \$580/month;
who work 80 hours/month.

~672,831
Individuals

~1,842,155 individuals determined exempt or income compliant via an automated source (Steps 1-4)

5 Request information from the consumer to verify compliance with qualifying activities or an exemption

Individuals unable to verify compliance with qualifying activities or receive an exemption using sources above

May vary by individual.

~2,791,481

Individuals who could not be determined
exempt or income compliant via an automated
data source

~1,395,741

assume 50% of 2,791,481 will disenroll due
to failure to return verifications/comply

Examples of State and Federal Data Sources For Verifying Compliance (Income or Hours)

Compliance/Exemption Category	Potential Data Source	Status
Income of at least \$580/month and/or 80 hours of work	State Quarterly Wage Data and IRS Data	Currently in use
	Equifax Work Number (provides timely income data and hours of work)	DHCS will implement beginning with January 2027 applications and renewals.
	Gig Economy Data	California is assessing several options
Veteran with disability rated as total	Veteran Service History and Eligibility Application Programming Interface (API)	DHCS currently receives this data and will use for exemption purposes

Examples of DHCS Data Sources for Identifying Eligibility Group and Medical Frailty Exemptions (1 of 2)

Exemption Category	Potential Data Source	Current Status
<ul style="list-style-type: none">• Child under 19• Pregnant or postpartum• Foster youth and former foster youth• Aged/disabled• Parents/caretaker relatives• Inmates or recently released from incarceration	Medi-Cal Eligibility Aid Codes	System to be configured to exempt individuals from work reporting requirements

Examples of DHCS Data Sources for Identifying Eligibility Group and Medical Frailty Exemptions (2 of 2)

Exemption Category	Potential Data Source	Current Status
Medically Frail	All Claims and Encounters (e.g., submitted through PACES, CA-MMIS, Medi-Cal Rx)	<ul style="list-style-type: none">DHCS will exempt individuals who are eligible for certain programs (e.g., HCBS, PACE) and is currently evaluating ECM and Community Supports eligibility criteria to assess alignment with medical frailty designations.In addition, DHCS will be developing International Classification of Diseases (ICD)-10 and Current Procedural Terminology (CPT) Code list to identify diagnosis and utilization data that meet medical frailty definitions.DHCS is also exploring other potential data sources (e.g., MCP care management systems) for timely sources of exemption data.
	Short Doyle Medi-Cal System	DHCS will exempt any individual who has a claim in Short-Doyle

Examples of Cross-State Data Sources for Identifying Compliance/Exemptions

Compliance/Exemption Category	Data System	Status
Compliance with Temporary Assistance for Needy Families (TANF)/CalFresh Work Requirements	Department of Social Services (CDSS)	System to be configured to pull in CDSS data for identifying exemption
Part Time Education	California Student Aid Commission (CSAC) and University of California (UC) data/ California State University (CSU) data CA Department of Education (DOE) Lexus Nexus (National Student Clearinghouse)	Exploring potential for data matching
80 hours of work program participation	Department of Rehabilitation	Exploring potential for data matching

Six Month Renewals



Overview of Six-Month Eligibility Checks

Section 71107: Requires that as of January 1, 2027, states must conduct eligibility redeterminations for adult expansion enrollees under the Affordable Care Act (ACA), also called the "MAGI New Adult Group," once every six months instead of once every 12 months per current policy. Tribal members, pregnant members, and children are not subject to this requirement. This population is also subject to work and community engagement. The six-month redetermination process will largely mirror existing annual renewal processes for automated and manual ex parte efforts, verification requests, and other existing processes.

Effective Date: January 1, 2027

Impact:

An estimated **up to 289K Medi-Cal members may lose coverage by June 2026, and increasing to approximately 400K by 2029-30**, which will significantly drive up the uninsured rate and raise costs for hospitals and clinics treating uninsured patients.

