

LEGISLATIVE UPDATE



Week of June 23, 2025

State Issues

State Budget Update

Budget machinations took center stage this week. On Monday, it was reported that the Legislature and Governor Newsom had reached a budget agreement, and details were forthcoming. On Tuesday, the bill was in print that would amend the budget bill passed ([SB 101](#)) by the Legislature on June 12, what's known as a Budget Bill Jr ([SB 102](#)). Also released on Tuesday were numerous budget trailer bills, including one on Health ([AB 116](#)). The Trailer Bill includes language requiring licensure and additional oversight rules for Pharmacy Benefit Managers (PMBs), and more details on the health policy changes needed to implement components of the health budget – *see attached*.

The bills that were amended and in print on Tuesday were heard in both the Senate and Assembly Budget Committees on Wednesday and will be voted on Friday morning. Very little of the health care budget changed from the Legislature's budget bill in SB 101, and the agreement included in SB 102. Following are the health care highlights from the final Budget agreement included in SB 102:

- **Restores the Medi-Cal Asset Limit at \$130,000**, rather than the Governor's \$2,000 proposal. \$45 million savings in 2025-26, \$343 million in 2026-27, and \$510 million ongoing.
- Approves Governor's proposal to **exclude specialty drug coverage for weight loss**, resulting in \$85 million of savings in 2025-26 growing to \$680 million in 2028-29.
- **Adds an additional \$1 billion** to the Governor's proposed \$3.4 billion loan payment delay for the Medi-Cal program.
- **Modifies the Governor's Medi-Cal enrollment freeze proposal**, applying it to undocumented individuals 19 years of age and older beginning January 1, 2026, specifying that there is no "age out", and establishing a 6-month re-enrollment grace period for those that fall off the rolls. This proposal results in estimated savings of \$86.5 million in 2025-26, \$857.5 million in 2026-27, \$2 billion in 2027-28, and \$3.3 billion ongoing.
- **Modifies the Governor's proposal to establish Medi-Cal premiums for Unsatisfactory Immigration Status (UIS)** by lowering the Governor's proposal from \$100 per month to \$30 per month, limiting the age range from 19-59, and starting July 1, 2027. This proposal results in estimated costs of \$30 million in 2026-27 and estimated savings of \$250 million in 2027-28 and \$675 million ongoing.
- **Delays the Governor's proposal to eliminate** \$362 million in supplemental payments **for dental from Proposition 56 funds**, until July 1, 2026.
- **Delays the Governor's proposal to eliminate dental benefits from UIS populations** until July 1, 2026. This proposal would result in savings of \$336 million ongoing, beginning in 2026-27.
- **Adjusts the Governor's planned rebate aggregator** to receive rebates on prescription drugs utilized by individuals in the undocumented expansion, achieving \$370 million savings in 2025-26 and \$600 million ongoing.
- **Approves the Governor's proposal to increase General Fund offsets from the MCO Tax** implemented by Proposition 35 resulting in \$1.3 billion of savings in 2025-26 and \$236.7 million in 2026-27.

(more)

<p>State Budget Update (continued)</p>	<ul style="list-style-type: none"> ▪ Delays the Governor’s proposal to cut \$1.1 billion ongoing from Health Centers and Rural Health Clinics until July 1, 2026. ▪ The Senate will begin work on developing a large employer contribution requirement for employers with employees enrolled in Medi-Cal, beginning as early as 2027-28. This recognizes that large employers benefit from their employees being enrolled in taxpayer-funded health programs instead of employer-provided health care programs. Implementing any employer contribution will require future legislation and budget action. <p>Governor’s Proposed Solutions of Note Not Included in Budget Act of 2025:</p> <ul style="list-style-type: none"> ▪ Rejects the Governor’s proposal to eliminate \$172 million in Proposition 56 supplemental payments for family planning, and women’s health services, including funding that receives as high as a 90 percent federal match. ▪ Rejects the Governor’s proposal to eliminate long-term care and in-home supportive services for adults with unsatisfactory immigration status. ▪ Rejects Governor’s proposal to cancel nearly \$60 million of unspent public health funding, including for the California Reducing Disparities Project, support for LGBTQ+ Foster Youth, LBTQ Women’s Health Equity grants, Reproductive Health Justice grants, STD/HepC prevention programs, and public health workforce programs <p>Of particular note in the health care budget, the Budget Bill Jr. includes language that authorizes the Director of the Department of Finance to reduce the amount of an appropriation in anticipation of cuts to Medi-Cal at the federal level. <i>"Upon the enactment of federal legislation...to either terminate, rescind, or otherwise reduce the state’s receipt of federal funds..., the Director of Finance is authorized to reduce... any item of appropriation, including appropriations from any state fund, for any program, project, or function to align with any reduction in the state’s receipt of federal funds."</i></p> <p>As previously reported, this is just the first phase of health care budgeting, with more to come in the months ahead. While the budgeting issues around health care are front and center at the federal level, the Legislature’s policy and budget around housing, CEQA and union construction minimum wages has definitely caused a firestorm. You can find a great Sac Bee article here.</p>
<p>Key Bill Hearings</p>	<p>Policy committee hearings on key bills have started. The agendas for each hearing are fairly brief at the present, as bills are being reviewed and potentially amended by the other house before they get their hearing.</p> <p>Of note, AB 1415 (Bonta) was heard in Senate Health, where the author was required to accept some key amendments that remove adding oversight of health care systems by the Office of Health Care Affordability. Many members of the Committee, including Senator Dr. Weber Pierson, expressed concern with the actions of OHCA, and the speed with which they are moving forward. Additional clarifying amendments to the definition of MSOs may be forthcoming.</p> <p>Not heard this week was AB 1460 (Rogers), related to the 340B program, which was pulled from the Committee’s agenda at the last minute. It appears the author and Committee are working on some amendments that need to be finalized prior to the bill being heard. It is, however, unclear if those amendments will do enough to address the opposition to the bill from California’s pharmaceutical companies, patient groups and SEIU, who just came on in opposition. The bill has been reset for hearing on July 2.</p>