

The California State Budget of 2025-26 and the proposed budget for 2026-27 impose sweeping cuts towards Medi-Cal coverage for patients that don't qualify for federal Medicaid eligibility due to their immigration status, walking back decades of advocacy to expand health care to all Californians, regardless of immigration status.

## HEALTH CENTER IMPACTS FROM MEDI-CAL CHANGES

### 2025 – 2026 Budget

#### **Loss of Health Center Reimbursement Rate (PPS) for California's State Only Funded Medi Cal Beneficiaries**

Beginning July 1, 2026, CHCs will lose PPS reimbursement for state-only funded services provided to individuals with unsatisfactory immigration status (state only funded population) and instead receive reimbursement at a significantly lower Medi-Cal fee-for-service rate. This cut is expected to cost CA CHCs, who are federally mandated to serve all patients in their communities, \$1 billion annually.

#### **Freezes Medi-Cal Enrollment for State Only Funded Medi Cal Beneficiaries**

A freeze on Medi-Cal enrollment for state-only funded Medi Cal beneficiaries which began January 1, 2026, halts all new applications for Medi-Cal coverage for UIS patients. New patients who are not eligible for federal Medicaid will no longer be able to receive any state only coverage, including victims of human trafficking and asylees.

#### **Elimination of Dental Coverage for Medi-Cal State Only Funded Medi Cal Beneficiaries**

Beginning July 1, 2026, state only funded adults who are already enrolled in full scope Medi-Cal will lose their dental benefits. Health centers provide millions of dental services a year to Medi-Cal patients, without dental coverage, state only funded Medi-Cal Beneficiaries will be forced to go without care and CHCs provision of uncompensated care will increase.

#### **Premiums for the Med-Cal State Only Funded Adult Beneficiaries**

Beginning July 1, 2027, California will implement a \$30 per month premium for all state only funded adults already enrolled in Medi-Cal. Many studies have shown that increasing out of pocket costs for patients including premiums forces patients to choose between keeping their health care coverage or putting food on the table. This is especially true for health center patients who are often already resource strapped.

## 2026-2027 Proposed Budget

### **Moves HR1 Medicaid Eligibility Reduced Population to Restricted Scope Medi-Cal**

The Governor's 2026-27 budget proposes to move the 200,000 patients, who will no longer be federally eligible for Medicaid because HR1 restricts Medicaid immigrant eligibility, to Restricted Scope Medi-Cal. Restricted Scope Medi-Cal only covers emergency services, leaving health centers these patients without any primary care coverage.

### **Imposed Work Requirements and Eligibility Verification increased on State Only Funded Medi-Cal Patients**

The Governor's 2026-27 budget proposes to apply the HR1 mandated work requirements and eligibility verification increases to the state only funded population. Unlike the federally eligible Medicaid population. If a state only funded beneficiary loses coverage unnecessarily due to these new requirements or drops coverage for a few months because they can't afford the new premium, they will be frozen out health care coverage permanently. The state and many health care advocates agree that work requirements and eligibility verifications are bad policies that do not work. California should not expand these policies unnecessarily.

The policies passed in last year's budget and those proposed in this year's budget deepens inequities for immigrant communities by scaling back state-only Medi-Cal coverage, applying harmful work requirement policies, and moving approximately 200,000 legally present immigrants onto restricted-scope coverage. These actions are inconsistent with California's long-standing commitment to health equity.

At a time of escalating federal pressure targeting immigrant communities and other vulnerable populations through funding restrictions, regulatory actions, and enforcement threats, these budgets represent a critical test of whether California's values will hold.

