

# Devastating federal and state budget cuts: What now?

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# Deep breaths. . .

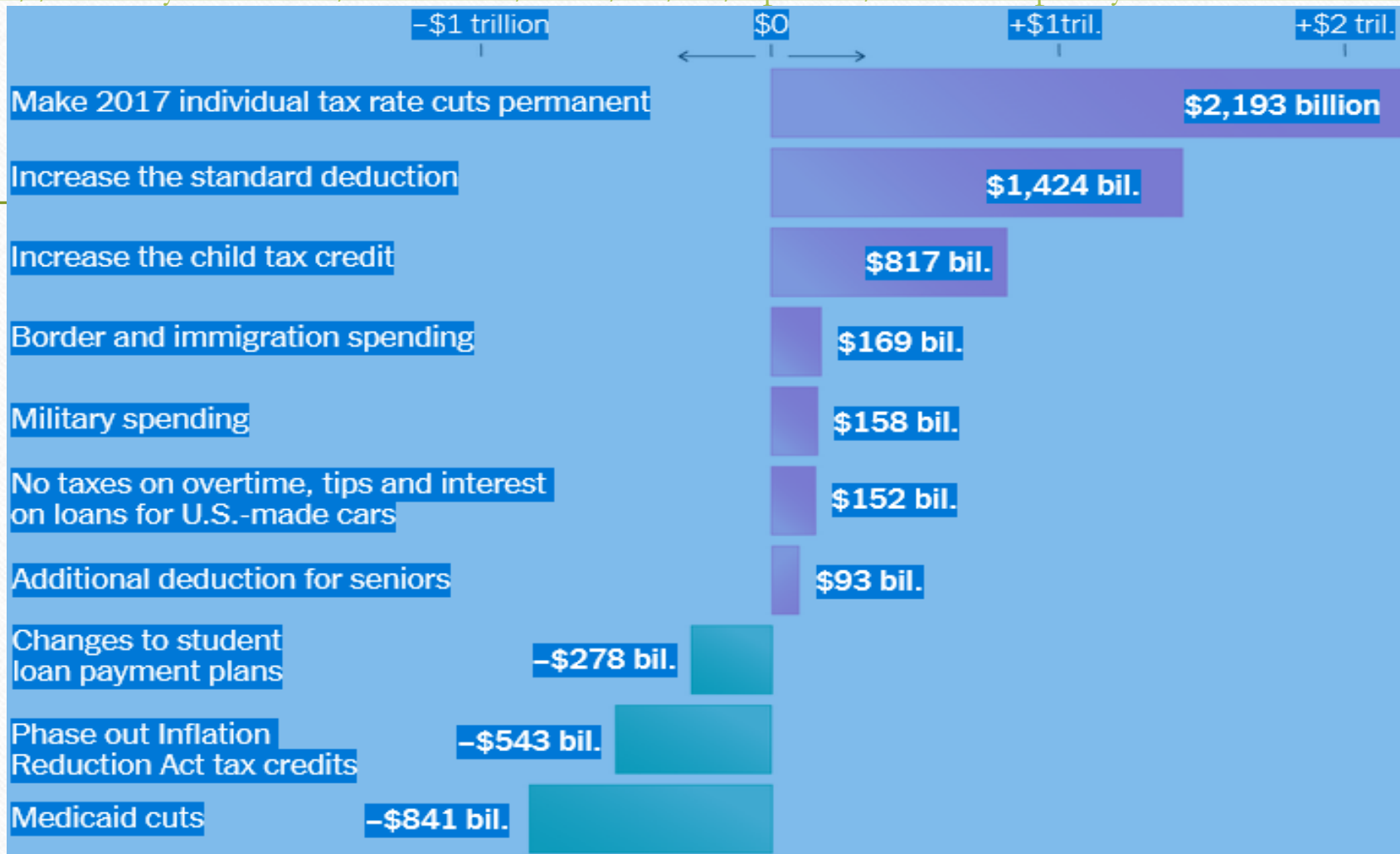
- It's going to be tough-- historically tough-- no way to sugar-coat any of it.

