February 17, 2026

To: The Honorable Caroline Menjivar
Chair, Senate Budget Subcommittee No. 3

Honorable Members
Senate Budget Subcommittee No. 3

The Honorable Dawn Addis
Chair, Assembly Budget Subcommittee No. 1

Honorable Members
Assembly Budget Subcommittee No. 1

From: Carlos Marquez III, Executive Director, CWDA

RE: PROTECTING MEDI-CAL COVERAGE IN THE FACE OF H.R. 1

The County Welfare Directors Association of California (CWDA) respectfully urges the Legislature to protect Medi-Cal coverage for 4.6 million impacted low-income Californians by investing in the county eligibility workforce as the State prepares to implement new federal Medicaid requirements under H.R. 1. If adequately funded, well-trained, and fully staffed, the county eligibility workforce is an upstream approach to mitigate downstream, system-wide impacts of H.R. 1, impacts that would increase uncompensated care costs.[1]:

California's historic progress in expanding health care coverage and maintaining continuity of care has been built on a strong state-county partnership and sustained investment in county-administered eligibility systems. Without targeted administrative resources to support implementation of H.R. 1, the State risks avoidable coverage losses, increased churn, and significant downstream costs to the health care system and county safety net. CWDA urges the Legislature to enact investments in the Budget Act of 2026 that ensure county welfare departments have the capacity to implement these changes responsibly and in a manner that

[1] Haught, R., Coleman, A., Dobson, A., Richards, C., & McGuire, C. (2025, September 18). *The impact of proposed federal Medicaid work requirements on hospital revenues and financial margins.* The Commonwealth Fund. https://www.commonwealthfund.org/publications/issue-briefs/2025/sep/impact-medicaid-work-requirements-hospital-revenues-margins

preserves access to care, protects the State's investments in health coverage stability, and maximizes federal funding sources by:

- Drawing down the existing 75% Federal Financial Participation (FFP) rate available for administrative-related Medi-Cal costs for the impacted adult population.
- Ensuring continuous, low-cost coverage for millions of low-income Californians through an enhanced federal match of 90%.

Background

In California, Medi-Cal eligibility is administered by counties. County health and human service agencies process applications and renewals for Medi-Cal, verify income and eligibility, and support enrollees in navigating complex program requirements to maintain coverage. County eligibility workers serve as the primary point of contact for Medi-Cal applicants and enrollees and are responsible for implementing major federal and state eligibility policy changes on the ground for the State's 14.5 million Medi-Cal members.[2]

Since the passage of the Affordable Care Act (ACA), California has made transformative progress toward achieving near-universal health care coverage. By 2023, the State's uninsured rate fell to historic lows, with only 6.4 percent of Californians lacking coverage.[3] This progress was driven in large part by the successful enrollment of millions of previously ineligible adults into Medi-Cal, particularly low-income adults without dependent children, commonly referred to as the ACA adult expansion population. In contrast, states that chose not to expand Medicaid experienced high uninsured rates (14.1 percent), underscoring the consequences of forgoing expansion.[4]

In implementing eligibility expansions and providing health care coverage to 14.5 million Californians, Medi-Cal is the backbone of California's health care and safety net system, with county eligibility workers and county human services agencies central to this success. Counties were able to successfully implement the ACA in the years following the Great Recession, made possible by significant investments by the State: a total investment of approximately $655 million total funds in Fiscal Years (FYs) 2016-17 and 2017-18 each to stand up and scale eligibility and enrollment operations. In Los Angeles County alone, more than 1.1 million additional residents were enrolled into Medi-Cal.[5] Similarly, counties facilitated continuous coverage

