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# Potential Impacts of Federal Changes to California's Children and Youth

Assessing the Impact of Medicaid Cuts on Medi-Cal Eligible Children and Youth in California



**May 15, 2025**

12:00 – 1:00 PM PT // 3:00 – 4:00 PM ET

# The Big Picture

# Children's Coverage is at Risk

More than two in five children in California – including nearly half of all children and youth with special health care needs (CYSHCN) – rely on Medi-Cal for their health care needs. That coverage and the assurance of comprehensive care for children is at risk.



**Congress is actively considering large reductions in Medicaid funding** through a “fast track” budget process known as reconciliation.

- The reconciliation budget adopted by Congress in April directs the House to draft legislative proposals that produce **at least \$880 billion in federal savings**.
- On May 14, **House Energy and Commerce Committee (E&C) adopted a legislative proposal** that includes **significant Medicaid policy changes**. CBO estimates that the E&C bill would **cut health care spending by at least \$715 billion over 10 years** and cause at least **8.6 million individuals to lose Medicaid coverage**.
- While the Senate has not targeted deep cuts in Medicaid, reconciliation is being driven by efforts to pass tax cuts including some that expire this year, putting **pressure on Congress to agree to large spending cuts to reduce the extent to which the tax cuts increase the federal deficit**.

# Overview of House E&C Proposals Impacting Children and Families

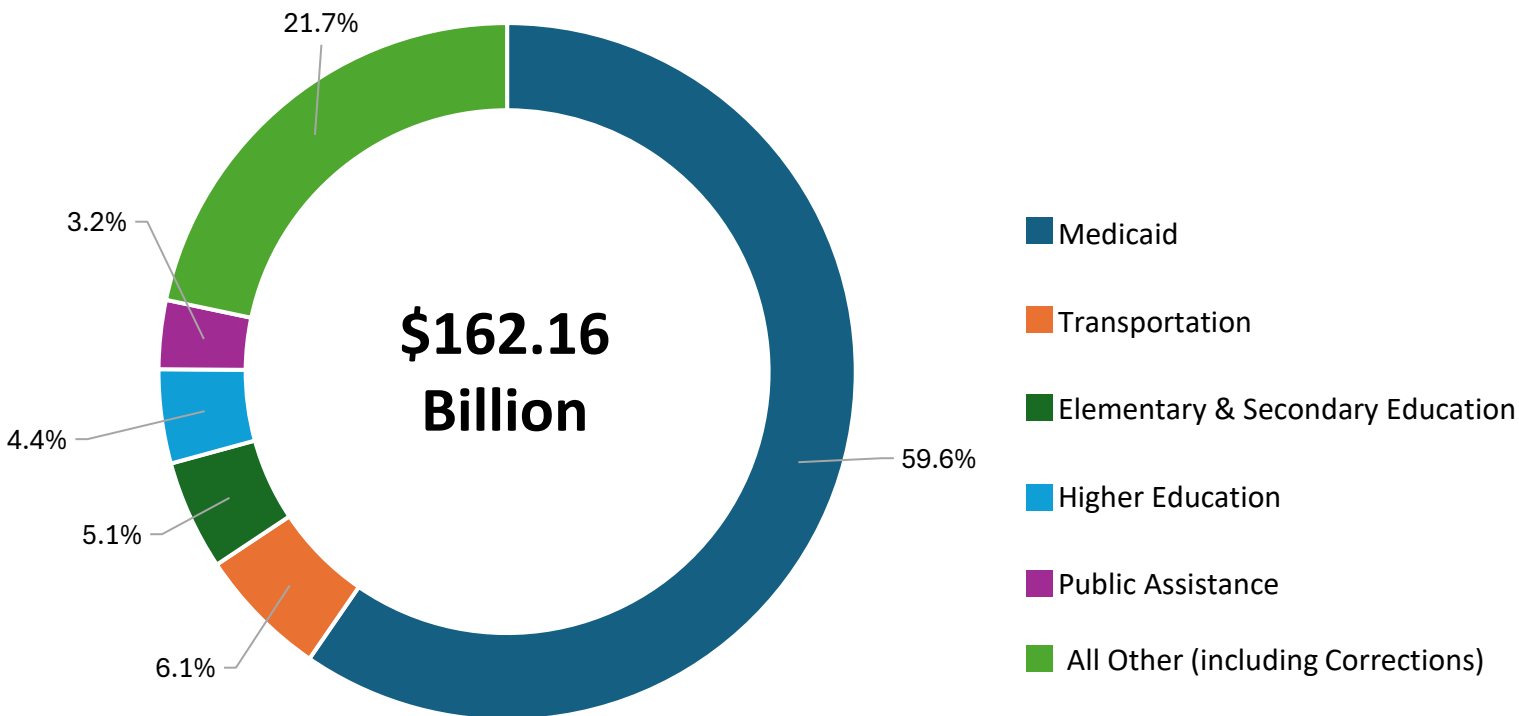
- Impose new work reporting requirements, renewal processes, and cost-sharing for Medicaid expansion adults
- Remove federal reimbursement for reasonable opportunity periods and limit retroactive coverage to only one month
- Penalize states that use state funds to cover undocumented immigrants, prohibit coverage of gender-affirming care, and exclude Planned Parenthood from the Medicaid program
- Scale back state Medicaid financing flexibility via provider taxes and state directed payments
- Establish a streamlined Medicaid enrollment process for certain out-of-state providers



