Impact of Federal Funding Cuts to Medicaid (Medi-Cal) on California

Up to **3.4 million Californians** could lose their Medi-Cal coverage and the state could lose about **$30 billion** in federal funding every year due to H.R. 1, signed into law by President Trump in July 2025 — destabilizing the health care system and driving up health care costs for everyone.

Policy Change	Implementation Date	Scope of Impact	Loss in Federal Funds to California	Effect on Californians and Other Details
Systemwide Medi-Cal Funding Threats				
New Restrictions on Provider Tax Rates	July 4, 2025	Entire Medi-Cal program	No estimates available; potential multi-billion dollar loss annually	Bans new provider taxes and requires Medicaid plans and providers to be taxed at the same rate as non-Medicaid entities. **Bottom line:** Reduces revenue from California's MCO tax and Hospital Quality Assurance Fee, key Medi-Cal funding sources.
Lower Cap on State-Directed Payments (SDPs)	July 4, 2025	Hospitals and clinics statewide	No estimates available	Caps SDPs at 100% of Medicare rates, lower than what California currently pays. SDPs are extra payments the state uses to help providers cover the cost of caring for Medi-Cal patients. Some existing SDP arrangements may be temporarily protected, but those protections begin phasing out in January 2028. **Bottom line:** Cuts revenue for safety-net providers, limiting patient access.
Defunding Providers Offering Abortion Services	July 4, 2025 (delayed by litigation, now in effect as of September 11, 2025)	Planned Parenthood and similar providers	$305 million over 1 year	One-year ban on federal Medicaid funds for nonprofit reproductive health providers that provide abortions outside Hyde exceptions (rape, incest, or life endangerment). **Bottom line:** Severely restricts access to preventive care, primary care, and reproductive and sexual health care for over 80% of Medi-Cal members.
New Rural Health Transformation Fund	October 1, 2025 (funds become available)	Rural health care providers and communities	N/A	Establishes a $50 billion grant program (FY 2026–2030) for states to support rural health care providers, including payments for services, workforce expansion, and system improvements. **Bottom line:** Provides temporary funding for rural providers, but the scale is far smaller than the long-term losses under H.R. 1 and will not prevent many closures or service cuts.
Reduced Federal Match for Emergency Medi-Cal	October 1, 2026	California state budget	No estimates available	Ends the 90% federal match for emergency Medi-Cal services for individuals who would qualify for the ACA expansion group if not for their immigration status. **Bottom line:** Shifts more costs to the state.
New Provider Tax Revenue Limit	October 1, 2027	Entire Medi-Cal program	No estimates available	Lowers provider tax rate from 6% to 3.5% of net patient revenue by 2032. **Bottom line:** Sharply reduces Medi-Cal revenue, creating budget pressures that could reduce access to care for millions.
New Provider Payment Limit	October 1, 2028	Entire Medi-Cal program	No estimates available	Reduces the federal cap on provider payments in Medicaid managed care, limiting California's ability to draw down federal funds. **Bottom line:** Weakens a key Medi-Cal financing tool, creating budget pressures.
Threats to Eligibility and Access				
Blocks Federal Rule to Improve Access to Medi-Cal	July 4, 2025	Children, seniors, and people with disabilities	N/A	Blocks implementation of a federal rule that would have reduced administrative barriers, prevented unnecessary coverage losses, and improved continuity of care. **Bottom line:** Keeps harmful policies in place that make it harder for people to access and maintain Medi-Cal coverage.
Eliminates Medi-Cal and CHIP (Children's Health Insurance Program) for Many Immigrants	October 1, 2026	Refugees, asylees, humanitarian parolees, trafficking survivors, and other immigrants previously eligible under humanitarian protections	No estimates available	Restricts Medi-Cal and CHIP eligibility to US citizens, US nationals, and a narrow group of immigrants: green card holders (excluding those in the US temporarily), certain Cuban and Haitian immigrants, Compact of Free Association (COFA) migrants, and immigrant children and pregnant adults who meet specific federal residency criteria. **Bottom line:** Takes health coverage away from some of the most vulnerable people.
Increased Eligibility Checks for the ACA Expansion Adults	January 1, 2027	About **400,000 adults** could lose Medi-Cal	No estimates available	Requires state to check Medi-Cal eligibility twice a year instead of once a year. Paperwork and documentation requirements can be burdensome for people to navigate. **Bottom line:** More people could lose coverage due to red tape.
Limits Medi-Cal Retroactive Coverage for Adults	January 1, 2027	About **86,000 adults** a year would lose retroactive coverage	No estimates available	Reduces retroactive Medi-Cal coverage from 3 months to 1 month for ACA expansion adults and to 2 months for all others. **Bottom line:** Likely to leave more people with unpaid medical bills.
Work Reporting Requirements for ACA Expansion Adults	January 1, 2027 (unless federal government grants an extension)	About **3 million adults** could lose Medi-Cal	$22.3 billion over 10 years	Requires adults ages 19–64 to document at least 80 hours per month of work, job search, or job training to keep Medi-Cal coverage. Exemptions include pregnant people, caregivers for a person with a disability, and caregivers for a dependent child age 13 or younger, though how these exemptions would be applied in practice is unclear. **Bottom line:** Likely to cause large-scale coverage losses.
Mandatory Cost-Sharing for ACA Expansion Adults >100% FPL	October 1, 2028	Low-income adults	No estimates available	Imposes new copayments on certain Medi-Cal services for adults in the ACA expansion population with incomes just above the federal poverty level. Exempts primary care, behavioral health, emergency care, pregnancy-related care, and family planning. Allows providers to turn away patients unable to pay. **Bottom line:** Creates new financial barriers that could prevent low-income adults from getting needed care.

Note: California fully implemented the Affordable Care Act (ACA) in 2014, expanding Medi-Cal to adults under age 65 with incomes at or below 138% of the federal poverty level who meet immigration eligibility criteria. Prior to this expansion, Medi-Cal eligibility for adults was limited mainly to very low-income parents, pregnant individuals, seniors, and people with disabilities, and most low-income adults without dependent children were excluded from coverage. The number of adults at risk of losing Medi-Cal coverage due to work requirements could be lower depending on the extent to which California can use data matching to automatically exempt enrollees.

Source: California Department of Health Care Services

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