DEPARTMENT OF HEALTH CARE SERVICES
PROPOSED TRAILER BILL LEGISLATION

H.R. 1 Implementation

FACT SHEET

Issue: H.R. 1 Implementation To implement the required Medicaid provisions included in H.R. 1, the Department of Health Care Services (DHCS) proposes changes to statute to enable DHCS to 1) modify existing Medi-Cal (California's Medicaid program) eligibility rules to regularly check and update member addresses using trusted sources; 2) conduct six-month eligibility redeterminations for certain adults; 3) reflect eligibility updates for federally funded full-scope Medi-Cal based on immigration status; 4) reduce retroactive coverage periods; 5) establish work/community engagement requirements; and 6) Transition individuals with Unsatisfactory Immigration Status (UIS) from Medi-Cal Managed Care to Medi-Cal Fee-For-Service. These proposed changes are necessary to align state law with mandatory provisions of the federal reconciliation bill. This proposal makes technical adjustments relative to the Medi-Cal scope of coverage for individuals who are Permanently Residing Under the Color of Law (PRUCOL). PRUCOL individuals will continue to receive state funded, full-scope Medi-Cal, and will be subject to monthly premiums ($30) no sooner than July 1, 2027 as specified in current law.

Background: H.R. 1 of the 119th Congress (2025) makes many significant changes to the Medicaid program, including several that impact who may be eligible for the program and how eligibility is established and maintained. As a result, DHCS must make significant changes to Medi-Cal eligibility statutes, regulations, policies, timelines, and processes related to application, renewal, and change of circumstances requirements, reducing duplicate coverage, and conforming state law to federal law for allowable immigration statuses that qualify for federal matching funds.

Among the many provisions that affect Medicaid eligibility, seven pose the most significant impacts, five of which are included in this proposal and are described below.

Reducing Duplicate Enrollment Under the Medicaid and CHIP Programs (H.R. 1 §71103):
This provision requires counties to implement processes to obtain updated in-state address information from reliable third-party sources regularly and to act on these changes without further verification so that eligible individuals do not lose coverage when their address changes.

DHCS

In accordance with H.R. 1, one of the identified reliable sources is the use of the National Change of Address (NCOA) database. Individuals who need to update their address may do so by submitting a Change of Address (COA) to the United States Postal Service (USPS). USPS in turn submits the updated address to the NCOA database. NCOA is a secure system of record for all individuals who have filed a change-of-address with the USPS.

Certain counties began using the NCOA during the COVID-19 public health emergency continuous coverage unwinding, which enabled them to review the mailing addresses, confirm the member addresses are up-to-date, and make appropriate updates with new addresses prior to mailing, reducing the volume of undeliverable or returned mail. This provision requires California to expand the use of the NCOA database to provide updated address information to all counties.

DHCS is required to expand the use of the NCOA database statewide by January 1, 2027.

Semi-Annual Eligibility Redeterminations (H.R. 1 §71107): Under current regulations, Medi-Cal eligibility must be redetermined once every 12 months. H.R. 1 requires an eligibility renewal process every 6 months for the Affordable Care Act (ACA) Modified Adjusted Gross Income (MAGI) New adult group, non-disabled adults ages 19-64.

DHCS is required to comply no later than January 1, 2027.

Amended Definition of the Qualified Non-Citizen (H.R. 1 §71109): H.R. 1 amends the current federal definition of Qualified Non-Citizen (QNC), which changes who is entitled to federally funded full-scope Medi-Cal. The new federal QNC definition is limited to the following immigration statuses, meaning these individuals remain eligible for federally funded full-scope Medi-Cal:

- Lawful Permanent Residents (LPRs), excluding certain groups, such as temporary visitors, tourists, diplomats, and students who do not intend to settle permanently in the U.S.
- Cuban or Haitian Entrants
- Migrants legally residing in the US and its territories under the Compact of Free Association (COFA), such as citizens from the Marshall Islands, Micronesia, or Palau.

The redefined federal QNC definition removes several immigration statuses from its current definition, meaning individuals with the following statuses are no longer eligible

for federally funded full-scope Medi-Cal effective October 1, 2026, and will be transitioned to restricted scope (emergency only) Medi-Cal coverage:

- Conditional Entrant granted before April 1980
- Paroled into the US for one year or more
- Battered non-citizen, or parent or child of a battered non-citizen
- Refugees
- Asylees

DHCS is required to comply no later than October 1, 2026.

Reducing Retroactive Coverage: Currently, Medi-Cal allows coverage for unpaid medical expenses incurred in the three months prior to the Medi-Cal application date for applicants who were eligible during those months. H.R. 1 reduces this retroactive coverage to one month prior to the application date for Medi-Cal members in the ACA MAGI New adult group (non-disabled adults ages 19 to 64), and two months for all other Medi-Cal members, including children who have eligibility through Title XXI Medi-Cal Children's Health Insurance Program.