# Federal Medicaid Cuts Will Hurt California Children

While not explicitly aimed at children, proposals that would cut federal Medicaid funding and make changes to parents' eligibility will inevitably put children's Medi-Cal coverage and their health and well-being at risk.

Estimated Federal Funds Expenditures in California, by Function (Fiscal Year (FY) 2024)



- Medicaid is the single largest source of federal revenue in California.
- If enacted as proposed, the legislation would lead to **widespread loss of coverage** and a significant shift of costs and administrative burden to California.
- Given the breadth of the changes and expected coverage losses, **it will be impossible to shield Californian children from harm.**

# House E&C Proposals Impacting Children and Families



# Mandatory Work Requirements for Expansion Adults

The legislation lays out a prescriptive framework mandating work requirements for Medicaid expansion adults beginning January 1, 2029.

## House E&C Legislation

- **Conditioning Coverage on Work Reporting.** California would be required to condition Medi-Cal eligibility on compliance with work requirements for adults ages 19 through 64.
  
- **Qualifying Activities.** At a minimum, individuals must complete 80 hours of qualifying activities in the month prior to application and again, once enrolled, for at least one month within every six-month period. States must use data sources to monitor compliance "when possible."
  - Qualifying activities include work, a work program, community service, part-time education, a combination of these activities, or having a monthly income of at least \$580 (federal minimum wage x 80 hours).
  
- **Exemptions.** The bill lays out required exemptions and optional temporary exemptions (see next slide).
  - Unclear how states will operationalize the process of identifying exempt individuals (no obligation for state to use data sources, when available).
  
- **Terminations.** Individuals who are unable to establish a qualifying activity or an exemption will be terminated and barred from enrollment in subsidized Marketplace coverage for the duration of their Medicaid ineligibility.

# Mandatory and Optional Exemptions

- **Required Exemptions.** States *must* exempt the following individuals from work requirements for a given month if, at any point during that month, they are:
  - Parents/caregivers of a dependent child;
  - Caregivers of a disabled individual;
  - Pregnant or receiving Medicaid postpartum;
  - Foster youth and former foster youth under the age of 26;
  - American Indians and Alaska Natives
  - Disabled veterans;
  - Incarcerated or recently released from incarceration within the past 90 days;
  - Entitled to Medicare Part A or enrolled in Medicare Part B;
  - Meeting TANF (CalWORKs) or SNAP (CalFresh) work requirements;
  - Participating in a drug addiction or alcohol treatment program;
  - Other individuals designated by the HHS Secretary;
  - Medically frail:
    - blind or disabled;
    - have a substance use disorder;
    - have a disabling mental disorder;
    - have a significant physical, intellectual, or developmental disability;
    - have a serious and complex medical condition; or
    - have another medical condition identified by the state and approved by the HHS Secretary.
  
- **Optional Temporary Exemptions.** States *may* exempt individuals for a given month if, at any point during that month, they experience and request a “short-term hardship” exemption during that month, including:
  - Receiving inpatient hospital care, nursing facility services, services in an intermediate care facility for individuals with intellectual disabilities, inpatient psychiatry care, or other services determined by the HHS Secretary;
  - Living in a county impacted by a federally declared emergency or disaster;
  - Living in a county with a high unemployment rate (at or above the lesser of 8% or 150% of the national unemployment rate, which was 4.2% as of April 2025); or
  - Experiencing other short-term hardships as defined by the HHS Secretary.