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[2] Caseload as of November 2025 DHCS Estimate, for FY 2025-26: https://www.dhcs.ca.gov/dataandstats/reports/mcestimates/Documents/2025_November_Estimate/N25-Medi-Cal-Local-Assistance-Estimate.pdf
[3] California Health Care Foundation. (2024, September 5). *How California made almost everyone eligible for health care coverage*. https://www.chcf.org/resource/how-california-made-almost-everyone-eligible-health-care-coverage/
[4] Uninsured Rates Among Population Ages 0-64 by selected Characteristics, 2023 Figure 5: https://www.kff.org/uninsured/key-facts-about-the-uninsured-population/
[5] DHCS Medi-Cal Statistical Brief, March 2027: https://www.dhcs.ca.gov/dataandstats/statistics/Documents/Expansion_Adults_201610.pdf

through a once-in-a-century pandemic, and helped California achieve one of the highest Medicaid retention rates in the nation during the COVID-19 Public Health Emergency (PHE) unwinding period, retaining coverage for nearly 9 million Medi-Cal enrollees and preserving enrollment well above pre-pandemic levels.[6,7]

Under H.R. 1, this same county-administered Medi-Cal eligibility system is facing unprecedented pressure and risks to clients in maintaining their health coverage. Beginning January 1, 2027, counties will be responsible for implementing major new federal requirements affecting approximately 4.6 million existing ACA expansion Medi-Cal enrollees as well as new Medi-Cal applicants who fall within the ACA expansion population, as further detailed below. These changes include new work and community engagement requirements and six-month redeterminations for this population—which are proven to result in significant risks to clients in retaining stable health coverage.

New H.R. 1 work and community engagement requirements and more frequent eligibility redeterminations introduce significant procedural and paperwork barriers that are expected to drive coverage losses not because individuals struggle to find work or are deemed ineligible, but because many will struggle to navigate complex documentation and verification timelines.[8] CWDA and counties believe many of these losses are preventable with sufficient investment in county administrative capacity to support harm-mitigation strategies such as robust review for exemptions, staff training, and client education and follow-up.

In the Governor's Budget, CWDA was pleased to see the Administration signal its intent to continue to work with counties to determine appropriate funding levels for implementation. We look forward to those ongoing discussions and also note that, without early and adequate investments, counties may be forced to implement H.R. 1 in a skeletal manner that increases the risk of avoidable coverage loss rather than building the infrastructure necessary to preserve access to care.

The Problem

Beginning January 1, 2027, adult ACA expansion Medi-Cal applicants and enrollees will face two major new administrative hurdles to retaining basic health care coverage:

- **Documentation of at least 80 hours of qualifying activities** (such as work, education,

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[6] Medicaid Enrollment and Unwinding Tracker, KFF. See Table 1, middle column. https://www.kff.org/medicaid/medicaid-enrollment-and-unwinding-tracker/

[7] Steeby, C. G., Tocher, S., Johnson, K., & Block, L. (2025, June). Lessons from the Medi-Cal unwinding: How California protected coverage and policy options to improve renewals (California Health Care Foundation). https://www.chcf.org/wp-content/uploads/2025/06/Medi-CalUnwindingLessonsRecommendations.pdf

[8] Murphy, N., & Ducas, A. (2025, May 9). *The collateral damage of Medicaid work requirements*. Center for American Progress. https://www.americanprogress.org/article/the-collateral-damage-of-medicaid-work-requirements/

or volunteering) in at least one month since the last redetermination for existing enrollees, unless exempt; and,

- **Redeterminations every six months, instead of annually.**

For new applicants who fall within the ACA expansion population, the policy is even more challenging: they must demonstrate compliance with the 80 hours of qualifying activities in the most recent month prior to enrollment, unless exempt, before they can obtain coverage.

Many of these individuals are already working, caregiving, attending school, or managing chronic health conditions.[9] However, evidence from other states and programs consistently shows that coverage losses under similar policies occur not because individuals are ineligible, but because they face administrative barriers, paperwork burdens, and documentation challenges.[10,11] Missed notices, unstable housing, limited internet access, language barriers, or confusion about reporting requirements can result in termination of coverage even when individuals remain eligible.