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- Sustain, and build on, our mutual support and advocacy networks at all levels.
- Leverage resources in brilliant partnerships.
- Advocate for the least harmful state administrative implementation policies.
- Raise state and local \$\$ to fill in funding gaps created by the Republican budget bill signed on July 4, 2025 until we can get fed funding levels back.
- Fight off despair, in community.
- Be open to every opportunity to feel joy and renewed sense of purpose.
- Accountability, accountability, accountability for those responsible.

# What just happened? (NYT July 3, 2025)

<https://www.nytimes.com/interactive/2025/07/03/opinion/domestic-policy-bill-in-charts.html>



# “Our Rich Keep Getting Richer”, growing the federal debt (NYT 7/3/25).

<https://www.nytimes.com/interactive/2025/07/03/opinion/domestic-policy-bill-in-charts.html>

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- Federal debt grows to over \$2 trillion in 10 years.
  - Why? To police/detain/deport immigrants, and to lower taxes for large, profitable corporations and ultra-wealthy households.
- Interest payments alone are already the largest single expenditure of the federal government, surpassing even military spending.
- Clearly, the U.S has the ability to choose a more equitable tax policy, to marshal the resources for an adequate social safety net.

# America, the police state

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- The terror already unleashed against immigrants by the current federal administration is just the beginning.
- The new federal budget supercharges immigration enforcement with massive new funding.
- Targets won't end with immigrants.

# Timeline of key changes

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- The slides are mainly organized by topics and issues.
- Roughly organized by which changes go into effect first
- Comprehensive chronological timeline provided at the end
- Not all of the recent changes made by regulations or statutes are covered here— just the main changes.

# Health Care: new fed regulatory policy

As of **July 10, 2025**, new CMS guidance excludes undocumented immigrants from **federal funding** for the following. Public comment accepted for 30 days but **new rule in effect**..

<https://www.regulations.gov/docket/AHRQ-2025-0002/document?withinCommentPeriod=true>

CA and 20 other states + D.C. filed suit on July 21, 2025.

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- Head Start
- Mental health and community services block grants
- Community behavioral health clinics
- Substance use abuse programs and grants
- Certain workforce and homelessness programs, and
- Title X Family Planning services
- Three Title IV programs

# Health Care and New Federal Budget Law (H.R. 1), signed July 4, 2025

<https://www.congress.gov/119/bills/hr1/BILLS-119hr1enr.pdf>

Title VII (“Finance”), Subtitle B (“Health”), Sections 71101-71401, at pp. 219-261

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- Further **restricts who** can be covered under Medi-Cal and other health coverage programs **with federal matching funds**:
    - The feds currently pay roughly 50% of Medi-Cal costs. So losing any part of the federal match is a big hit to state and county health budgets.
  - Adds lots of **new red tape** for eligibility and retention: **eligible people will lose coverage**.
  - Further **limits the mechanisms or formulas** states and local governments can use to **draw down federal match**.
    - So creates more pressure on state/local government to **find non-federal funds**.

# Health Care and New Federal Budget Law, continued

These groups **remain eligible for Full Scope services with federal funding** under Medicaid/CHIP, the Exchanges, and Medicare:

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- Cuban and Haitian entrants
- People from the countries of the Compact of Free Association (COFA)-- Micronesia, Marshall Islands, and Palau
- Lawful permanent residents (LPR/green card holder), but only after their first 5 years in the U.S. (**longstanding “5-year bar”**).
  - Medi-Cal covers them for Full Scope during the 5-year bar with state-only funds.
- Lawfully residing children and pregnant people may still qualify for Medicaid/CHIP with fed \$\$ even during their first five years in the U.S. at state option.
  - CA has taken this option for federal match for Medi-Cal & MCAP/MCAIP.