# Work Requirements Do Not Work

- **Coverage Loss.** CBO preliminarily has estimated that the work requirement provisions would result in **approximately 5 million adults losing Medicaid**. Because parent coverage is closely tied to their children’s coverage, **tens of thousands of children will also lose coverage**. (Manatt is updating its modeling estimates and will share as soon as finalized.)
- **Enrollee Burden.** Research has shown that work reporting requirements are **not well understood or easy for people to meet**.
  - Experiences in the states that have implemented work requirements show **very large coverage losses due to paperwork and difficulty reporting** rather than refusals to engage in work or related activities.
  - CBO has stated that Medicaid work requirements **“would have a negligible effect on employment status or hours worked”** by the enrollees who would be subject to the requirements.
- **Costly to Administer.** The legislation directs HHS to allocate a total of **\$100 million to states** for systems development based on the number of people in each state who are subject to work requirements.
  - ◆ Given the size of the Medi-Cal program and the number of enrolled adults who will be subject to work requirements, **California is likely to face a large price tag to stand up its work requirements program** given needed IT system changes and increased county eligibility staff.



# Eligibility and Enrollment Provisions Targeting Medicaid Expansion Adults

**Additional eligibility and cost-sharing requirements for Medicaid expansion adults would make it harder for individuals to retain their health care coverage and access care.**

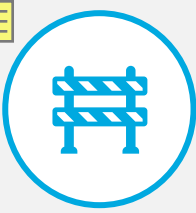
## Current State of Play

- States are **not permitted to renew Medicaid eligibility more frequently than once every 12 months** for Medicaid expansion adults.
- California regularly responds to information received—from an enrollee or through available data—and **acts on changes in circumstances mid-coverage year.**
- **California does not require co-payments** to access Medi-Cal services.



## House E&C Legislation

- **Imposes more frequent renewals for Medicaid expansion adults.** Beginning October 2027, states will be required to redetermine eligibility for expansion adults every six months (instead of annually).
- **Requires co-payments for Medicaid expansion adults with incomes above 100% of the FPL** (\$26,650 annually for a family of 3) on all services except those exempted under existing law (e.g., prenatal, family planning, certain emergency services).
  - Cost sharing may be up to \$35 per service subject to a limit of 5% of family income. At state option, providers may deny services if an individual does not pay their cost sharing.
  - The bill retains the existing requirement that copayments for drugs be “nominal” (defined as a maximum of \$4 for preferred drugs and \$8 for non-preferred drugs as of 2015, and adjusted for inflation over time)



# Eligibility and Enrollment Changes Impacting All Enrollees

## Current State of Play

- Full-scope, state-funded **Medi-Cal is available to eligible children and adults regardless of immigration status.**
- If a Medicaid applicant meets all eligibility requirements except their attested citizenship or qualifying immigration status cannot be verified, **states must enroll the individual and provide a 90-day reasonable opportunity period to submit documentation.**
- Medicaid provides **retroactive coverage up to three months** before an individual's application date.

## House E&C Legislation

- **Penalizes states for providing with state-only funds health coverage to undocumented immigrants** by reducing the federal matching rate for the Medicaid expansion population from 90% to 80%.
- **Prohibits federal reimbursement for services during the “reasonable opportunity period”** for individuals whose citizenship or status is not verified.
  - States may continue to provide coverage during this period, but they will be financially at risk for any individuals who fail to submit appropriate documentation.
- **Reduces retroactive coverage to one month** prior to an individual's application date.



## Current State of Play

- **Medi-Cal covers gender affirming care** for transgender youth and adults, including hormone therapy and surgical procedures.
- While Medi-Cal doesn't use Medicaid to pay for abortion services, providers that offer abortion services are also **key providers of Medicaid family planning and related services.**



## House E&C Legislation

- **Prohibits federal Medicaid funding for medical gender-affirming care to transgender youth** under age 18.
- **Prohibits federal payments to Planned Parenthood** (defined as family planning providers **that offer so-called elective abortion services** for reasons other than rape, incest, or a medical emergency; and received at least \$1 million in Medicaid payments in 2024).
  - This proposal will impede access to abortions and family planning services.



