CSAC California State Association of Counties

RCRC

URBAN COUNTIES OF CALIFORNIA

CMSP COUNTY MEDICAL SERVICES PROGRAM

CWDA Advancing Human Services for the Welfare of *All* Californians

CHEAC Improving the Health of all Californians

CAPH CALIFORNIA ASSOCIATION OF PUBLIC HOSPITALS & HEALTH SYSTEMS

H.R. 1 Impacts to Counties

H.R. 1 will have significant fiscal impacts on counties and the California communities we serve.

- Counties will incur new costs to provide indigent health care to individuals who lose Medi-Cal coverage.
- Public Hospital Systems will face significant reductions in federal funding that is used to provide patient care to Medi-Cal enrollees, which will impact access to all patient care services.
- Counties will also incur additional workforce costs to implement the eligibility requirements of H.R. 1, including Medi-Cal and CalFresh.

County Costs to provide health care through indigent care programs to individuals who lose Medi-Cal coverage due to H.R. 1:

Anticipated Enrollment: 417,000 – 1.3 million

Anticipated Costs: $2.0 billion – $5.5 billion per year

Public Hospital System revenue losses due to changes to Medi-Cal financing in H.R. 1:

$3.4 billion annually

County Workforce Costs to implement the eligibility requirements of H.R. 1 and for costs shifted to counties from the federal government:

Anticipated Costs: $574 million

TOTAL ANTICIPATED ANNUAL COSTS

$6.0 billion to $9.5 billion

Healthcare ***Food***

California State Association of Counties · RCRC · Urban Counties of California · CMSP County Medical Services Program · CWDA Advancing Human Services for the Welfare of All Californians · CHEAC Improving the Health of all Californians · CAPH California Association of Public Hospitals & Health Systems

H.R. 1 Impacts to Counties

Demand for Indigent Care

Large number of Californians who lose Medi-Cal eligibility will likely seek county indigent medical care, since they will have no other way to receive health care coverage. Counties do not have available resources due to state redirection of funding.

Reductions to Health Care Payments for Public Health Care Systems

H.R. 1 limits the use of a financing mechanism known as State Directed Payments, which are currently used to supplement low Medi-Cal reimbursement rates. This reduction in funding will impact access to all patient care services.

Direct Cost Shift to Counties

H.R. 1 shifts responsibility for CalFresh administrative costs to the counties and reduces the federal funding available for Medi-Cal emergency services for certain enrollees.

Increased County Eligibility Workload

Expanded work requirements for CalFresh, new work requirements for Medi-Cal, and increased frequency and complexity for Medi-Cal eligibility determinations, verifications, and ongoing case management will increase county eligibility workforce costs. Performing eligibility determinations accurately and in a timely way will be critical to prevent people from losing their health care coverage.

Healthcare *Food*

How is Indigent Care Provided?

California law requires counties to provide basic health care to those who are indigent.

County Medical Services Program (CMSP)
35 rural and semi-rural counties collectively contract with clinics and hospitals to provide indigent care.

CMSP COUNTY

Article 13 Counties
11 counties provide indigent care either directly, through contracted providers, or through hybrid models.

ARTICLE 13 COUNTY

Provider Counties
12 counties use their public hospital systems to either exclusively or significantly provide indigent care.

PROVIDER COUNTY

What Are the Requirements for Indigent Care Programs?

- Welfare & Institutions Code 17000 establishes the legal obligation for counties to provide basic, medically necessary care to medically indigent, lawful residents.
- Each county sets their own standards of eligibility, aid, and care.
- County indigent programs are not comprehensive insurance or health coverage programs, like Medi-Cal or commercial health insurance.
- Counties are not mandated to provide care for undocumented individuals.
- County costs to provide indigent care were formerly paid for with 1991 Realignment funding. Under AB 85 (a budget trailer bill from 2013) that funding was redirected by the state for other purposes and the growth of those funds was significantly slowed, leaving counties without resources to serve the individuals who come to counties for services.

Estimating the Fiscal Impacts of H.R. 1 on Indigent Care Programs

- In order to model the fiscal impacts to counties from H.R. 1, this analysis includes a few key assumptions.
- The focus is on people losing eligibility for Medi-Cal, due to not meeting work requirements, as this is the population most likely eligible for indigent care. The number of people losing coverage is based on Administration estimates. These estimates do not include undocumented individuals losing coverage.
- Enrollment was modeled assuming an uptake rate of 33%, 50%, and 100% of the eligible population.
- Per capita costs were calculated using historic spending data for CMSP and Article 13 counties. For Provider Counties, costs were estimated based on Medi-Cal rates for services likely to be covered by indigent care programs.

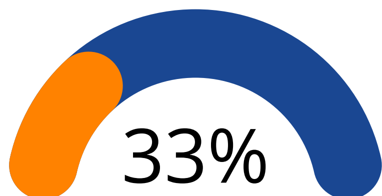
Projected H.R. 1 Impacts on the CMSP Indigent Care Program

What is CMSP?

