



HURST+BROOKS+ESPINOSA

Where the May Revision Falls Short for Counties: H.R. 1 Implementation

Counties are deeply concerned about the lack of investment in the May Revision to ensure health care services and food access for those impacted by the new federal requirements of H.R. 1. Specifically, we are alarmed at the lack of state support for the county-administered programs that support the state’s public health care system.

While no one knows exactly how many individuals will be disenrolled in 2026-27, we also know that future guidance from CMS anticipated in June will likely have an impact on those numbers. We cannot wait to prepare for the influx of individuals who will lose coverage, become sicker, and need basic medical care.

County Eligibility (Medi-Cal)

Not only does the May Revision include a substantially smaller allocation than requested for Medi-Cal eligibility work, but the details of the May Revision that were not publicly available last week also reveal an Administration proposal to pass along an as-yet unspecified penalty to counties for not meeting eligibility processing timelines that – without proper funding of the workload – is nearly impossible to prevent. We know that the county workforce is the front-line for ensuring that individuals are able to retain their eligibility; underfunding the work that is required to keep individuals enrolled only serves to undermine the state’s historic gains in health care coverage.

2026-27 (dollars in millions)		
County Request	May Revision Proposal	Variance
\$157	\$57.2	↓ \$99.8

County Eligibility (CalFresh)

The May Revision proposal includes a lower estimate of CalFresh caseload and a corresponding lower estimate for county eligibility. The May Revision in effect leaves counties worse positioned to meet the stakes of H.R. 1 as it reduces counties’ base CalFresh funding by \$119 million General Fund (relative to Governor’s Budget) due to the caseload forecast for 2026-27. Adjusting for the administrative cost shift pursuant to H.R. 1, this roughly equates to nearly a **13 percent reduction** in counties’ base CalFresh funding from 2025-26 to 2026-27— which would place over 450 FTEs statewide at-risk, which is nearly the same level of **new staffing** estimated to be needed for H.R. 1 requirements. As a result, the CalFresh county eligibility funding proposed in the May Revision is actually a **reduction** in funding.

2026-27 (dollars in millions)		
County Request	May Revision Proposal	Variance
\$103	\$30	↓ \$73

Public Hospitals

Public hospitals have requested \$500 million to mitigate the impacts of H.R. 1; the May

Revision contains no resources for public hospitals to address those impacts. Further, the change to state-only fee-for-service Medi-Cal for those with unsatisfactory immigration status represents at least an additional \$800 million reduction to public hospitals and compounds the H.R. 1 reductions, making the impacts even worse. Additionally, if patients cannot find providers in the scarce fee-for-service network, they will seek care at public hospitals sicker and with conditions that could have been more effectively treated in other settings.

2026-27 (dollars in millions)		
County Request	May Revision Proposal	Variance
\$500	\$0	↓ \$500

The total reduction to public hospitals is nearly \$4 billion when considering H.R. 1 implementation and the transition to FFS for the UIS population. This is unsustainable and a real threat to the state's entire health care system. Public hospitals provide trauma, burn and graduate medical education that all Californians rely on.

Indigent Care

There is no investment in indigent health care in the May Revision and no alternative option for those individuals who are unable to retain

coverage. If the state does not want to invest in rebuilding county indigent care systems before the full scope of federal H.R.1 impacts is understood, it must instead invest in a short-term bridge program to prevent an immediate loss of coverage and sudden uninsured status for the thousands of individuals that will "fall off" of Medi-Cal.

2026-27 (dollars in millions)		
County Request	May Revision Proposal	Variance
\$761	\$0	↓ \$761

Behavioral Health

There is no investment in county behavioral health in the May Revision to mitigate the

impacts of H.R. 1 for individuals on Medi-Cal with behavioral health conditions. As individuals with less severe behavioral health conditions lose Medi-Cal eligibility and coverage, this loss of coverage will result in diminished access to upstream behavioral health care for those who may have mild to moderate conditions. The loss of coverage also may lead to exacerbation of mental health and substance use disorder conditions, eventually resulting in the need for specialty services for some of these individuals. Additionally, individuals may lose access to important supports available through CalAIM, such as housing supports, that keep them stably housed and healthy.

2026-27 (dollars in millions)		
County Request	May Revision Proposal	Variance
\$224	\$0	↓ \$224