## Limiting states' use of provider taxes will make it harder for California to finance the state share of Medi-Cal costs.

### Current State of Play

- California is one of 49 states that use provider taxes to finance a portion of their program's costs.
- **California levies provider taxes on hospitals, nursing facilities, intermediate care facilities, and managed care organizations (MCOs):**
  - California's provider tax on private hospitals – totaling ~\$5.9 billion in 2024 - provides supplemental Medi-Cal hospital payments.
  - California's provider tax on MCOs (estimated to generate \$27 billion through SFY 2026-2027) is funding targeted rate increases for certain Medi-Cal providers, including primary care, maternity care, and non-specialty mental health providers.



### House E&C Legislation

- **Establishes a moratorium on future new or increased provider taxes.** States would not be allowed to adopt new provider taxes or increase the amount, rate, or base for existing taxes.
- Some states with existing provider taxes may **lose their ability to continue them** based on new provisions (and a new proposed regulation) aimed at enforcing an existing requirement that taxes **apply equally to all providers within a specified class.**
  - **California's MCO tax will be at risk.**



The House E&C Committee is proposing to significantly slow the growth of SDPs.

## Current State of Play

- In many states, Medicaid provider reimbursement rates do not cover the cost of care.
- 40 states, including California, use SDPs to direct their managed care plans to raise Medicaid rates for identified groups of providers (hospitals, in most cases).
- CMS codified the average commercial rate (ACR) limit for SDPs in regulations in 2024.
- California has multiple SDPs in place today that increase provider rates and focus on delivery system reform.
  - California's eight freestanding children's hospitals and 17 public hospital systems benefit significantly from SDPs.



## House E&C Legislation

- **Reduces the payment limit for certain SDPs.** New SDPs would be capped at 100% of Medicare payment levels. It is unclear whether payment levels would be appropriate for pediatric, obstetric, and other services infrequently covered by Medicare.
- **Freezes existing, approved SDPs at current levels.** SDPs submitted to CMS for approval before the day of enactment could continue, including for subsequent years without change.



## Current State of Play

- **States must cover services furnished out of state** under certain circumstances, such as when a service is not reasonably available in state.
- **Out-of-state providers must enroll in the patient's home state Medicaid program** as a condition of payment.
- In some cases, **providers must undergo duplicative screenings in multiple states** in addition to complying with state-specific enrollment requirements.
- These processes can **delay the start of treatment and increase administrative costs for providers**.



## House E&C Legislation

- All states will be required to establish an **expedited enrollment pathway for eligible out-of-state providers** (i.e., those already enrolled in Medicare or another state's Medicaid program) **that seek to treat a Medicaid or CHIP enrollee under age 21**. States must not impose additional screening or enrollment requirements beyond the minimum necessary under federal law.
- This proposal is based on the bipartisan *Accelerating Kids Access to Care Act*, which was introduced in 2024 but not enacted.