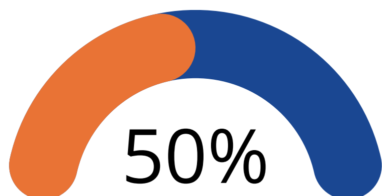
Originally established in 1983, the County Medical Services Program (CMSP) provides health coverage for uninsured low-income adults, ages 21-64, in 35 rural and semi-rural California counties and assists these counties in meeting their indigent care responsibilities under California law (WIC Section 17000).

The CMSP Governing Board, established in 1995 and composed of ten county officials and one ex-officio State representative, sets program eligibility requirements, determines the scope of covered healthcare benefits, and sets provider reimbursement rates for both CMSP benefit programs – CMSP and Connect to Care. State funding for CMSP ended in FY 2018-19.

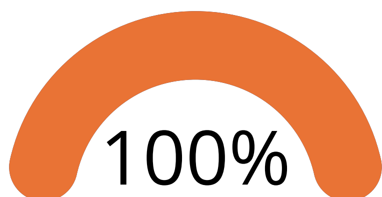
Fiscal Impacts to CMSP Indigent Care Program



Impacts to CMSP at 33% Uptake Rate
Potential Impact: **41,000 Persons**
Annual Estimated Medical Cost: **$271 million**



Impacts to CMSP at 50% Uptake Rate
Potential Impact: **62,000 Persons**
Annual Estimated Medical Cost: **$410 million**



Impacts to CMSP at 100% Uptake Rate
Potential Impact: **124,000 Persons**
Annual Estimated Medical Cost: **$820 million**

Source: *County Medical Services Program (CMSP)*

Projected H.R. 1 Impacts on Article 13 County Indigent Care Programs

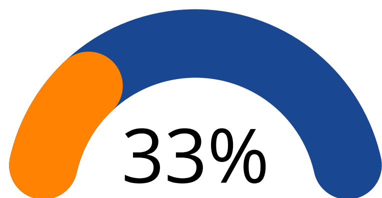
What Are Article 13 Counties?

There are 11 counties, known as Article 13 counties, that neither own nor operate public hospitals and do not contract with the County Medical Services Program to provide indigent care services.

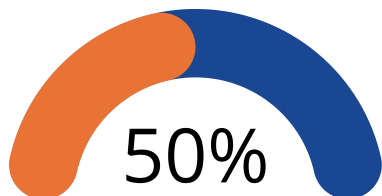
Prior to the Affordable Care Act (ACA), some of these counties delivered care directly through county-operated clinics staffed with county medical personnel, while others relied on contracts with local providers and hospitals. Several counties used hybrid models, combining limited county-based services with contracted care.

Following ACA implementation, most Article 13 counties now have few, if any, individuals remaining in their indigent care programs and have consequently dismantled or significantly reduced their service delivery infrastructure, including provider contracts.

Fiscal Impacts to Article 13 County Indigent Care Programs



Impacts to Article 13 Counties at 33% Uptake Rate
Potential Impact: **120,000 Persons**
Annual Estimated Medical Cost: **$477 million**



Impacts to Article 13 Counties at 50% Uptake Rate
Potential Impact: **181,000 Persons**
Annual Estimated Medical Cost: **$723 million**

Impacts to Article 13 Counties at 100% Uptake Rate
Potential Impact: **363,000 Persons**
Annual Estimated Medical Cost: **$1.4 billion**

Source: *County Health Executives Association of California (CHEAC)*

Projected H.R. 1 Impacts on Provider County Indigent Care Programs

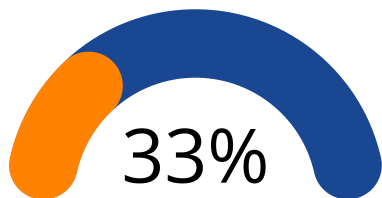
What Are Provider Counties?

In the early 1900s, almost every county in California ran a hospital to "relieve and support" those with no source of care. In the decades following, many of these hospitals have either closed or have been converted into private hospitals - and some have remained public by becoming a University of California Health System.

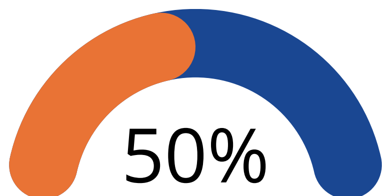
Today, there are 12 counties known as "provider counties" that have an affiliated public hospital system. These systems provide critical hospital and outpatient services in their communities and will continue to do so as counties work to rebuild indigent care programs and services.

Fiscal Impacts to Provider County Indigent Care Programs

With rising uninsured rates because of federal policy changes, Provider Counties expect to see a significant increase in the demand for indigent care services.



Impacts to Provider Counties at 33% Uptake Rate
Potential Impact: **256,000 Persons**
Annual Estimated Medical Cost: **$1.3 billion**



Impacts to Provider Counties at 50% Uptake Rate
Potential Impact: **388,000 Persons**
Annual Estimated Medical Cost: **$2 billion**

Impacts to Provider Counties at 100% Uptake Rate
Potential Impact: **776,000 Persons**
Annual Estimated Medical Cost: **$3.3 billion**

Source: *California Association of Public Hospitals and Health Systems (CAPH)*

Projected H.R. 1 Impacts on Public Hospital Medi-Cal Financing

What Role Do Public Hospital Systems Play in Medi-Cal Financing?

