

Major County Impacts of H.R. 1 and the State Budget

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Agenda

1. Overview
2. Timeline of Major Changes
3. CalFresh/SNAP Statutory Changes
4. Medi-Cal/Medicaid Statutory Changes
5. Estimated Current Year Impacts
6. Considerations and Next Steps



Overview

1. H.R. 1 represents a major shift in the relationship between the federal government and state/local governments. Makes major policy changes over a ten-year time frame, including:
2. Reduces access and funding for hospitals, health care, food, nutrition education, safety net services
 - i. \$911 B cut to Medicaid (Medi-Cal, in California)
 - ii. \$193 B cut to SNAP (CalFresh, in California)
 - a. Eligibility changes affect low- and middle-income individuals and families, as well as immigrants.
3. Shifts costs to state and local governments, reducing overall resources and funding flexibility.
4. State policies, especially for Medi-Cal, are compounding the harms.
5. Uncertainty and ambiguity make planning difficult:
 - a. Includes or requires numerous statutory & administrative rule changes which have not yet occurred.
 - b. Legal ambiguity, with provisions in litigation.



CAO – Major Impacts of H.R. 1 & State Budget



CalFresh/SNAP Statutory Changes

1. All Able-Bodied Adults Without Dependents (ABAWD) subject to work, education, or community engagement requirements.
 - a. 80 hours or more each month (approx. half-time)
2. Populations impacted by exemption changes:
 - a. Adults age 54 to 64
 - b. Families with children ages 14 to 18
 - c. Homeless individuals
 - d. Veterans
 - e. Former foster youth ages 18-24
3. Ineligible non-citizens will no longer be able to receive CalFresh: includes refugees, humanitarian parolees, asylees, and survivors of human trafficking and domestic violence.



CalFresh/SNAP Impacts

1. Food insecurity will increase in our community over the next decade.
 - a. CalFresh serves nearly ~110,000 people (~67,000 cases) in Contra Costa County in a given month.
 - b. About 11-16% of cases may risk losing benefits due to reduction in work waivers.
 - c. Benefit amounts will stay flat for participants over time due to the Thrifty Food Plan cost neutrality changes, reducing purchasing power.
2. New costs shifted to the State and Counties:
 - a. California counties locally administer CalFresh eligibility and must comply with new eligibility and recertification requirements.
 - b. Share of administrative costs is being increased for the County.
 - c. Share of SNAP benefits cost is being shifted to States and will be passed along to Counties or take away State general funds available that would otherwise support CalFresh or other local programs.



CalFresh/SNAP Administrative Cost Sharing

1. Administrative Cost Sharing

- a. Federal portion reduced from 50% down to 25%
- b. State portion increases to 75%, up from 50%
- c. County share of administrative costs are typically split 30% County, 70% State
- d. Assuming same Admin Cost split with state, will increase County share to 22.5% (from 15%), starting October 1, 2026.
 - i. Estimated to increase administrative costs by approximately \$5 million annually.

2. Benefit Costs Shifted to States based on payment error rate

- a. Anticipated to be 15% for California.
 - i. Statewide, California administers approximately \$12.8 B in SNAP benefits annually.
 - ii. Increase in State cost expected to exceed \$1.8 B each year.
- b. Technically a State responsibility under H.R. 1
 - i. Would amount to approximately \$40 million annually in Contra Costa.



Medi-Cal/Medicaid Statutory Changes

1. Eligibility and Cost Sharing

- a. Retroactive coverage reductions (*state*)
- b. Reinstatement of the asset test limits (*state*)
- c. Medicaid Expansion Adults (100-138% of Federal Poverty Level (FPL)) (*federal*)
 - i. Work requirements
 - ii. 6-month redetermination for Medicaid Expansion Adults
 - iii. Cost sharing for Medicaid Expansion Adults; co-pays start October 1, 2028.

2. Coverage Changes for Immigrants and Non-Citizens

- a. Enrollment freeze for unsatisfactory immigration status (UIS) adults ages 19+ (starts January 1, 2026) (*state*)
- b. Monthly premiums for UIS adults ages 19-59 (starts January 1, 2027) (*state*)
- c. Refugees, humanitarian parolees, asylees, trafficking or domestic violence survivors, among other humanitarian groups no longer qualify for Medicaid (starting October 1, 2026) (*federal*)



Medi-Cal/Medicaid Impacts

1. New eligibility requirements may result in a loss in full-scope Medi-Cal coverage for an estimated 52,000 to 116,000 people in our County.
2. As an organization, Contra Costa County is more impacted by these changes due to our integrated system:
 - a. **Eligibility/Enrollment:** California counties locally administer Medi-Cal eligibility and must comply with new eligibility and recertification requirements for approximately 320,000 people.
 - b. **Health Plan & Coverage:** Contra Costa operates the single plan for Medi-Cal that serves approximately 265,000 people.
 - c. **Hospital & Clinics:** Medi-Cal covers nearly 335,000 people in Contra Costa County. Contra Costa operates a hospital and clinics that serve the majority of Medi-Cal enrollees in our County.