Many other lawfully present immigrants  
lose eligibility for federal \$\$ under H.R. 1:  
Will states cover them w/o the federal support?

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- Medicaid and CHIP (Medi-Cal and MCAP)
  - Starting October 1, 2026, no more federal match \$\$ for non-emergency services for certain lawfully present immigrants.
- Exchanges and Advanced Premium Tax Credits (APTCs) (Covered CA)
  - Starting January 1, 2027, no more federal \$\$ for certain lawfully present immigrants.
- Medicare
  - Certain lawfully present immigrants:
    - Excluded for at least one year when seeking to enroll on or after July 4, 2025
    - If enrolled before July 4, 2025, may be disenrolled starting 18 months after July 4, 2025 (so sometime in December 2026).

**Medi-Cal:** Lose fed match \$\$ for **non-emergency** services.

(No change to Emergency Medicaid eligibility)

**MCAP/MCAIP:** Lose federal match.

**Medicare:** Lose eligibility for Medicare services for at least one year.

- ~~• Refugee~~
- ~~• Person granted asylum~~
- ~~• Paroled into the U.S. for at least one year~~
- ~~• Granted withholding of deportation or withholding of removal~~
- ~~• Battered spouse, child and parent~~
- ~~• Trafficking survivor and his/her spouse, child, sibling or parent~~
- ~~• Iraq/Afghan special immigrant visas~~
- ~~• Member of a federally-recognized Indian tribe or American Indian born in Canada~~

# Exchanges / Covered California

- ~~•Refugee~~
- ~~•Person granted asylum~~
- ~~•Paroled into the U.S. for at least one year~~
- ~~•Granted withholding of deportation or withholding of removal~~
- ~~•Battered spouse, child and parent~~
- ~~•Trafficking survivor and his/her spouse, child, sibling or parent~~
- ~~•Iraq/Afghan special immigrant visas~~
- ~~•Member of a federally-recognized Indian tribe or American Indian born in Canada~~
- ~~•Temporary Protected Status (TPS)~~
- ~~•Deferred Enforced Departure (DED)~~
- ~~•Deferred action (including DACA)~~
- ~~•Paroled into the U.S. for less than one year~~
- ~~•Individual with nonimmigrant status (includes worker visas, student visas, U visas, and many others)~~
- ~~•Administrative stay of removal~~
- ~~•Lawful temporary resident~~
- ~~•Family unity~~
- ~~•Special immigrant juvenile status (SIJS)~~
- ~~•Others granted employment authorization~~
- ~~•Applicants for certain forms of status, including LPR, SIJS, and T visas~~

# Medi-Cal and the new Federal Law (H.R. 1): “Retroactive” eligibility

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- Obamacare “Expansion Adults” (19-64), income to 138% of poverty in CA
  - Reduced from up to three months to **one month** prior to application
- Other Medicaid categories (and CHIP in states with CHIP retros)
  - Reduced from up to three months to **two months**
- Starting January 1, 2027
- Much less time to recover from medical emergencies (e.g., an accident; birth or medically difficult miscarriage, etc.), a time when income often decreases.

# Redeterminations under H.R. 1

- New provision applies **only** to the Obamacare “Expansion Adults” (19-64; income up to 138% of poverty)

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- Twice as often: at least **every six months** instead of once a year
  - **400,000** will lose Medi-Cal (Governor’s estimate)
  - Many/most simply because of the **additional paperwork burden**
  - Undermines inter-conception care
  - Removes a resource for supporting fathers
- Starting January 1, 2027
- **Reminder:** Does **not** apply to individuals in the Medi-Cal eligibility categories for children, pregnant/postpartum adults, “parents or caretaker relatives” (to 109%), seniors, or people with disabilities

# Redeterminations, continued

Essential to get into the **“right” eligibility category** to avoid more frequent redeterminations. Common examples:

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- Mary, age 26, becomes pregnant with her first child after enrolling in Medi-Cal: Let the county know, so Mary can be moved to the **“Pregnant Woman” eligibility category, with continuous eligibility, and no redeterminations at all, until 12 months after the pregnancy ends.**
- Mark, who has two children, enrolls in Medi-Cal when his income is 138% of poverty. Then his hours get cut and his income drops a lot. Let the county know so that, if at or below 109%, Mark can be moved to the **“Parent/Caretaker Relative” eligibility category** and have his eligibility redetermined once a year instead of every six months.

