Cross-County CalAIM Children and Youth Workgroup

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BluePath HEALTH

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FIRST 5 CENTER FOR CHILDREN'S POLICY

H.R. 1 and California's Children:

Impacts of H.R. 1 and other Federal policy changes on California's early childhood population



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What is H.R. 1?

The federal budget reconciliation law signed July 4, 2025, which reshapes Medicaid eligibility and financing nationwide

~$1T

less federal Medicaid funding over the next decade

~2M

Medi-Cal members at risk of losing coverage, per DHCS

H.R. 1 establishes new eligibility and enrollment changes to Medi-Cal, including:

- Requirements that change eligibility criteria
- New parameters for how to enroll in and maintain Medi-Cal coverage

Why it matters for young children:

- Parents of children 13 and under are exempt from work requirements, but added paperwork, adult coverage losses, and financing pressure can still reach children, families, and the CalAIM services our network delivers.

Major Federal Medicaid Changes

Eligibility/ Access Requirements

- Work requirements
- 6-month eligibility checks
- Retroactive coverage restrictions
- Cost sharing

State Financing Restrictions

- Managed Care Organization (MCO) and provider tax limitations
- State Directed Payment (SDP) restrictions

Immigration Coverage Limitations

- Reduction in FMAP for emergency UIS
- Restrictions on lawful immigrant eligibility

Immigration Coverage Limitations – UIS Transition

2026-27 state budget will transition over 2 million Medi-Cal members with unsatisfactory immigration status (UIS) from managed care to FFS.

~38k

Children birth to five transitioning to FFS

$39M

One-time funding to support transition

Why it matters for young children:

- Responsibility for care coordination now falls on the caregivers.
- No longer have access to certain benefits such as ECM and community supports.
- Population is still eligible to receive CHW services, but few organizations currently bill FFS.

Impacts of H.R. 1 Medicaid Changes

14.7M
Californians covered by Medi-Cal today

4.8M
enrollees in the group subject to the new work requirement

1.1M
projected to lose coverage by 2029–30 from the work requirement alone

~2M
members at risk of losing coverage across all federal changes

$30B+
in federal Medi-Cal funding at risk each year

$9.6B
in lost federal and state revenue by FY 2029–30 tied to the work requirement

$1.5B
in added Medi-Cal costs in FY 2026–27

66%
of “unwinding” coverage losses were procedural — a warning for six-month renewals

Possible State Medi-Cal Action

1. **Limit Eligibility** – The state could tighten income thresholds, reduce eligibility for certain populations, or increase documentation requirements, which would result in fewer Californians qualifying for Medi-Cal or other safety-net programs.
2. **Reduce Rates** – California could lower provider payment rates to manage costs. This approach, however, risks reducing provider participation and access, particularly in underserved communities, and could undermine the stability of safety-net infrastructure.
3. **Narrow Benefits** – The state may opt to scale back covered services or eliminate optional benefits. This could include services such as adult dental, vision, or certain home and community-based services—changes that disproportionately impact vulnerable populations.

Major CalFresh Changes & Impacts

CalFresh Expanded Work Requirements:

- Expanded work requirements for able bodied adults.

Narrowed Eligibility for Noncitizens:

- Certain legally present noncitizens no longer eligible.

Program Financing:

- Changes to federal share of benefits.

660,000

people at risk of losing CalFresh under the expanded work requirement

72,000

lawfully present noncitizens losing eligibility

What it costs California

$833M less food assistance reaching families in 2026–27

$670M a year in new state and county admin costs as the federal share falls to 25% to 25%

Up to $2B $2B a year in benefit costs shifted to the state from Oct 2027 if error rates stay high stay high

Other Federal Rule Actions & Changes

- **New Public Charge rule went into effect last month**
  - "Public charge" is an immigration rule generally used to determine whether an individual will be unable to financially support themselves in the future.
  - Can impact someone's ability to get a green card.
- **Medi-Cal Data Privacy**
  - The federal government is trying to share the personal information of Medicaid (Medi-Cal) participants with the Department of Homeland Security for immigration enforcement.
- **Recission of Sensitive Locations Policy**
  - Under the previous protected areas policy, ICE and CBP agents were restricted from carrying out enforcement actions in certain locations, including schools, hospitals, places of worship, food pantries, and more.

Why These Changes Matter

Over 55 percent of children from birth to age 5 are enrolled in Medi-Cal or are receiving some sort of public assistance.

In Medi-Cal alone, we've seen an almost 5 percent drop in coverage from March 2025 to March 2026.

When parents lose coverage or face new barriers to accessing care/services, **children's access is at stake too.**