DHCS is required to comply no later than January 1, 2027.

Work/Community Engagement Requirements for MAGI New Adult Group Adults (H.R. 1 §71119): Establishes new federal work/community engagement requirements for the ACA MAGI) New adult group population. Non-disabled individuals ages 19 through 64, including parents or caregivers with dependent children aged 14 and older, must earn $580 per month or engage in a minimum of 80 hours per month of qualifying activities such as work, community service, education (half-time or more), or participating in an approved work program. Adults who do not verify compliance with the work requirements in the month preceding a new application or at least one month within the six-month period preceding a renewal are not Medi-Cal eligible. By no later than July 1, 2026, DHCS is required to notify applicable individuals of the requirement to demonstrate community engagement. Individuals may be exempt if they:

- Are American Indian or Urban Indian, including those recognized under federal or California-specific definitions.
- Are a parent, guardian, or caregiver for a child age 13 or younger, or for someone with a disability.
- Are veterans with a total disability rating.
- Have serious health conditions, including being medically frail, blind, or disabled.
- Have a substance use disorder or a disabling mental health condition.

    - Have a physical, intellectual, or developmental disability that limits their ability to perform daily tasks.
    - Are dealing with serious or complex medical conditions.
    - Are already meeting work requirements under CalFresh or CalWORKs.
    - Are in a drug or alcohol treatment program.
    - Are currently incarcerated.
    - Are pregnant or within 12 months after giving birth.
    - Are enrolled in school or a training program, either part-time or full-time.
    - Qualify for any other exemptions approved by the federal government or listed in California's state plan.
    - Are experiencing short-term hardships, such as:
        - A natural disaster,
        - A medical emergency requiring hospitalization,
        - Living in an area with high unemployment,
        - Needing to travel out of state for medical care.
- How individuals may satisfy the work requirement, which includes:
    - Work at least 80 hours per month in a paid job.
    - Complete at least 80 hours per month of community service.
    - Participate in a work program for at least 80 hours per month.
    - Be enrolled part-time or full-time in an education or training program, including college or career and technical education.
    - Earn a monthly income that is equal to or greater than what someone would make working 80 hours at the federal minimum wage (currently $7.25/hour).
    - For those with seasonal or fluctuating work, show that their average income over the past 6 months meets or exceeds the federal minimum wage threshold.

DHCS is required to comply by January 1, 2027.

May Revise Additions

Permanently Residing Under Color of Law Technical Changes

Technical adjustments have been made to this proposal relative to the Medi-Cal scope of coverage for individuals who are Permanently Residing Under the Color of Law (PRUCOL). PRUCOL individuals will continue to receive state funded, full-scope Medi-Cal, and will be subject to monthly premiums ($30) no sooner than July 1, 2027, as specified in current law.

State Medicaid Director's Letter (SMDL) 25-003

On September 30, 2025, the Centers for Medicare & Medicaid Services (CMS) released SMDL 25-003, which updates the federal interpretation of Section 1903(v) of the Social Security Act, clarifying that federal financial participation (FFP) for emergency services applies only to actual rendered services to individuals ineligible for full-scope Medicaid coverage due to immigration status. This new interpretation explicitly excludes all payments under risk-based managed care delivery systems, including risk-based capitation and administrative costs, from FFP eligibility. To conform to this updated federal direction, DHCS proposes to transition all individuals with unsatisfactory immigration status from risk-based managed care delivery systems to the Fee-for-Service (FFS) delivery system in the Medi-Cal program, effective no sooner than January 1, 2027. (Note: there will be no changes to the county-based behavioral health non-risk managed care delivery system.)

Justification for Change: To align state law with these federal requirements, the proposed trailer bill language would:

Federal Financial Participation

- Require the provisions in the proposed trailer bill language to be implemented only to the extent that federal approvals are obtained and federal financial participation is available and not otherwise jeopardized (Uncodified).

Renewal Frequency

- Modify, effective no sooner than January 1, 2027, the frequency the county must complete a renewal for individuals who are eligible for Medicaid as part of the ACA adult MAGI New adult group population from every 12 months to every 6 months along with conforming changes (WIC Section 14005.37(a), (e)(2), and (f)(1)).
- Sunset provision that currently allows Medi-Cal members to qualify for up to three months of retroactive coverage to pay for their medical expenses, effective December 31, 2026. ((WIC Section 14005.35(i)(1)).
- Starting January 1, 2027, limit retroactive Medi-Cal coverage for individuals who submit their renewal within 90 days after losing Medi-Cal coverage (often referred to as the 90-day cure period). Individuals in the ACA MAGI New adult group population may qualify for up to one month of retroactive coverage to pay for medical expenses. All other individuals may qualify for up to two months of retroactive coverage (WIC Section 14005.37(i)(2) and (3).
- Remove outdated language related to the ACA and the original implementation date of the previous version of the code, including references to extending the annual renewal period during the first three months (WIC Section 14005.37(u)).

