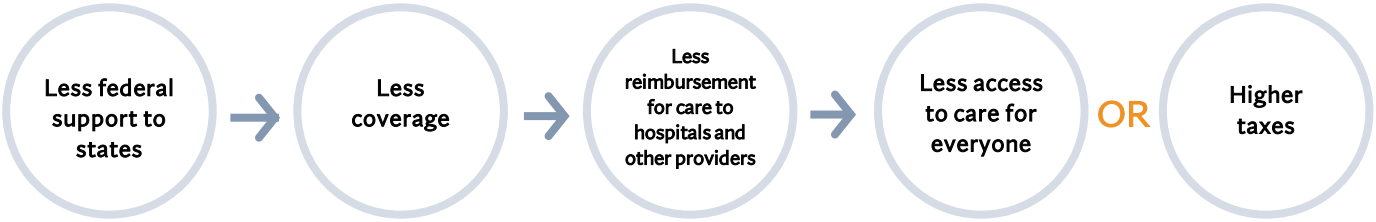
California Hospital Association

Cuts to Medicaid Would Leave California with Few Choices, Put Access to Care at Risk



Topic	Proposal	California state facts
Lower FMAP floor	Would reduce or eliminate the 50% FMAP floor.	• **California and nine other states are currently subject to the 50% FMAP floor.** • **Reducing the FMAP to 40% or 45% would remove $15.6 billion or $7.8 billion, respectively, from California's health care delivery system.[1]**
Limit the amount of Medicaid provider assessments that a state can use to draw down federal Medicaid funding support	Would phase down the Medicaid provider assessment cap from 6% to 3% over three years. Eliminating the ability to use provider taxes would devastate the health care safety net.	• **California and 48 other states use provider assessments approved by the federal government to finance their Medicaid program.** • **Lowering the cap to 3% would put $3.6 billion of California's existing provider assessment revenue at risk. Eliminating this program would put $9 billion at risk.[2]**
Place limits on Medicaid state-directed payments	Would modify existing regulations to place limits on the levels of Medicaid state-directed payments (SDPs) used to enhance provider Medicaid payment rates.	• **California and at least 40 other states use SDP programs to support adequate Medicaid payment rates to providers.[3]** • **Changes to this policy could put a share of up to $12 billion in California's SDP hospital programs at risk, threatening access to care.[4]**
Replace the existing Medicaid FMAP model with a per capita cap model	Would shift the existing state-federal Medicaid FMAP funding model to a model that would link federal Medicaid spending to historical spending per Medicaid enrollee and cap the growth of that spending.	• **The California Medi-Cal program would be cut by billions of dollars under a per capita cap model.** • **Medi-Cal enrollment grew by more than 1.2 million during the first year of the COVID-19 pandemic[5] — these were new, unexpected, and emergency costs that states could not have absorbed without federal flexibility and support from the current FMAP model.**
Lower federal medical assistance percentage (FMAP) for Affordable Care Act (ACA) expansion population	Would reduce FMAP for the ACA Medicaid expansion population from 90% to the standard FMAP formula (50% for California).	• **4.5 million Californians access health care coverage under the ACA's adult expansion population.[6]** • **Changes to this policy could increase California's Medicaid (Medi-Cal) costs by more than $17.4 billion annually.[7]**
Establish Medicaid work requirements	Would implement work requirements for adults without dependents to qualify for Medicaid coverage. Exempt populations would include pregnant women, primary caregivers of dependents, individuals with disabilities or health-related barriers to employment, and full-time students.	• **75% of Medi-Cal enrollees live in a household where someone is working.[8]** • **If work requirements are adopted, almost 40% of nondisabled adults enrolled in Medi-Cal could be at risk of losing coverage because they may not meet exemption criteria due to newly created paperwork and administrative hurdles.[9]**

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Sources

[1] California Hospital Association (CHA) analysis of multiple sources, including the 2025-2026 governor's proposed budget and the Department of Health Care Services' Medi-Cal November 2024 Local Assistance Estimate for fiscal years 2024-25 and 2025-26

[2] CHA analysis of Medicaid provider assessment revenue

[3] https://www.macpac.gov/wp-content/uploads/2024/10/Directed-Payments-in-Medicaid-Managed-Care.pdf

[4] https://www.medicaid.gov/medicaid/managed-care/guidance/state-directed-payments/approved-state-directed-payment-preprints

[5] CHA analysis of eligibility data at https://data.chhs.ca.gov/

[6] https://lao.ca.gov/Publications/Report/4838

[7] CHA analysis of https://www.dhcs.ca.gov/dataandstats/reports/mcestimates/Documents/2024_November_Estimate/N24-Medi-Cal-Local-Assistance-Estimate.pdf#page=689

[8] https://www.chcf.org/publication/medi-cal-facts-figures-almanac/

[9] https://www.chcf.org/publication/do-medi-cal-enrollees-work-policy-glance/

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