# Work and reporting requirements

- New provision applies only to the Obamacare “Expansion Adults” (19 to 64; income to 138% of poverty)
- Starting January 1, 2027 unless CMS grants a state permission to delay
- Federal guidance no later than June 1, 2026 but might be issued sooner
- Does not apply to:
  - Pregnant and postpartum individuals (let the county know)
  - Parents caring for a child 13 or younger (let the county know)
  - Individuals with disabilities (how defined?) (let the county know)
  - Other “short-term hardship” exemptions: e.g., inpatient and related outpatient medical care; natural disasters; high local unemployment

# Work and reporting requirements, continued

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- Generally, must be at a job or other qualified “community engagement” at least 80 hours a month.
- Certain education, training, volunteer, and other activities count
- Special way to calculate hours for seasonal workers
- “Look-back”: An individual must have met the requirement within the three months before applying.

# Work and reporting requirements, continued

The 80 hours must be both **reported and verified**:

- “When possible”, verification must be done *ex parte* (e.g., using case records, SNAP certification, wage or tax databases, etc.)
  - **Often doesn’t work:** Databases out of date; errors; systems down; uploads glitchy; can’t reach county by phone
  - Frequent changes in jobs/hours mean endless, exhausting reporting.
  - Research shows: eligible people lose coverage due to this **red tape**.
- Governor’s estimate:
  - **5.1 million** in Medi-Cal must report work. **Two-thirds “manual verification.”**
  - **3 million to lose Medi-Cal**, based on experience of other states with “waivers” where mainly eligible people lost Medicaid due to “failing” to report on work.

# Medicaid cost-sharing under new Federal Law (H.R. 1)

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- New provision applies only to certain Obamacare “Expansion Adults”: those with income 100%-138% of poverty
- Cost sharing of up to \$35 per service, up to total of 5% of family income per month or quarter
- Starting October 1, 2028
- Exempts: primary care, mental health, and substance use disorder services+ services of FQHCs, behavioral health clinics, and rural health clinics.
- Existing exemptions-- e.g., for family planning, vaccines, pregnancy-related care, etc.— remain in place.

# Planned Parenthood under the New Federal Law (H.R. 1)

- Federal law does not pay for abortion services by any provider, except in the case of rape, incest, or when the mother's life is endangered (Hyde Amendment). This is longstanding.
- New federal provision in effect July 1, 2025: Planned Parenthood excluded from federal Medicaid funds for **non-abortion services** for one year: cancer screenings, STD treatment, contraception, prenatal care, etc.
- Was blocked July 7 for 14 days by federal district court in Massachusetts. Appeals?
- **Medi-Cal still covers abortion services by all providers;** claims continue being paid with state-only \$\$ per longstanding policy.
- **Non-abortion services by Planned Parenthood still covered by Medi-Cal:** Plans instructed to hold claims until state decides how to pay, without federal funds. All Plan Letter 25-011 (July 3, 2025):<https://www.dhcs.ca.gov/formsandpubs/Documents/MMCDAPLsandPolicyLetters/APL%202025/APL-25-011-HR-1-Act.pdf>

# Covered California— Some Key Changes

## from **Recent Federal Regulations**

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- **August 31, 2025:** Last day of coverage for DACA (early childhood arrival immigrants).
  - About 2,300 Covered CA enrollees affected
  - Notices being sent
- Shorter Open Enrollment period: 11/1/26 – 12/15/26 with some minor flexibility for state-based Exchanges, like Covered California
- And more
- CA and 20 other states have sued to stop these regulations from taking effect. So has a group of cities in another case.