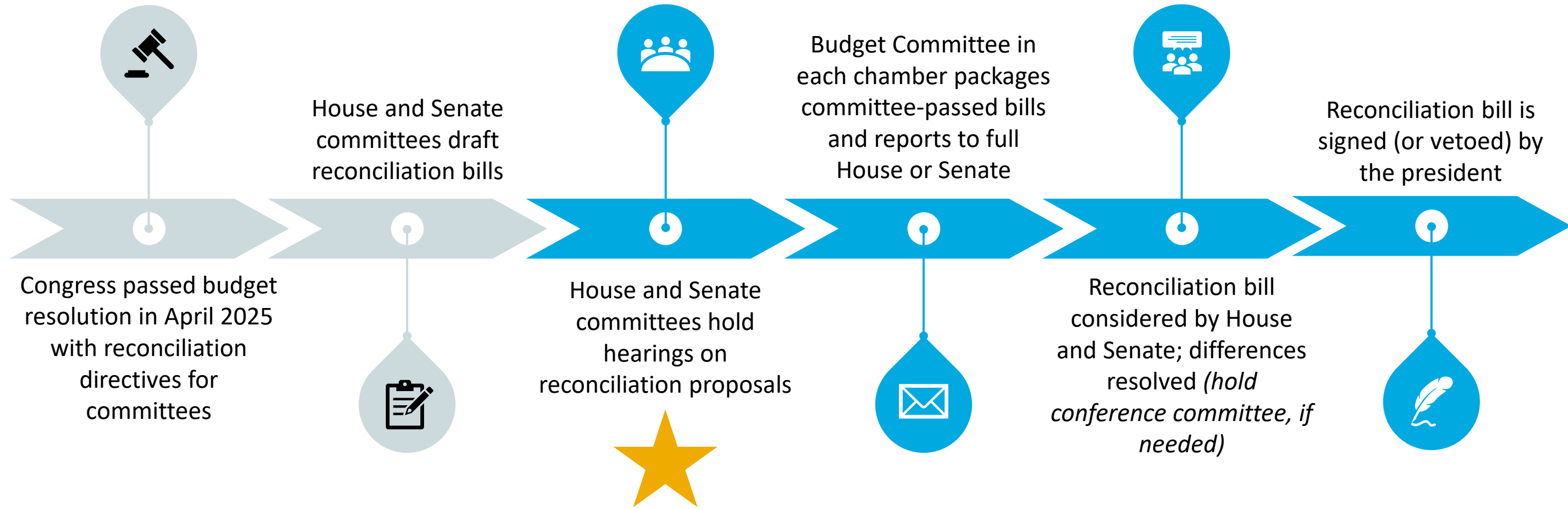
**As a result of the E&C Medicaid financing changes and new eligibility requirements for parents, California children will lose coverage and access to critical services.**

- **Millions of parents and tens of thousands of children will lose Medi-Cal coverage** due to work requirements and six-month renewals, increasing the uninsured and underinsured rates for children and parents.
- California children whose parents lose coverage will face **reduced and interrupted access to care, worse health outcomes, and greater financial family instability.**
- **California will be faced with the difficult choice of maintaining coverage of all individuals, regardless of immigration status,** in light of the proposed cuts to federal financing.
- Removal of federal reimbursement for reasonable opportunity periods will make it **harder for children to enroll in coverage.**
- **Access to care will be impeded** as a result of new prohibitions related to gender affirming care and family planning providers.
- California will not be permitted to impose new provider taxes, nor increase their use of already-approved taxes, **impeding the State's ability to finance the State share of the Medi-Cal program** in the future. **Current taxes are likely also at risk.**
- California's SDPs will be frozen at current levels which will **impact the State's ability to increase provider reimbursement rates, including for children's hospitals.**
- The proposed reduction of three-month retroactive coverage to one month will make it more challenging for families to get reimbursed for incurred costs for urgent/emergency care and result in **higher uncompensated care costs and medical debt.**



# Looking Ahead

## House Republicans are aiming to pass the House reconciliation bill before the Memorial Day recess.



The U.S. House Energy & Commerce Committee passed its [draft budget reconciliation bill](#) on May 14<sup>th</sup> and a vote in the full House is expected next week.

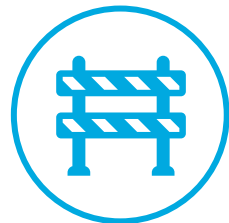
**Medi-Cal provides preventive care, early treatment, behavioral health services, school-based health services, and long-term services and supports that set California's children up for lifelong success.**



**Deep cuts to Medicaid could terminate health care for hundreds of thousands of children and millions of parents, forcing the state to make decisions that will result in reduced access to critical services.**



Over the years, **Congress has demonstrated bipartisan commitment to children's health care** by establishing nationwide minimum eligibility standards and comprehensive benefit requirements, extending postpartum coverage, and ensuring a 12-month continuous coverage requirement for children. **This bill could reverse decades of progress for children and families.**



The significant cuts that Congress is considering would make it **harder for California to continue on its path of improving access to care for children and families.**



