

# LEGISLATIVE UPDATE



Week of March 10, 2025

## State Issues

Medi-Cal Budget in Flux

The biggest health news this week revolves around Governor Newsom’s announcement that California’s Medi-Cal program is under budgeted for the year by \$3.4 billion, and the state was having to take a loan from other state funds to fill the gap. A letter from the Department of Finance (DoF) letter announcing this news states that it has approved a request for a loan from the “Medical Providers Interim Payment Fund” (a special pool of funds in the State General Fund) to the Department of Health Care Services so that they can make critical Medi-Cal payments.

According to a Politico report, the DoF spokesperson said that is the maximum amount California can borrow and will only be enough to cover bills for Medi-Cal through the end of the month. This is nearly the amount the Administration said in the January Budget that it would cost to implement full-scope Medi-Cal for Adults Aged 26 through 49, for undocumented Californians. They set that figure as \$3.3 billion total funds, with \$2.8 coming from the State General Fund. The total amount estimated to cover all undocumented Californians that meet the financial eligibility criteria for 2024-2025, including all age ranges, is \$8.4 billion.

Over the last several years, California has slowly expanded coverage to undocumented residents: for children in 2016, then to the elderly in 2022, and finally to adults in 2024. While most reports are attributing this coverage expansion policy to Governor Newsom, it was originally a priority of the Legislature to cover all. While the Governor finally acquiesced, he insisted on the phase in over time.

**Response.** Senate Minority Leader Brian Jones is now demanding full hearings and a cost analysis to explore the issue. Health Access noted that health care costs are influenced by many factors including prescription drugs and hospital costs. Speaker Robert Rivas said that he’s committed to maintaining the state’s expansion of Medi-Cal services. He said, “There are tough choices ahead, and Assembly Democrats will closely examine any proposal from the Governor. But let’s be clear: We will not roll over and leave our immigrants behind.”

**Medi-Cal Budget Context.** It is important to note that the State’s budgeting for Medi-Cal is often done through a series of estimates and budget adjustments during the year. It is a dynamic and fluctuating financial relationship. For example, Scott Graves from the California Budget and Policy Center has noted that last year, the state borrowed \$1.75 billion against the General fund when revenues from the state’s provider tax were delayed. And in 2018, there was a loan for \$830 million. Estimates and costs are not static, especially in the complicated Med-Cal program, and these kinds of budget changes and fund shifts happen every year, multiple times a year.

*(more)*

Medi-Cal Budget in Flux *(continued)*

**Political Context.** What makes this year different are a few things. First, Republicans in Congress and the White House are focusing on reducing federal Medicaid spending and have made it clear that they would be pleased to cut California's allocation. If there is a chance the Feds may pull a large amount of Medicaid funding from California, there have been quiet conversations about where the State might make necessary cuts. While politically and publicly difficult, the idea of pulling back on coverage for the undocumented has been discussed as one potential solution. Highlighting this budget action may be the Governor's attempt at opening that door.

Second, the Governor still has some political aspirations post-Governorship and has been trying to actively move perception of his political positions to the right. For example, he has created a new (second) podcast that focuses on connecting with Trump Republicans. And his first podcast, he expressed concerns with transgender athletes – clearly distancing himself from most of the California Democratic caucus. If he expresses concerns with the cost of covering undocumented beneficiaries, that will also move public perception of his liberal image.

Finally, the Governor is still upset with the organizations that pushed the Managed Care Organization (MCO) Tax ballot initiative: CMA, CHA and Planned Parenthood, predominately. This initiative codified the MCO tax and mandates that the majority of the funds go to health care providers. In years' past, the Administration(s) have taken those funds to fill in gaps in the State budget, as opposed to increasing California's very low Medi-Cal reimbursement rates.

**Next Steps.** Next Monday, the Assembly Budget Subcommittee on Health has a hearing that includes a discussion of the Medi-Cal estimates – along with a discussion the MCO tax allocations. It is expected to be standing room only at the hearing.

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