Forecasting Challenges

1. Administrative uncertainty and ambiguity:

- a. Guidance, rules, and state laws are pending.
- b. Legal ambiguity, with many provisions in litigation.

2. Demographic and Economic Factors:

- a. Inflation
- b. Population
- c. General Economic Conditions:
 - i. Demands on social safety net increase in a recession.
 - ii. Property tax, sales tax, and others revenue streams vary based on the economy.

3. Increasing Cost of Doing Business

- a. **Labor:** County is currently in labor negotiations.
- b. **Health:** Historically, health care costs—and the costs to deliver health care—outpace inflation.



Estimated Current Fiscal Year Impacts

1. The County has already lost \$24.2 million as a direct result of H.R. 1 and the State Budget in the current fiscal year, compounding with other changes, lost revenue, and cost shifts from other policies.
 - a. \$24.2 million is a combination of funding reductions and new, unfunded responsibilities:
 - i. Disproportionate Share Hospital (DSH) cuts
 - ii. Community First Choice Option Penalties for IHSS
 - *Contra Costa overmatches/subsidizes IHSS administration*
 - iii. Medi-Cal Enrollment Freeze for UIS Full-Scope Medi-Cal
2. Amounts will increase significantly in out years.
 - a. Costs are anticipated to exceed \$250 million annually in out years due to escalating impacts of Medi-Cal and hospital payment changes on health plan, hospitals and clinics (likely much higher).



Timeline of Major Impacts

Fiscal Year	2025-2026	2026-2027	2027-2028	2028-2029
Medi-Cal Eligibility	January 1, 2026 Reinstatement of asset limit. <i>(state)</i>	October 1, 2026 Ineligible non-citizens no longer qualify for Medi-Cal. <i>(federal)</i> January 1, 2027 Redetermine eligibility for Medicaid expansion adults once every six months. <i>(federal)</i>	Increasing cost associated with uncompensated care, from federal/state reductions in coverage.	
Medi-Cal Unsatisfactory Immigration Status (UIS)	January 1, 2026 Freeze on Medi-Cal enrollment for undocumented ages 19 and older. <i>(state)</i> July 1, 2027 Elimination of dental benefits for non-pregnant adults with UIS. <i>(state)</i>	January 1, 2027 Monthly premiums for people with UIS, ages 19-59). <i>(state)</i>		
Medi-Cal Work/Community Engagement		January 1, 2027 Mandatory work requirements for Medicaid expansion (MCE) adults. <i>(federal)</i>		
CalFresh/SNAP	Upon Enactment <i>(pending guidance)</i> Elimination of SNAP eligibility for refugees, asylees, Afghan evacuees, temporary protection status, humanitarian parole, and survivors of human trafficking and domestic violence. ABAWD waiver ends; work requirements resume. <i>(federal)</i>	October 1, 2026 State share of Admin cost increases from 50% to 75%. State cost is split between the state and counties at a ratio of 70% state, 30% county. County Admin costs for SNAP are expected to increase from 15% to 22.5%. <i>(federal)</i>		October 1, 2028 State agencies required to pay a percentage of SNAP benefit allotment for state error rate over 6%. <i>(federal)</i>
Other Medi-Cal Changes	October 1, 2025 Disproportionate Share Hospital (DSH) Payments reductions begin. <i>(federal)</i>	July 1, 2026 Elimination of Prospective Payment System payments for clinics. <i>(state)</i> December 1, 2026 CalAIM (Medicaid Sec. 1115 waiver) Expires. <i>(federal)</i>	October 1, 2027 Medicaid Provider Tax Reductions begins [impacts Prop 35]. <i>(federal)</i> January 1, 2028 State Directed Payment phase down begins <i>(federal)</i>	October 1, 2028 MCE Cost Sharing for 100-133% FPL (co-pays for services of up to \$35) <i>(federal)</i>



Next Steps

1. Work to implement new requirements.
2. Monitor and engage on related state rulemakings or legislation to minimize harms of these policies to the County and community.
3. Continue to proactively monitor and forecast economic conditions.
4. Continue to refine estimates of impacts on participants and county.
5. Plan ahead and adjust through regular updates to the Board:
 - a. December 16, 2025: Health presentation
 - b. February 3, 2026: Annual Board Retreat
 - c. April 27-28, 2026: Annual Budget Hearing



Questions, Agenda Language, and Board Direction

1. RECEIVE report on major impacts resulting from H.R. 1 and the State Budget on the County, and PROVIDE direction on next steps for analysis and implementation.