Based on DHCS' current estimates in the Governor's Budget, approximately 1.8 million ACA expansion enrollees may be verified as automatically exempt or compliant due to factors such as caregiving responsibilities, residence in high-unemployment areas, participation in mental health/substance abuse treatment, or sufficient reported earnings captured through existing data sources. We support efforts by the Administration to explore additional data matches and data-sharing agreements to automate exemptions and verification where possible, to minimize administrative barriers to clients, yet the nature of some exemptions and complex circumstances will require significant involvement from county eligibility workers for those who cannot be verified via these processes known as "ex parte." Even for data sources that are currently being explored to enhance the availability of ex parte verification there may be point-in-time limitations. We note, for example, that DHCS' plan to use Short-Doyle and other Medi-Cal claims data to identify exemptions may present timeliness challenges associated with when claims are submitted and when an exemption may need to be certified. We understand providers generally have up to six months after services were provided to submit initial claims, which may not align with the timeframe in which this data is needed for work requirement exemptions, and would therefore still require manual screening. Other exemptions that likely

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[9] Tolbert, J., Cervantes, S., Rudowitz, R., & Burns, A. (2025, May 30). *Understanding the intersection of Medicaid and work: An update* (Issue Brief). Kaiser Family Foundation. https://www.kff.org/medicaid/understanding-the-intersection-of-medicaid-and-work-an-update/

[10] Haley, J. M., Dubay, L., Carter, J., & Zuckerman, S. (2025, May 21). More-frequent Medicaid redeterminations would reduce health insurance coverage and increase administrative costs. Urban Institute.

[11] Karpman, M., Haley, J. M., & Kenney, G. M. (2025, March 17). Assessing potential coverage losses among Medicaid expansion enrollees under a federal Medicaid work requirement. Urban Institute.

require fully manual review by the eligibility worker, among others, include unpaid family caregiving responsibilities—for example, in the instance of a young adult who is unable to work full-time because they are caring for an aging parent with medical needs. The parent's condition might be identifiable in medical claims data, but the caregiver's responsibility would not.

While the State makes concerted efforts to explore other data matching, as of the Governor's Budget, **this leaves upwards of 2.8 million individuals who will likely be subject to manual verification by county eligibility workers and compliance monitoring. This population remains at the highest risk of losing coverage due to procedural barriers, and DHCS estimates that roughly 50-percent of this group could be disenrolled**. Because these enrollees may have a minimal data footprint within the existing health care system, when combined with complex needs and unstable and precarious employment associated with low-wage work,[12] counties will largely be focused on serving the hardest-to-reach and hardest-to-document cases through manual verification.

We also note that many individuals will be impacted by both the Medi-Cal and CalFresh work requirements, and we appreciate the Administration's commitment to aligning the tools and processes that support verification of compliance and/or exemptions where possible. We continue to advocate for efforts to support the dually impacted population with streamlined reporting and verification processes to minimize the chance of confusion that results in coverage loss.

For affected individuals, loss of Medi-Cal coverage can mean delays in preventative care, lack of access to reproductive health care as 24% of women of reproductive age are covered by Medicaid programs like Medi-Cal, [13] interruptions in treatment, greater reliance on emergency departments, and increased medical debt. At the system level, higher disenrollment rates will increase uncompensated care and place additional pressure on public hospitals and county indigent health systems.

Counties are strongly committed to minimizing harm and preventing unnecessary loss of coverage. However, existing Medi-Cal county administration funding is inadequate to absorb these new workload demands. Counties fully expended their statewide allocation in FY 2024-25, and the freeze on annual Medi-Cal Consumer Price Index (CPI) adjustments in the 2024 Budget Act (WIC Section 14154), which is through FY 2027-28, will strain counties' ability to keep pace with rising salary and operating costs. At the same time, counties are facing

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[12] Karpman, M., Haley, J. M., & Kenney, G. M. (2025, June). Many working people would be shut out of Medicaid under proposed work requirements: Findings from the Survey of Income and Program Participation (Brief). Urban Institute. https://www.urban.org/sites/default/files/2025-06/Many-Working-People-Would-Be-Shut-Out-of-Medicaid-under-Proposed-Work-Requirements.pdf

[13] Sonfield, A., & Friedrich-Karnik, A. (2025, November). *New federal Medicaid cuts will devastate coverage for reproductive health care*. Guttmacher Institute. https://www.guttmacher.org/2025/11/new-federal-medicaid-cuts-will-devastate-coverage-reproductive-health-care

significant fiscal pressures from other H.R. 1 cost shifts and new workload requirements across both CalFresh and Medi-Cal. Without adequate investment, counties will struggle to retain the eligibility workforce and implement H.R. 1 in a way that safeguards access to coverage.