# ACA/Covered California– Some Key Changes from H.R. 1

- See earlier slides on immigrants still included + those being excluded January 1, 2027.  
Will CA find the resources to cover them with state-only funds?

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- Increases enrollees' premiums by letting “enhanced” (COVID) APTCs expire in 2025
- APTCs for people who qualify for a “Special Enrollment Period” based on low-income (at or below 150% FPL) end December 31, 2025.
- The limit on how much a person has to pay back for premiums if they underestimated their annual income ends December 31, 2025.
- Eliminates APTC eligibility for people with income <100% FPL who are ineligible for Medicaid due to their immigration status. Starting January 1, 2026.
- Must verify before re-enrolling with APTCs (unless change in family size; then have one to two months to verify). So eliminates “passive re-enrollment” when no change. Starting January 1, 2028.
- And more

# Sucking federal money out of health care

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- Federal matching rate cut from **90% to 50% for Emergency Medi-Cal** for undocumented “Expansion Adults”. Starting October 1, 2026.
- Provider taxes and local government taxes for Medicaid **frozen at current rates** in Expansion states. **Reductions** start in fed FY 2028: 0.5% a year, until declines to 3.5% by FY 2032. Significant limit on a major source of non-state revenue to support Medi-Cal’s budget.
- Limits on payments to hospitals and other Medicaid providers
- Increase for Rural Health Fund, but **not enough to offset other cuts**. States must apply by Dec 31, 2025.
- Combined with eligibility cuts and red tape, these financing changes **de-stabilize the health care system for all**– not just Medicaid beneficiaries.

# But don't just take it from me. . .

- "No matter how often repeated, the magnitude of these reductions—and the number of individuals who will lose health coverage [nationwide]—cannot be simply dismissed as waste, fraud and abuse. . . The faces of Medicaid include our children, our disabled, our seniors, our veterans, our neighbors and friends. The real-life consequences of these reductions will negatively impact access to care for all Americans."

*-- American Hospital Association President and CEO Rick Pollack*

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- "It cannot be overstated—the health cuts passed by Congress today represent the largest cuts to care our country has ever seen. . . Americans will feel the reverberations of this legislation in communities across the nation—whether directly due to a loss of coverage, the increase of their costs, or as doctors and hospitals scramble to sustain services and keep their doors open."

*--Chip Kahn, president and CEO of America's Essential Hospitals, an industry group representing for-profit hospitals and health systems*

- "This bill. . .will make it harder to access care and make patients sicker. It will make it more likely that acute, treatable illnesses will turn into life-threatening or costly chronic conditions. That is disappointing, maddening, and unacceptable."

*--American Medical Association President Bobby Mukkamala, M.D.*

# Overarching themes from the new Federal Law

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- Take away eligibility for federal support, or even eligibility itself (Medicare), from groups of lawfully present immigrants (since the undocumented don't qualify for federal funding for non-emergency services anyway).
- Bury the remaining eligible people, including U.S. citizens, in red tape so they lose health care coverage for “procedural reasons”.
- Wreck Medicaid's financing mechanisms so states have no choice but to cut eligibility, benefits, provider rates, or all three and more without raising taxes or finding other revenue sources.
- Claim “I am not touching Medicaid or Medicare!” and hope no one notices.