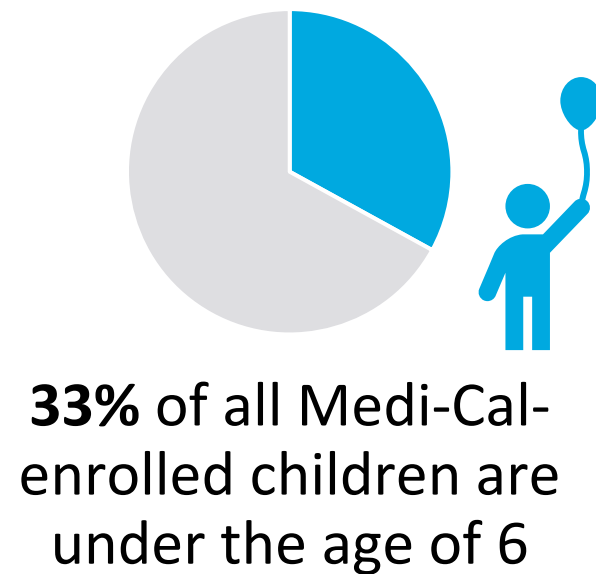
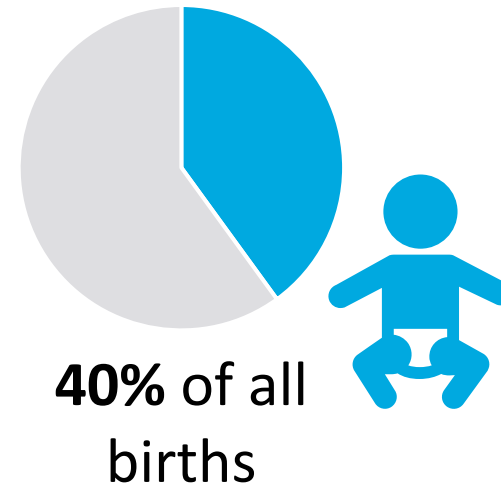
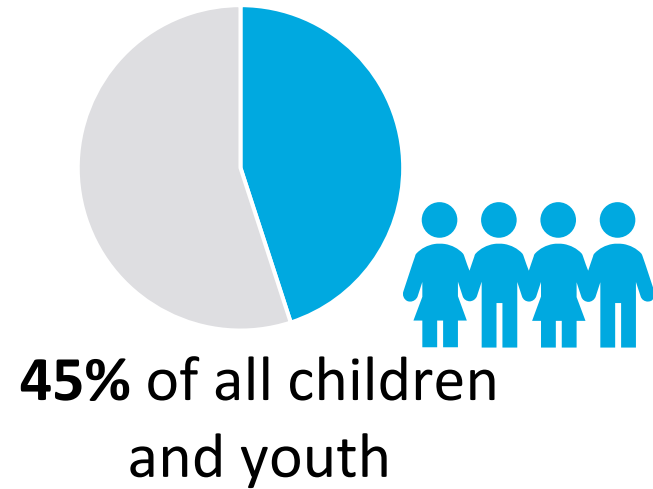
**Questions?**

- **Q&A Box.** Written questions may be submitted through the Zoom Q&A
- **Spoken.** Participants must “raise their hand” for Zoom facilitators to unmute them
  - If you joined through the **Zoom interface**
    - ◆ Press “Raise Hand” at the bottom of your Zoom screen
    - ◆ If selected to share your question, you will receive a request to “unmute;” please ensure you accept before speaking.
  - If you joined by **phone only**
    - ◆ Press “\*9” on your phone to “raise your hand”
    - ◆ Listen for your phone number to be called by the moderator
    - ◆ If selected to share your question, you will receive a request to “unmute;” please ensure you are unmuted on your phone by pressing “\*6”

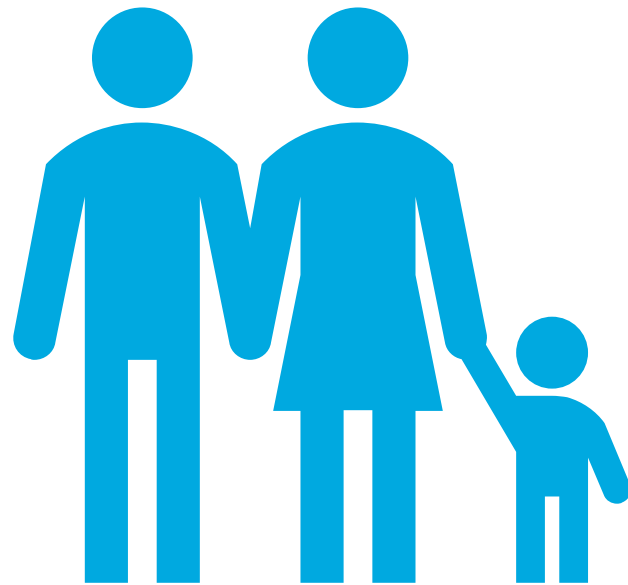
# Appendix

# Medi-Cal is Critical for All California Children

Medi-Cal is the single largest insurer of children and youth in California, covering:



Medi-Cal has significantly reduced the number of uninsured children in California to about 3.2% in 2023, down from 9.5% in 2010.



