



# ACHD

ASSOCIATION OF CALIFORNIA  
HEALTHCARE DISTRICTS

## 2025-2026 Governor Gavin Newsom May Revision Summary

### Overview:

Governor Gavin Newsom's May Revision for the 2025–26 California state budget proposes total spending of **\$321.9 billion**, adjusting for a projected **\$11.95–\$12 billion deficit** caused by declining revenues, increased health care costs, and economic pressures tied to federal tariffs and market volatility. The plan balances the budget through a mix of \$16 billion in spending reductions, \$13.6 billion in revenue solutions and internal borrowing, and \$6 billion in reserve withdrawals, while maintaining a positive reserve balance of \$1.5 billion and leaving \$17 billion in total reserves for future uncertainties.

### **Key priorities and proposals include:**

- **Housing:** Accelerated development through streamlined permitting and support for new housing bonds.
- **Education:** Universal pre-kindergarten, expanded before- and after-school programs, free school meals for all students, and investments in literacy<sup>1</sup>.
- **Healthcare:** Continued Medi-Cal coverage for over a third of Californians, but with a proposed pause on new enrollment for undocumented adults, and cost-saving measures in response to rising health expenditures.
- **Water and Infrastructure:** Fast-tracked water infrastructure projects and expanded firefighting and public safety investments<sup>1</sup>.
- **Other Highlights:** Tax cut for military retirees, lower prescription drug costs, and expanded access to medication abortion through CalRx<sup>1</sup>.

The May Revision also includes targeted cuts to various programs, including reductions in public health, health care workforce, disability services, and some education and housing initiatives, as well as a redirection of certain voter-approved funds to help close the deficit. The Governor's proposal now enters negotiations with the Legislature, with a final budget due by June 15.



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## **Health and Human Services Budget (2025-26):**

The 2025-26 May Revise for the Health and Human Services (HHS) budget responds to a significant state deficit with a mix of spending reductions, program freezes, and targeted investments, while seeking to maintain core services for vulnerable Californians. As you'll notice, difficult trade-offs in the Health and Human Services budget include freezing Medi-Cal expansion for undocumented adults, reducing certain benefits, and redirecting dedicated funds to address a major deficit, while still investing in behavioral health and workforce initiatives.

### **Budget Overview**

- **Total HHS Spending:** \$302.4 billion (\$85.6 billion General Fund) in 2025-26, a substantial increase over prior years, largely driven by Medi-Cal, developmental services, and In-Home Supportive Services.
- **Medi-Cal Coverage:** Projected to serve 14.8 million Californians in 2025-26—over a third of the state's population.

### **Major Proposals and Adjustments**

#### **1. Medi-Cal and Immigrant Health Coverage**

- **Enrollment Freeze:** Freezes new enrollment in full-scope Medi-Cal for adults 19+ with unsatisfactory immigration status, effective January 1, 2026, while preserving coverage for those already enrolled.
- **Premiums for Immigrants:** Imposes \$100 monthly Medi-Cal premiums for certain undocumented adults beginning January 1, 2027.
- **Benefit Reductions:** Eliminates full-scope dental and long-term care benefits for adults with certain immigration statuses.
- **Asset Test Reinstatement:** Reinstates Medi-Cal asset limit tests for seniors and disabled adults<sup>1</sup>.



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## 2. Funding Shifts and Reductions

- **Proposition 35 & 56 Funds:** Redirects voter-approved funds intended for Medi-Cal provider payments and reproductive health to help close the budget gap, drawing criticism for undermining voter intent and threatening access to care.
- **Reproductive Health:** Reduces funding for reproductive health care providers and includes only targeted investments for emergent needs, such as midwifery education and reproductive health workforce.

## 3. Behavioral Health and Workforce

- **Behavioral Health Workforce Initiative:** Invests \$1.9 billion to expand and modernize the behavioral health workforce, with a focus on community-based care and accountability.
- **Pharmacy Benefit Managers:** Proposes new licensure and data reporting requirements to increase transparency and control costs in the pharmacy supply chain.

## 4. Child Care and Social Services

- **Child Care Worker COLA:** Withdraws the planned cost-of-living adjustment for childcare workers.
- **Foster Care:** Adds “trigger language” to the foster care tier rate structure, potentially reducing support if revenues fall short.

## 5. Fiscal Solutions and Structural Changes

- **Savings Measures:** The Medi-Cal immigrant enrollment freeze, new premiums, and benefit cuts are projected to save the state billions over the next several years.
- **Agency Reorganization:** Proposes creation of the California Housing and Homelessness Agency to streamline service delivery and oversight.



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## **2025-26 DHCS Governor's Budget Proposals**

The proposed DHCS budget for 2025-26 totals **\$193.4 billion** (with \$42.8 billion from the General Fund) and supports approximately 4,821.5 positions.

### **Key Trailer Bill Proposals**

#### **1. Medi-Cal Anti-Fraud Special Deposit Fund**

- **Proposal:** Establishes or modifies a special deposit fund dedicated to anti-fraud activities within Medi-Cal.
- **Purpose:** To strengthen efforts to detect, prevent, and address fraud in the Medi-Cal program, ensuring integrity and cost-effectiveness.

#### **2. Cognitive Health Assessment Training and Reporting**

- **Proposal:** Implements requirements for training providers in cognitive health assessments and establishes new reporting requirements.
- **Purpose:** To improve early detection and management of cognitive health issues (such as dementia) among Medi-Cal beneficiaries through better-trained providers and enhanced data collection.

#### **3. Hospital Financing**

- **Proposal:** Updates or revises the hospital financing structure, potentially including changes to supplemental payments, payment methodologies, or funding formulas.
- **Purpose:** To ensure sustainable and equitable financing for hospitals serving Medi-Cal patients, supporting access and quality of care.

#### **4. Home and Community-Based Alternatives (HCBA) Waiver and Program of All-Inclusive Care for the Elderly (PACE) Sanctions**

- **Proposal:** Establishes or modifies sanctions for non-compliance within the HCBA Waiver and PACE programs.
- **Purpose:** To strengthen oversight and accountability for providers participating in these programs, ensuring high-quality care for seniors and individuals with disabilities.



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## 5. Program of All-Inclusive Care for the Elderly (PACE) Fees

- **Proposal:** Revises or establishes new fee structures for PACE providers.
- **Purpose:** To update the financial framework for PACE, which delivers comprehensive medical and social services to frail, elderly individuals, supporting program sustainability and growth.