# Not to be overlooked. . .

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- Massive cuts to Food Nutrition Programs
- Federal child tax credit now requires that at least one parent have a Social Security Number

## State FY 2025-2026 Budget:

### Undocumented Adults (19+): **New Applicants** 1/1/26

- **Enrollment freeze** on “Full Scope” applications for **Undocumented Adults (19+)**, to help address \$12 billion state budget deficit.
- Starts **01/01/2026**. But Full Scope **retros still available** for the last three months of 2025.
- **New applicants** will get “**Restricted**” Medi-Cal (emergency services, pregnancy-related care, long-term care, and kidney dialysis) (fee-for-service).
  - If **pregnant**, entitled to the **equivalent of full** Medi-Cal benefits., including for all specialty care, dental, mental health, SUD treatment, etc., **even in “Restricted Scope”**. But **challenging** as a practical matter.
- **IMPORTANT:** If **pregnant**, can still qualify for the “Pregnant Woman” eligibility category (income  $\leq 213\%$ ) and receive **Full Scope** (from a managed care plan).
  - If enroll on or after January 1, 2026 and become pregnant later, **inform the county of the pregnancy for Full Scope from a health plan.**
  - This will also automatically link to 12-month post-pregnancy eligibility with no redeterminations until the end of that period and exempt the person from the new federal work (“community engagement”) requirements that start January 1, 2027.

# Undocumented Adults, **Enrolled** by 12/31/25

- This group keeps **full benefits**.
  - But Dental will be reduced to emergency only, starting July 1, 2026.

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- Their scope of coverage gets a (confusing) new name-- “Limited Scope”.
  - When does the new name start: January 1 or July 1, 2026? Stay tuned.
- At Redetermination after December 31, 2025, **keep full benefits** (minus non-emergency dental on and after July 1, 2026) so long as they continue to meet eligibility requirements.
- \$30 **premiums** starting **July 1, 2027, but only for 19-59-year olds, unless pregnant**.
  - If age 60+, no premiums.
  - If become pregnant, no premiums: let the county know.

# “PRUCOL” immigrants

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- “Permanently residing under color of law” = PRUCOL
- People in this category continue to be **eligible for Full Scope Medi-Cal**.
  - But state loses federal matching funds for more of them starting October 1, 2026 (under the new federal law, H.R. 1).
- \$30 premium starting July 1, 2027 for all PRUCOLs (new state law, AB 116).

# References for State Law Changes for Adult Immigrants “Without SIS”

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- AB 116, Section 73, pp. 84-89:  
[https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill\\_id=202520260AB116](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202520260AB116).
- ACWDL No. 25-13: <https://www.dhcs.ca.gov/services/medical/eligibility/letters/Documents/25-13.pdf>
  - **Note:** Some of the state DHCS materials appear to use the term “Without Satisfactory Immigration Status (SIS)” or “Unsatisfactory Immigration Status (UIS)” to refer to both the undocumented as well as immigrants lawfully present and/or PRUCOL for whom **there is not/will no longer be federal matching funds** for anything other than emergency services.

# Assets Limit in Medi-Cal for Seniors and People with Disabilities

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- The assets test is back for seniors and people with disabilities.
- Starting January 1, 2026.
- This time, limit will be \$130,000 for a household with one member + \$65,000 for each additional member, up to 10 household members.
- AB 116, Section 59, pp. 70-71:  
[https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill\\_id=202520260AB116](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202520260AB116).

# Health Care Navigators

- The new federal law will “succeed” in its goal of denying eligible people coverage, and the negative impact of the recent CA state budget cuts will be greater, without **Health Care Navigators and the training and education** they provide in the community.

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- **Extremely burdensome** for eligible people to apply on their own, do what is needed to keep their Medi-Cal, get back on after the inevitable discontinuances due to red tape—not to mention navigate the medical system while contending with ICE terrorism.
- The technology for enrolling and renewing doesn’t meet the needs.
- Vigorous advocacy to make the systemic improvements or the two main enrollment/retention portals. **Not happening anywhere near fast enough:** people still need real, human help to get and keep coverage and access their medical care now.
- The most recent **state budget failed to restore previously committed funding** for community Health Care Navigators.
- **Essential to fill this gap with local public-private partnership funds ASAP.**

## 2025 Timeline for recent state and federal changes discussed in this presentation

- **July 1, 2025:** Federal funding ends to state Medicaid programs for non-abortion services to Planned Parenthood providers. But Medi-Cal continues to cover these services.. Lawsuit pending.