- Children enrolled in Medicaid have well-child visits and **access to a usual source of care and to a mental health professional** at rates comparable to children with commercial coverage.
- The benefits of Medicaid coverage extend well beyond childhood. Children covered by Medicaid **have better health outcomes as adults, have higher school attendance and academic achievement, and achieve higher earnings in adulthood** compared to uninsured children.

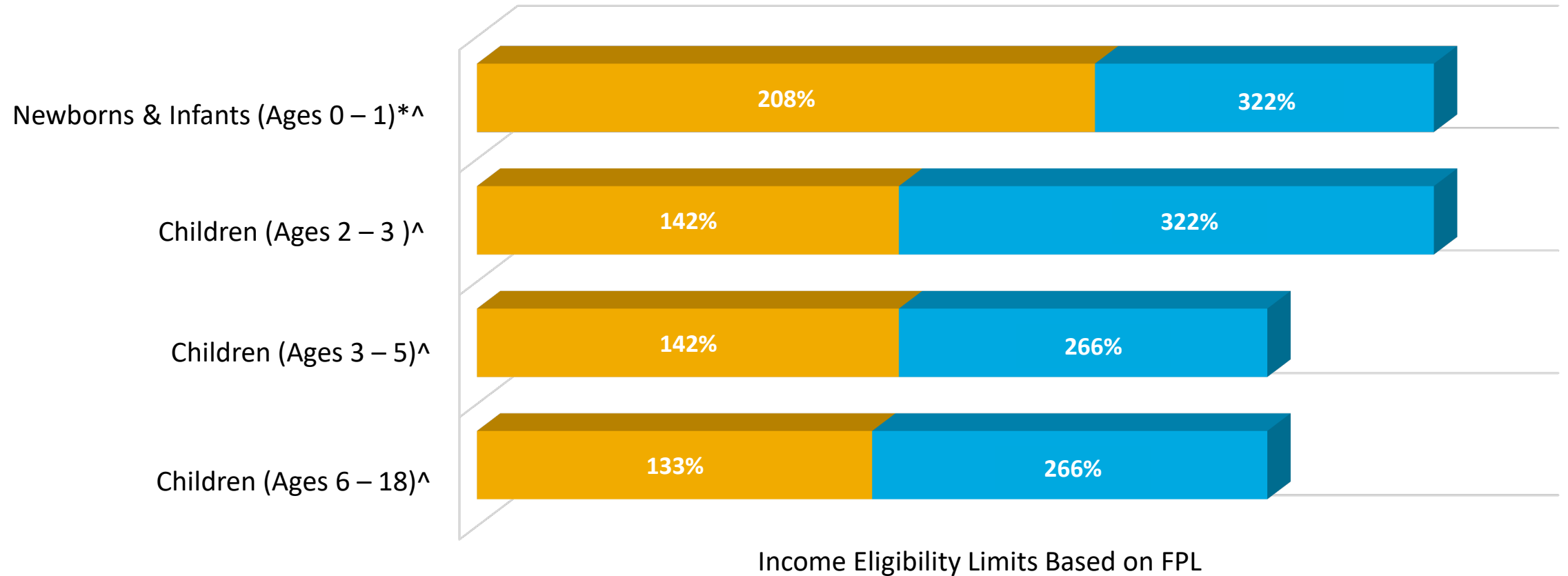


# Low-Income Children Rely on Medi-Cal

Federal Medicaid law requires states to cover all children in families with annual incomes at or below 138% of the Federal Poverty Level (FPL) – or \$36,777.00 for a family of three. California, like many other states, extended the upper income eligibility limit for young children.

## Children’s Medi-Cal & CHIP Income Eligibility Limits

■ Medicaid (Federal & State Funds)    ■ CHIP (Federal & State Funds)



\* CHIP coverage is extended up to 322% of the FPL via the “unborn child option” for low-income children from conception to birth.

^ CHIP coverage is extended up to 322% of the FPL for children up to age 19 living in select counties – San Francisco, San Mateo, and Santa Clara.