

To: CEOs, executive assistants, GR execs, GR staff, CFOs

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Subject: Medicaid Proposal Would Cut Tens of Billions from California Health Care

Preheader: Analysis Provides Impact by Congressional District

Following the House Energy and Commerce Committee's release of a [proposal to cut \\$912 billion in federal spending, including more than \\$715 billion from Medicaid \(Medi-Cal in California\)](#), CHA is working on a member Alert that will be sent Wednesday and is sharing below an initial high-level analysis of the impact of these proposals on California's health care system.

A briefing intended for CEOs, CFOs, and government relations executives on the M federal budget proposals, as well as the state's May Budget Revise, is scheduled for 7:30 a.m. Monday, May 19. [Click here to register.](#)

Analysis

While reductions to Federal Medicaid Assistance Percentage (FMAP) floor and per capita caps are *not included* in the Energy and Commerce Committee package, the plan still proposes deep cuts to Medicaid, with tens of billions of dollars in losses to California hospitals projected over the next decade ([CHA has estimated the potential impact of many of these changes for each congressional district in California](#)). High-level, 10-year estimates of some of the specifics show California hospitals will see major cuts if the bill passes in its current form:

- Moratorium on new provider taxes or increases to existing taxes imposed as of enactment date - **\$25 billion**
- Limiting of new state directed payments for services provided after the date of enactment to 100% of Medicare rates (includes grandfathering of programs pending CMS review on the date of enactment) - **\$10 billion**
- Establishing that health care-related taxes that place a higher tax burden on Medicaid revenue compared to non-Medicaid revenue are not approvable; this puts the entirety of California's Prop 35 MCO tax structure at risk and would require significant changes to the Hospital Quality Assurance Fee program – **\$25 billion-100 billion**
- Reduction in the federal match for the expansion population to 80%, down from 90%, in states that provide coverage for undocumented immigrants - **\$18 billion**

The specific impact of other proposals is not able to be estimated at this time, but would be detrimental to hospitals:

- Mandatory work requirements
- Eligibility redetermination every six months for expansion population
- Limiting retroactive eligibility to 30 days instead of 90
- Cost-sharing requirements for segment of Medicaid expansion population with income over 100% of the federal poverty level
- Prohibition on Medicaid funding for gender affirming care for minors
- Directing the HHS Secretary to certify that Section 1115 waivers are budget neutral and develop a methodology to take federal savings into account in considering future approval of waivers
- Directing HHS to conduct a survey regarding pharmacy acquisition costs for 340B drugs, which could pave the way for future cuts to 340B payment

There are three provisions that would be positive for hospitals and other health care providers including:

- Creation of a new single conversion for physician Medicare payments based on the Medicare Economic Index
- Delay of Medicaid disproportionate share hospital cuts from 2026-2028 to 2029-2031
- Repeal of the skilled nursing facility staffing ratio regulation

NOTE: CHA's projections are meant to show the relative impact based on current Medicaid spending. They are not intended to provide operational budgeting guidance.

What's next?

The House Energy and Commerce Committee is scheduled to mark up, or finalize, the bill language starting Tuesday afternoon. Once the committee finishes its work, the bill will move to the House Budget Committee where it will be combined with tax and spending measures from other committees. That combined bill will then be brought to the House floor for a vote.

Because this proposal is part of a legislative process known as budget reconciliation, it must only include provisions that either increase or decrease spending and requires just a simple majority to pass in the Senate (rather than the standard 60-vote threshold). The timing of Senate consideration is uncertain, though congressional leadership has set a July 4 goal to get the measure to President Trump's desk.

Advocacy Efforts

Alongside California's hospital leaders, CHA has been engaged in a comprehensive advocacy, digital media, and earned media effort over the past several months to educate members of Congress about the impact these cuts would have on patients, hospitals, and communities. This morning, [CHA distributed a media statement to California outlets](#) and once the final bill is assembled, CHA will send a letter to the California delegation reiterating hospitals' deep concerns. This work will continue as the proposal moves forward. The latest updates — including talking points, infographics, research and other materials — can be found on CHA's [federal advocacy resource page](#).

As the legislation moves through the process, hospitals should continue to inform their representatives how these proposed cuts will affect their patients, communities, and access to care.