

Governor's May Revise 2025

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For Maternal and Child Health Access

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Overall Context

- ▶ **Revenues down \$16 billion** from projections in January
 - ▶ Big stock market drop from Trump tariffs announcements. So big hit to CA state revenue from lower capital gains taxes.
 - ▶ Ongoing concern re: economic slow down when tariffs show up in pricing or as result of other federal policies
 - ▶ **\$12 billion shortfall** for the FY 2025-26 budget that was proposed in January
- ▶ Medi-Cal had to **borrow \$2.8 billion** from the General Fund recently to cover budget gap for current FY: expenses were more than projected with last year's budget.
- ▶ May Revise: **another \$1.9 billion** from the Medi-Cal Provider Interim Payment Loan.
- ▶ Concerns re: **Medicaid cuts** Republicans in Congress want and **other federal threats**
- ▶ **Reminders:**
 - ▶ The May Revise has only the **Governor's** ideas for addressing the shortfall.
 - ▶ Will the **Legislature** agree to a final budget with Governor's cuts?
 - ▶ CA is the 4th largest economy in the world. The wealth is there.

Health Budget Shortfall per May Revise

- ▶ **Overall higher than anticipated costs** for both managed care and fee-for-service payments, pharmacy benefits, and retroactive managed care rate adjustments
- ▶ Continuation of some key COVID-era **eligibility flexibilities**
- ▶ **Greater enrollment + greater per person costs than anticipated** for Medi-Cal's recent "Adult Expansion" for ages 19-49

May Revise proposed cuts: Health

Adults 19 or Older who lack immigration status for federal matching funds

- ▶ **Enrollment Freeze:** No new enrollment
 - ▶ To start no sooner than January 1, 2026
 - ▶ Cuts \$86.5 million General Fund first year; \$3.3 billion by FY 2028-2029
- ▶ **No non-emergency dental**
 - ▶ Effective July 1, 2026
 - ▶ Cuts \$308 million GF FY 2026-27 and \$336 million FY 2028-29 and ongoing
- ▶ **Premiums:** \$100 monthly Medi-Cal premiums
 - ▶ Effective January 1, 2027
 - ▶ Cuts \$1.1 billion General Fund FY 2025-2026; \$2.1 billion by FY 2028-2029

May Revise Proposed Cuts, cont'd

- ▶ **Long Term Care** roll back: End Medi-Cal's LTC benefit, including IHSS, for people who lack status for federal matching funds
 - ▶ All ages? Or just 19 and older?
 - ▶ Effective January 1, 2026
 - ▶ Cuts \$333 million General Fund in FY 2025-26; \$800 million in FY 2026-27 and ongoing
- ▶ Reinststate Medi-Cal **Assets Test** for seniors/people with disabilities (\$2,000 individual; \$3,000 couple)
 - ▶ To start no sooner than January 1, 2026
 - ▶ Cuts \$94 million General Fund in FY 2025-26; \$540 million in FY 2026-27; and \$791 million ongoing

Provider rates

- ▶ **Prop 56 supplemental provider rates eliminated** for dental, family planning, and women's health providers.
 - ▶ Cuts \$504 million in FY 2025-26 and \$550 million ongoing
- ▶ **Clinic Prospective Payment System (PPS) rate eliminated** for state-only services provided to individuals lacking status for federal matching funds. Switch to Medi-Cal fee-for-service and Medi-Cal managed care rates.
 - ▶ Cuts \$452.5 million in FY 2025-26 + \$1.1 billion FY 2026-27 & ongoing
- ▶ **MCO tax for provider rates + to support Medi-Cal budget** (Prop 35 expenditure plan). Based on latest projected revenue from the MCO tax:
 - ▶ \$1.1 billion more than Gov's January budget proposed for FY 2025-26, but \$200 million less in FY 2025-26 and \$400 million in FY 2026-27.
 - ▶ **This means:** \$804 million in FY 2024-25, \$2.8 billion in FY 2025-26, and \$2.4 billion in FY 2026-27

Other

- ▶ Eliminate Medi-Cal Specialty Drug Coverage for **Weight Loss**
- ▶ **Pharmacy Drug Rebates:** to save the state money on drugs for individuals without status for federal match
- ▶ **Prescription Drug Utilization Management:** to save the state money but likely to make it harder to get approval for prescription drugs
- ▶ **Skilled Nursing Facilities:** elimination of Work Force and Quality Incentive Program; suspend 96-hour back up power source mandate
- ▶ **Medi-Cal Minimum Medical Loss Ratio:** plans to pay higher % of premium dollars on **medical claims and quality improvements** versus administrative costs
- ▶ **988 Suicide and Crisis Lifeline Centers:** \$17.5 million one-time 988 State Suicide and Behavioral Health Crisis Services Fund to support suicide and crisis lifeline center contact volume capacity.

Child Care + CalWORKs + Food/Nutrition

- ▶ **Child Care Cost-of-Living Adjustment**—Suspended in FY 2025-2026. Cuts \$60.7 million General Fund in FY 2025-26 and ongoing.
- ▶ **Emergency Child Care Bridge**—Cuts \$42.7 million GF FY 2025-26, ongoing
- ▶ **CalWORKs:**
 - ▶ (1) expands allowable welfare-to-work activities
 - ▶ (2) makes Job Club an optional welfare-to-work activity
 - ▶ (3) simplifies the curing of sanctions
 - ▶ (4) replaces the county welfare-to-work reporting requirements with administrative data extracts
- ▶ **SUN Bucks**-- Summer Electronic Benefits Transfer: \$115.8 million (\$57.5 million GF) added in 2025-26 for transactions costs and outreach. Program provides \$40 per month for June, July, and August per child; \$120/mo. rest of year.

What is Congress planning?

- ▶ Republican measures can't achieve desired tax cuts for billionaires without **\$880 billion in Medicaid cuts.**
- ▶ “Mark up” completed in the House Ways and Means Committee May 14 with only Republican votes. Dems fought back hard.
- ▶ **Shifts massive amount of costs from the federal government to the states,** which can't cover such huge sums, so states would have to cut eligibility, benefits, and/or rates.
- ▶ Mark up would have been even worse without the **public outrage/actions** decrying Medicaid cuts.
- ▶ Next stop, full House Budget Committee, May 16 or next week.
- ▶ Then more stops in the House before going to the Senate. So **more opportunities remain to express views.**

Examples of what's in House Mark Up

- ▶ **Freeze MCO tax.** So no increases. Severely limits funding source for Medicaid.
- ▶ **Cuts federal match for Obamacare Adult Expansion** to 80% from 90% for states, like CA & NY, that include the undocumented for non-emergency care.
- ▶ **Reduce retro Medicaid** to 1 month from 3.
- ▶ **Must redetermine eligibility every 6 months** instead of 12.
- ▶ **Work reporting requirements.**
 - ▶ Millions will drop off because of the red tape, per the CBO.
 - ▶ Pilots in Ark and Georgia discontinued people but did not increase employment because most on Medicaid who can already do work.
 - ▶ Starts in 2029, to give Reps cover through the next midterm and presidential elections.
- ▶ **Co-pays** of up to \$35 for beneficiaries with income over 100% FPL. (Exceptions for prenatal and pediatric care, primary care check ups, ER visits.)
- ▶ **Defunds Planned Parenthood** (and other providers?) who provide abortion services even though they mainly provide basic primary care as well.

Thank you!

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