Impact

To recap (based on current estimates):

- *Approximately 4.6 million Californians, more than 10 percent of the State's population, will be directly affected by H.R. 1's new Medi-Cal requirements.*
- *Of these, an estimated 2.8 million individuals will rely on the county eligibility workforce to either qualify for an exemption or demonstrate compliance with work or qualifying activity requirements.*
- *The 2.8 million enrollees who fall outside of the ex parte process and remain for counties to support will likely be individuals with significant needs who require additional engagement due to historically having a minimal data footprint within the existing health care system, and unstable and precarious employment associated with low-wage work,[14] placing them at heightened risk of coverage loss due to procedural barriers.*
- *New work reporting and documentation requirements create barriers that disproportionately impact individuals with unstable employment or those with limited access to technology.[15,16]*
- *Again, this exacerbates the issue of an insufficient and reliable data footprint within the health care and eligibility system for this population, which would allow for easy verification. The population will be harder to serve, requiring intensive screening, ongoing engagement, and careful exemption determinations.*
- *As a result, counties will be focused on serving the hardest-to-reach and hardest-to-document cases.*
- *Increased disenrollment will exacerbate health inequities and undermine California's longstanding investments in preventive care and coverage stability, outcomes counties are committed to mitigating with adequate funding.*

Without additional resources, counties will be unable to hire and retain sufficient staff to carry out the client education, robust exemption review, and proactive follow-up necessary to prevent avoidable coverage losses for a population that represents a substantial share of the

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[14] Karpman, M., Haley, J. M., & Kenney, G. M. (2025, June). Many working people would be shut out of Medicaid under proposed work requirements: Findings from the Survey of Income and Program Participation (Brief). Urban Institute. https://www.urban.org/sites/default/files/2025-06/Many-Working-People-Would-Be-Shut-Out-of-Medicaid-under-Proposed-Work-Requirements.pdf

[15] Karpman, M., Haley, J. M., & Kenney, G. M. (2025, March 17). Assessing potential coverage losses among Medicaid expansion enrollees under a federal Medicaid work requirement. Urban Institute.

[16] Hinton, Elizabeth & Rudowitz, Robin. (2025, February 18). 5 Key Facts About Medicaid Work Requirements. Kaiser Family Foundation. https://www.kff.org/medicaid/5-key-facts-about-medicaid-work-requirements/

Medi-Cal caseload and California's working-age adults. Coming on the heels of sustained post-COVID increases in caseload volume, these new H.R. 1 requirements will be exceptionally challenging for counties to absorb within existing staffing and infrastructure. The result will be increased churn, higher compounding administrative burdens over time, and significant downstream costs for the health care system and counties in the form of uncompensated care and avoidable coverage gaps.

Proposed Solutions

Adequate State investment in county Medi-Cal administration is essential to mitigate the risks of eligible Californians losing coverage due to preventable administrative barriers. With sufficient resources counties can devote the time required per client impacted by H.R. 1, including an estimated 3.5 additional hours per client, per year for robust exemption and compliance review for individuals who cannot be verified via automated data matches; approximately 50 additional minutes of follow-up for clients initially deemed noncompliant and to resolve documentation issues; and an additional 1.2 hours per client, per year to support the shift from annual to six-month redeterminations. With this level of investment, counties can:

- Conduct robust record reviews to identify exemptions using available data sources before requesting additional documentation from clients, thereby minimizing administrative burdens.
- When data sources and the case record are not sufficient for identifying exemptions, follow-up and engage directly with the client to determine whether a life circumstance or condition that limits their ability to perform qualifying activities exists that may qualify them for an exemption.
- Provide timely client education and outreach to help enrollees understand new requirements and how to comply, including providing resources for clients only partially engaged or not at all engaged in qualifying activities.
- Perform follow-up with individuals who appear initially non-compliant or ineligible for exemptions to minimize risk of procedural terminations.
- Support timely processing of six-month redeterminations to reduce churn and coverage gaps.

