



# Federal Funding and Policy Changes

## County Health and Human Services Advocacy Principles and Impacts

As the safety net provider for health and human services (HHS), all 58 counties are committed to ensuring the health and well-being of our communities through longstanding obligations to support Californians' health care, public health, social services, and behavioral health needs. The breadth and depth of change at the federal level to these basic safety net programs will disrupt access to these critical services and place inordinate pressures on already strained county budgets. The implementation of H.R. 1, expiration of enhanced health care subsidies, and proposed changes to homelessness funding and the public charge rule are creating significant risks for individuals and families to access basic health care, nutrition assistance, housing assistance, and other essential safety net services. These changes will worsen health outcomes, increase hunger, and cause more homelessness.

### County Advocacy Principles

As the state looks to navigate California's response to H.R. 1 and other federal policy changes, counties are eager to work together to mitigate the detrimental consequences of these changes and preserve critical safety net services to the maximum extent possible. Investing to help individuals and families maintain their health care and benefits and supporting the work at the county level that makes this possible will help sustain the health and well-being of all Californians. To that end, counties are sharing the following principles that will guide our advocacy and budget requests in response to federal changes. Counties look forward to continued engagement with the Administration and the Legislature on the state budget, legislation, and implementation workgroups.

- **Maintain Coverage and Benefits**

Counties support efforts to maximize the ability to keep people enrolled in state and federal safety net programs using systems with existing and proven competencies like the county eligibility workforce

- **Fund New Requirements**

Counties support ongoing and stable revenues for any new or expanded administration requirements and service responsibilities and to address federal funding cuts

- **Keep Existing Commitments**

Counties oppose reduced funding for existing county programs and responsibilities, unfunded expansions of existing mandates, or new unfunded mandates

- **Increase Efficiency**

Counties support streamlining efforts that can create program coordination, improve accuracy, and support county staff in managing increased workload

- **Provide Relief and Reduce Burdens**

Counties support appropriate relief from existing mandates where possible and reducing state-level requirements that add costly administrative burdens

## H.R. 1 Implementation Impacts to Counties

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While all of the recent federal policy changes and uncertainty are significant, the implementation of H.R. 1 has a number of clear and direct impacts that are essential to specifically highlight as the state moves forward on next steps in developing the 2026-27 Budget and implementing the law. H.R. 1 will create dramatic challenges to the ability of counties to provide essential services to low-income and vulnerable children, youth, families, adults without children, and older adults. These severe strains on county health and human services programs and overall county budgets include:

- **Expanded Demand for Indigent Care**

The H.R. 1 Medi-Cal changes are estimated to cause millions of Californians to lose their health coverage. These individuals may turn to county indigent care programs, which are the medical providers of last resort. However, county indigent care programs have dramatically decreased their infrastructure due to low enrollment since the implementation of the Affordable Care Act in 2014. In addition, 1991 Realignment funding that supported these programs has been redirected to the state, which essentially leaves counties with little room to maneuver.

- **Increased County Workload**

H.R. 1 expands work requirements for CalFresh, creates new work requirements for Medi-Cal, and substantially increases the frequency and complexity of eligibility determinations, verifications, and ongoing case management. Counties are responsible for eligibility and enrollment, are mandated to perform this work, and are facing hundreds of millions of dollars in increased costs to meet these new demands. The county eligibility workforce has demonstrated historically that with adequate funding, federal public benefits changes can be implemented consistent with maximum program retention and accuracy.

- **Direct Cost Shifts to Counties**

H.R. 1 reduces the federal share of CalFresh administration and Medi-Cal emergency services for certain patients, directly shifting at least hundreds of millions of dollars in costs to counties. The existing funding structure for the county share is unable to sustain this dramatic reduced federal share. H.R. 1 also increases county costs in administering state health programs for individuals who lose Medicaid but continue receiving services through programs such as the California Children's Services (CCS) program.

- **Reductions to Health Care Payments for Public Health Care Systems**

State Directed Payments (SDPs) play a critical role ensuring access to quality health care for persons covered by Medi-Cal by supplementing low reimbursement rates. H.R. 1 imposes a cap on future SDPs and incrementally reduces existing SDPs to meet 100% of Medicare rates, resulting in a cumulative loss of more than \$1.5 billion when combined with the impacts to federal support for emergency services described above.

- **Loss of Medi-Cal Revenue for Counties**

With reduced Medi-Cal eligibility, counties will have fewer opportunities to leverage existing Realignment and other revenues to draw down federal Medicaid match which helps to sustain counties' health and behavioral health programs and services, including, but not limited to county behavioral health safety net services.

- **Strain on Other Safety Net Services**

H.R. 1 reduces eligibility for Medi-Cal and CalFresh while also increasing and complicating the paperwork and other requirements to stay enrolled in the programs even when individuals are eligible. As individuals and families lose Medi-Cal coverage, they are likely to turn to other programs, such as county public health, county hospitals, and behavioral health safety net programs.

We look forward to collaborating with the Administration and Legislature to find solutions to mitigate the devastating impacts of H.R. 1.