CALIFORNIA edge coalition

Federal Policy Shifts

Impacts on California's Health Care System and Workforce

Federal policy changes are occurring at unprecedented speed and scale, making it difficult for policymakers and advocates to assess their real-world consequences. These shifts will significantly affect California's health care system, with cascading impacts on workers, families, students, employers, and the broader economy. This fact sheet summarizes the most consequential changes and outlines actions that California can take to mitigate harm.

These combined changes risk destabilizing California's health care system, raising costs for individuals, employers, and hospitals, and reversing progress made towards equity.

IMPACT ON THE HEALTH AND WELL-BEING OF CALIFORNIANS

Cuts to subsidized health coverage and new administrative barriers will push many Californians off coverage or into plans with higher costs and fewer benefits. As a result, more residents will delay or forgo care, leading to worsening health outcomes. With two in five Americans earning under $40,000 unable to afford a $500 unexpected medical bill and another 39% needing to incur debt to cover such a cost, Californians will face difficult tradeoffs between health care and basic needs such as food and housing or be forced into crippling medical debt.

HOUSEHOLD BUDGET STRAIN

Household budgets will be further strained by **cuts to food benefits** impacting over 3 million California families, myriad new restrictions on benefits for **immigrant populations**, and the **elimination of clean energy programs**, which are projected to raise average household energy prices by roughly $670 and result in 110,000 jobs losses statewide by 2035.

RISING PREMIUM COSTS

With the expiration of federal subsidies, **1.75 million Californians** who received Affordable Care Act tax credits saw their annual premium costs **more than double** on average, rising over $1,900.

BARRIERS TO ACCESS

A state-initiated freeze on new Medi-Cal enrollments for **undocumented Californians** and the elimination of certain benefits enacted in the 2025/2026 state budget will lead to additional uninsured residents and delayed access to care.

COSTS LIKELY DELAY CARE

In 2028, **mandatory Medi-Cal co-pays of up to $35** for certain services will take effect, likely increasing delayed or forgone care.

IMMIGRATION VS HEALTHCARE

Proposed federal "public charge" rules that count Medicaid use against immigration applications are expected to have a **chilling effect** on enrollment, even among eligible families.

LOSS OF MEDI-CAL COVERAGE

Up to **3.4 million** Californians could **lose Medi-Cal coverage** due to new work requirements and administrative barriers.

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IMPACT ON THE HEALTH CARE INFRASTRUCTURE AND BROADER ECONOMY

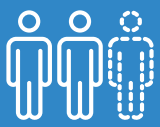
Declines in insurance coverage and reductions in federal funding will strain California's health care system and weaken the state's economy. California stands to lose between $112 billion and $187 billion in federal health care funding over the next decade.

Loss of coverage from ACA and Medi-Cal cuts will increase uncompensated care costs, placing **financial pressure on hospitals and clinics** and increasing the risk of workforce reductions or facility closures.

Elimination of the 90% federal funding match for **emergency services provided to certain immigrants** will worsen the financial burden on California's safety net hospitals and clinics.

New taxation rules will **reduce revenues** from the Managed Care Organization (MCO) tax and the Hospital Quality Assurance Fee, both critical to sustaining Medi-Cal. Caps on State-Directed Payments will further **restrict California's ability to draw down federal Medicaid dollars** and maintain provider rates.

Although the federal government set aside $50 billion over five years for **rural health care innovation**, large states like California are expected to receive funding that is not proportional to need.



A planned $75 million investment in health care workforce development funded through MCO tax revenues is likely to be eliminated, **exacerbating** existing healthcare workforce shortages.

Funding reductions are expected to trigger hiring freezes, layoffs, and exacerbated provider burnout, worsening regional workforce shortages. Poor population health may further reduce labor-force participation and productivity across sectors.

WHAT CAN THE STATE DO?

The California Department of Health Care Services (DHCS) has taken an important first step by incorporating strategies in its H.R. 1 Implementation Plan to address some of the potential harm to Californians. Additional steps the state can take include:

1 STABILIZE FINANCING

Identify new revenue sources and financing strategies to backfill federal cuts and stabilize health care funding.

2 REDUCE ADMINISTRATIVE BARRIERS

Proactively identify who qualifies for work requirement exemptions, simplify documentation requirements and provide flexible reporting options so enrollees can more easily maintain coverage.

3 PRIORITIZE COVERAGE CONTINUITY

Fully implement plans to design eligibility and renewal processes to minimize procedural terminations, maximize automatic renewals, and reduce reporting frequency wherever federal rules allow.

4 INVEST IN OUTREACH AND ENROLLMENT ASSISTANCE

Fund community-based organizations, including immigrant-serving programs, to help residents maintain coverage and comply with new requirements.

5 LEVERAGE MANAGED CARE CONTRACTS

Require plans to engage in proactive steps that reduce coverage loss and care disruption such as outreach to enrollees at risk of losing coverage and providing documentation assistance.

6 MONITOR EQUITY IMPACTS

Track coverage losses and access barriers by race, ethnicity, disability, age, geography, and income to fully understand the impact of these changes.

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