Specifically, CWDA requests:

1. **Augmenting County Medi-Cal Administrative Funding for H.R. 1 Implementation** by the following General Fund amounts, assuming a January 2027 implementation date and full drawdown of the 75 percent enhanced Federal Financial Participation (FFP) available for administrative costs for ACA optional expansion adults:
    - $230.9 million General Fund in FY 2026-27,
    - $304.7 million General Fund in FY 2027-28,
    - $175.9 million General Fund in FY 2028-29, and

- $114.1 million General Fund ongoing thereafter.[17]

2. **Reinstating Medi-Cal CPI Adjustments for county administration** beginning in FY 2026-27 ($78.5 million total funds, $39.2 million General Fund), to stabilize the eligibility workforce and address rising personnel and operating costs.[18]

Total CWDA Request (in Millions)	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30 and ongoing
Total Funds	$ 1,002.07	$ 1,297.14	$ 782.21	$ 534.75
General Fund	$ 270.13	$ 343.90	$ 215.17	$ 153.30

This funding will enable counties to implement new federal work and redetermination requirements in a fair, equitable, and workable manner; minimize unnecessary Medi-Cal disenrollment; and reduce downstream uncompensated care costs on public hospitals and county health systems.

Imposing Work Requirements and Six-Month Eligibility Redeterminations on State-Only Funded Medi-Cal Enrollees

CWDA would note its concerns with the State's application of the H.R. 1's work requirement and six-month redetermination provisions to Medi-Cal state-only funded enrollees (which includes undocumented individuals eligible for Medi-Cal) who are not federally eligible for Medicaid, which is not a requirement of H.R. 1 and goes above and beyond these federal policies. Extending federal work requirements to state-funded Medi-Cal beneficiaries is both unsound health policy and unfairly burdens immigrants who lack alternative coverage options. Moreover, this policy will place unnecessary administrative hurdles on people who already face significant barriers to stable employment and health care, and counties alike. We note our organization has also signed onto a coalition budget letter opposing guidance that subjects the state-only undocumented Medi-Cal population to the requirements. Lastly, we note that this population comprises approximately 18 percent of the ACA optional expansion population who the work requirements apply to (under the State's proposed guidance), and that our budget request for H.R. 1 would be *reduced* by $39.8 million General Fund in FY 2026-27, $53.9 million General Fund in FY 2027-28, $30.9 million General Fund in FY 2028-29, and $19.7 million General Fund ongoing if this population was excluded from having to comply with the H.R. 1 requirements.

[17] Figures could be subject to change based on further release of federal and state guidance.
[18] California CPI as of FY 2026-27 Governor's Budget, and subject to change at May Revision. https://dof.ca.gov/media/docs/forecasting/economics/economic-indicators/inflation/CPI-All-Item-FY.xlsx

Conclusion

California has demonstrated, time and again, that when the State invests in county eligibility infrastructure, counties deliver. We have seen this in the successful implementation of the ACA and the achievement of being among the highest Medicaid retention rates in the nation during the PHE unwinding. H.R. 1 represents another inflection point. The scale of the new requirements, combined with sustained post-pandemic caseload pressures and frozen baseline funding, creates a serious risk of preventable coverage loss absent targeted investment.

CWDA urges the Legislature to continue California's proven approach by investing in county Medi-Cal administration to support robust exemption review, client education, and timely redeterminations. These investments are among the most cost-effective tools available to preserve Medi-Cal coverage for eligible Californians, draw down enhanced federal administrative matching funds, and avoid far more costly downstream impacts associated with uncompensated care, delayed treatment, and coverage churn. With the right resources, counties stand ready to implement H.R. 1 in a manner that minimizes its most severe harms and inequities, and aligns with California's longstanding commitment to health coverage for all.

We appreciate the acknowledgement of this resource need in the Governor's Budget and DHCS Estimate, and look forward to continuing to work with the Administration and Legislature.

Sincerely,

Carlos Marquez III, Executive Director | CWDA

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