Six-Month Eligibility Checks

- » Six-month renewal will follow the same process as the 12-month renewal, including ex parte, renewal timeline, and reminder notices.
- » Only the individuals on the case who are subject to a six-month renewal will be required to complete and return the renewal.
- » DHCS is updating and streamlining the MAGI renewal form to reduce member burden in completing the form.
- » Tribal members and individuals that are pregnant or 12 months postpartum are not subject to six-month eligibility checks, even when enrolled through the MAGI New Adult Group.
- » **All County Welfare Director's Letter (ACWDL) [26-31](#): Six-Month Renewals for New Adult Group Requirements**
 - *Note: This is preliminary DHCS guidance that is subject to change as federal guidance evolves.*

Immigrant Coverage



Immigrant Coverage

Section 71109: Ends the availability of full-scope federal Medicaid and CHIP funding for most refugees, asylees, victims of human trafficking, certain individuals whose deportation is being withheld or who were granted conditional entry, or individuals who received humanitarian parole, such as certain Afghans who aided U.S. operations in Afghanistan or people fleeing violence in the Ukrainian war.

Effective Date: October 1, 2026

Impact:

An estimated **up to 200,000 Medi-Cal members will no longer qualify for federal full-scope Medicaid**, which will significantly change the medical services these individuals can access. Per Governor's Budget 2026-27, this group will transition to restricted scope Medi-Cal.

Qualified Non-Citizens Definition Change

- » H.R. 1 changes the definition of a Qualified Non-Citizen for federal funding purposes to include **only** the following immigration statuses:
 - Lawful Permanent Resident (LPR).
 - Cuban or Haitian Entrants.
 - Migrants legally residing in the United States and its territories under the Compact of Free Association (COFA), such as citizens of Micronesia, the Marshall Islands, or Palau.
- » Per Governor's Budget 2026-27, individuals whose immigration status previously qualified them for federal full-scope Medi-Cal will be transitioned to restricted scope (emergency and pregnancy-related services only) effective October 1, 2026.

Qualified Non-Citizens Definition Change

- » Lawfully present immigration statuses affected by this change include:
 - Refugee status (T-Visa holders are treated as refugees)
 - Granted asylee status
 - Amerasian immigrants
 - Individuals granted withholding of deportation or removal
 - Conditional entrants granted before April 1980
 - Individuals paroled into the United States for one year or more
 - Battered non-citizens, or the parent or child of a battered non-citizen
 - Other immigration statuses no longer included in the revised definition
- » Lawfully present children under the age of 21 and lawfully present pregnant or postpartum individuals, if otherwise eligible, will continue to receive federally-funded full scope Medi-Cal.

Reduction in Federal Match for Emergency Services

Section 71112: Removes the enhanced federal match for emergency Medicaid services provided to undocumented individuals in the New Adult Group. States will receive the regular federal Medicaid match for emergency services.

General Fund Impact:

- » This change will result in additional General Fund impact of \$658 million in SFY 2026-27.

Effective Date: October 1, 2026

Governor's Budget Proposal



Budget Requests for HR 1 Implementation

- » Senate Bill 105 (Chapter 104, Statutes of 2025) provides preliminary resources and contracting dollars for DHCS' work on H.R. 1's eligibility provisions:
 - \$2.5 million (\$1.25 million General Fund) for technical assistance contracts to support policy development and system alignment for HR 1's eligibility provisions
 - 7.0 limited-term positions within the Medi-Cal Eligibility Division funded through June 30, 2026, to direct the initial policy development of HR 1's eligibility provisions
- » To continue the ongoing policy development work and initiate the required federal outreach efforts for HR 1's eligibility provisions, DHCS is requesting the following resources and contract dollars in Governor's Budget 2026-2027 through the Budget Change Proposal process:
 - \$17.5 million (\$8.75 million General Fund) for outreach and media to facilitate compliance on the required outreach requirements for community engagement
 - Extend 7.0 limited-term positions approved through SB 105 for four-years to continue the ongoing work related to HR 1's eligibility provisions.
- » The Department is working with counties to evaluate resource needs to support county implementation of the eligibility-related HR 1 provisions.
- » Overall, the January 10 budget includes \$1.1 billion General Fund in 2026-27 to support Medi-Cal costs associated with HR 1 policy changes.

Implementation Plan and Engagement

- » A H.R. 1 Implementation Plan will be released in late January to guide implementation of federal Medicaid eligibility changes in California.
- » Ongoing workgroups with counties, managed care plans, advocates, and community partners are shaping policy and streamlining operations to support implementation readiness.
- » Regular updates are being shared through stakeholder forums, workgroups, and established communication channels to keep partners informed and engaged.
- » Questions? E-mail DHCSGetInvolved@dhcs.ca.gov.

Thank you