Under Medi-Cal, the federal government provides matching funds for the non-federal share of costs. Public hospital systems provide the non-federal share for fee for service inpatient hospital services. In addition, due to historically low Medi-Cal base rates, public hospital systems put up the non-federal share to draw down federal funding through supplemental payments, including state directed payments. In total, public hospital systems put up more than $4 billion annually in non-federal share on behalf of the state.

Fiscal Impacts to Public Hospital Systems from H.R. 1 Medi-Cal Financing Changes

In addition to the impacts from providing Indigent Care Services, public hospital systems are projected to face annual losses of approximately $3.4 billion from H.R. 1 changes to Medi-Cal financing. These reductions primarily stem from reductions to state directed payments. These reductions in funding will impact access to patient care services.

<table>
<tr><th>PROVISION</th><th>IMPLEMENTATION DATE</th><th>IMPACT TO PUBLIC HOSPITAL SYSTEMS</th></tr>
<tr><td colspan="3">Cuts Federal Support to Medicaid</td></tr>
<tr><td>Reductions to Federal Match for Emergency Care for Certain Adults</td><td>OCT 2026</td><td>Estimated $120-$221 million annually</td></tr>
<tr><td>State Directed Payment (SDP) Limitations</td><td>JAN 2028</td><td>Estimated $2.3 billion net loss annually when fully implemented</td></tr>
<tr><td colspan="3">Limits Medicaid Eligibility</td></tr>
<tr><td>Work Requirements for Specified Medicaid Adults (19-64)</td><td>JAN 2027</td><td rowspan="3">Estimated 1.8 million Medi-Cal members risk losing coverage - driving up uninsured rates while straining patients and providers with added administration hurdles resulting in an estimated impact of $800 million annually.</td></tr>
<tr><td>Biannual Medicaid Eligibility Redeterminations</td><td>JAN 2027</td></tr>
<tr><td>Limits on Retroactive Medicaid Coverage</td><td>JAN 2027</td></tr>
</table>

Source: *California Association of Public Hospitals and Health Systems (CAPH)*

H.R. 1 Impacts to County Eligibility Workforce

What Role Does the County Eligibility Workforce Play in Medi-Cal and CalFresh?

In California, counties are responsible for verifying initial and continued eligibility, processing applications, and working with individuals and families to ensure they can access the full range of safety net programs that they are eligible for, including Medi-Cal and CalFresh. The county eligibility workforce helps people obtain and maintain life-saving coverage and benefits, while also drawing down additional federal funding to the state. County human services agencies help vulnerable individuals and families navigate complicated requirements and improve their health and well-being.

Fiscal Impacts to County Eligibility Workforce from H.R. 1

Medi-Cal County Eligibility Workforce	***$231 million in 2026-27*** ***$305 Million in 2027-28***

CalFresh County Eligibility Workforce	***$103 million in 2026-27*** ***$58 million in 2027-28***

CalFresh County Share of Costs	***$150 million in 2026-27*** ***$211 million in 2027-28***

TOTAL ANTICIPATED INCREASED COUNTY ELIGIBILITY WORKFORCE COSTS

$484 million in 2026-27
$574 million in 2027-28

Source: *County Welfare Directors Association of California (CWDA)*

Medi-Cal County Eligibility Workforce

- On January 1, 2027, H.R. 1 requires ACA Medi-Cal expansion enrollees and applicants to (1) document an exemption or 80 hours per month of work, education, or volunteering to qualify for or continue receiving Medi-Cal; and (2) reverify eligibility every six months instead of annually.
- The county eligibility workforce will be responsible for supporting clients in navigating these complicated new requirements.
- An estimated 2.8 million enrollees will be subject to the requirements.
- Counties are facing increased costs of $231 million in 2026-27 (growing to $305 million in 2027-28) for the increased Medi-Cal county workload that will help individuals retain their access to health care.

CalFresh County Eligibility Workforce

- H.R. 1 requires CalFresh recipients who are subject to Able-Bodied Adults Without Dependents (ABAWD) rules to be subject to expanded work and documentation requirements.
- Effective June 2026, the county eligibility workforce will be responsible for the screening, verification, and engagement that is needed.
- Over 950,000 CalFresh recipients will be impacted.
- Counties are facing increased costs of $103 million in 2026-27 ($58 million in 2027-28) for the increased CalFresh county workload that will help individuals retain access to their food assistance benefits.

CalFresh County Share of Costs

- In October 2026, H.R. 1 reduces the federal government's share of CalFresh administrative costs from 50 percent to 25 percent.
- This causes a direct cost shift to counties as counties are responsible for 30 percent of the non-federal share in California in order to draw down the full state General Fund allocation and federal funds.
- Counties are facing an increased annual cost of approximately $211 million to help preserve access for individuals to nutrition assistance.

Source: *County Welfare Directors Association of California (CWDA)*