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- **July 1, 2025:** Exclusion begins from Medicare of certain lawfully present immigrants seeking to enroll
- **July 4, 2025:** Provider and local government taxes to draw down federal match in Medi-Cal frozen at current rates because CA is a states that opted to include the Obamacare Expansion Adults (income  $\leq 138\%$  of poverty).
- **July 10, 2025:** Federal funding ends to Head Start and several mental health, SUD, family planning, homeless and other programs ends. Lawsuit pending.
- **August 31, 2025:** Last day of Covered California eligibility for DACA recipients.
- **November 1, 2025:** Start of Open Enrollment for Covered California Plan Year 2026. Higher out-of-pocket maximums for Covered California for Plan Year 2026 and following years.
- **December 31, 2025:** Special Enrollment Period for Covered California ends for people with income  $\leq 150\%$ .
- **December 31, 2025:** Limit ends on how much a person has to pay back for Covered California premiums if they underestimated their annual income.
- **December 31, 2025:** Deadline for states to apply for Rural Health Fund.

# 2026 Timeline

- **January 1, 2026:** Assets test for Medi-Cal for seniors and people with disabilities.
- **January 2026:** “Enhanced” (COVID-era) APTCs end in Covered California.
- **January 1, 2026:** Covered California APTCs end for people with income  $\leq 100\%$  of poverty who are ineligible for Medicaid due to immigration status.
- **January 1, 2026:** Medi-Cal freeze begins on enrolling Undocumented Adults (ages 19+; income  $\leq 138\%$  of poverty) into Full Scope Medi-Cal. New applicants get Restricted Scope. People enrolled by December 31, 2025 keep full benefits (but lose non-emergency dental starting July 1, 2026).
- **October 1, 2026:** Federal funding ends for certain groups of lawfully present immigrants under Medi-Cal, the Medi-Cal Access Program (MCAP), and the Medi-Cal Access Infants Program (MCAIIP).
- **October 1, 2026:** Federal matching rate for Emergency Medi-Cal for Undocumented Obamacare Expansion Adults (income  $\leq 138\%$  of poverty) drops from 90% to 50%.
- **November 1, 2026:** Start of Open Enrollment (OE) for Covered California Plan Year 2027. OE will be shorter, to about December 15, from here on out.
- **November 3, 2026:** Mid-term elections for the U.S. House of Representatives and Senate
- **December 2026:** Certain groups of lawfully present immigrants enrolled in Medicare before July 4, 2025 may lose eligibility.

# 2027 & 2028 Timeline

- **January 1, 2027:** Certain lawfully present immigrants lose APTCs for Covered California.
- **January 1, 2027:** Retroactive eligibility reduced from three months to one month for Obamacare Expansion Adults (19+; income  $\leq$  138% of poverty) and to two months for all other Medi-Cal eligibility categories for applications made on or after this date..
- **January 1, 2027:** Redeterminations every 6 instead of 12 months for Obamacare Expansion Adults.
- **January 1, 2027:** Work reporting/verification requirements begin for Obamacare Expansion Adults.
- **July 1, 2027:** \$30 monthly premiums start for Undocumented Adults ages 19-59 (“Limited Scope” = Full Scope without non-emergency dental) and lawfully present immigrants lacking SIS for federal matching funds who are covered by Full Scope Medi-Cal with state-only funds
- **October 1, 2028:** Increased cost-sharing for Obamacare Expansion Adults with income 100%-138% of poverty
- **October 1, 2028:** Reductions in provider tax freeze begins: 0.5% a year until decline to 3.5%.
- **November 1, 2028:** Passive re-enrollment in Covered California ends for people with no changes (i.e., starts at OE of Tax Year after December 31, 2027).

# Thank you!

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