- Remove the requirement to provide a status report to the Legislature until regulations have been adopted (proposed WIC Section 14005.37(u)).
- Make technical cleanup (WIC Section 14005.37(v) and (x)).
- Require DHCS to implement changes only after the DHCS Director determines and communicates in writing to the Department of Finance that systems have been programmed (WIC Section 14005.37(w)).

Work Requirements

- Require, no sooner than January 1, 2027, individuals who are eligible for Medicaid as part of the ACA MAGI New adult group population, ages 19 to 65, not pregnant, and not entitled or enrolled in Medicare Part A or B, to be subject to 80 hours of community/work engagement activities, as specified, unless they meet any of the outlined exemptions (see Background for list of exemptions) (WIC Section 14005.69(a)-(d)).
- Require individuals to be deemed eligible if a county approves a request for an exemption or a short-term hardship, as defined (WIC Section 14005.69(e) and (f)).
- Require DHCS to establish a process and use available, reliable information without requiring, where possible, individuals to submit additional information (WIC Section 14005.69(g)).
- Outline the process DHCS will use to verify work activities and exemptions and the procedures when an individual has shown they are not satisfying the requirements (WIC Section 14005.69(h) and (i)).
- Require counties, no later than August 31, 2026, and periodically thereafter, to notify individuals who are subject to work requirements in a form determined appropriate by the US HHS Secretary (WIC Section 14005.69(j)).
- Authorize DHCS to implement these work requirement provisions by means of county letters or similar instructions without taking further regulatory action (WIC Section 14005.69(k)).
- Require DHCS to implement changes only after the DHCS Director determines and communicates in writing to the Department of Finance that systems have been programmed (WIC Section 14005.69(l)).

Reducing Duplicate Enrollment

- Require, no later than January 1, 2027, DHCS to establish a process to regularly obtain address information for individuals enrolled in the Medi-Cal program for the purpose of preventing simultaneous enrollment under Medicaid programs of multiple states. Includes the required use of address information received from the NCOA Database, Medi-Cal MCPs, and any other trusted third-party sources identified by the Department and approved through CMS (WIC Section 14007.12(a) and (b)).

- Require, beginning January 1, 2027, each contracted Medi-Cal managed care entity, inclusive of behavioral health plans and dental managed care plans, to transmit updated address information directly to the county when members report updated contact information directly to the managed care entity (WIC Section 14007.12(c)).
- Require DHCS to implement changes only after the DHCS Director determines and communicates in writing to the Department of Finance that systems have been programmed (WIC Section 14007.12(d))

Citizenship and Immigration Status Medicaid Eligibility

- Align the new federal definition of who qualifies for federally funded full-scope Medicaid based on citizenship and immigration status, as specified (see Background section) (WIC Section 14007.2, 14007.5, WIC Section 14007.65, and WIC Section 14007.8).
- Require DHCS to implement changes only after the DHCS Director determines and communicates in writing to the Department of Finance that systems have been programmed (WIC Section 14007.5(o)

Retroactive Coverage

- Establish new retroactive Medi-Cal time periods for applications received after December 31, 2026. Applicants eligible for Medicaid as part of the ACA MAGI New adult group population may only qualify for one month of Medi-Cal prior to the application month to cover incurred medical expenses (WIC Section 14019(a)(2)).
- All other applicants may qualify for two months of Medi-Cal prior to their application to cover medical expenses incurred (WIC Section 14019(a)(3).
- Authorize DHCS to implement these provisions by means of county letters or similar instructions without taking further regulatory action (WIC Section 14019(b)).
- Require DHCS to implement changes only after the DHCS Director determines and communicates in writing to the Department of Finance that systems have been programmed (WIC Section 14019(c)).
- Require DHCS to implement changes only after the DHCS Director determines and communicates in writing to the Department of Finance that systems have been programmed (WIC Section 14134(h)).

May Revise Additions:

Citizenship and Immigration Status Medicaid Eligibility

- Make technical adjustments to the Medi-Cal scope of coverage for individuals with a PRUCOL status. PRUCOL individuals continue to receive state-only full-

scope Medi-Cal, and will be subject to monthly premiums no sooner than July 1, 2027 (WIC Sections 14007.5(b)(1), (d(1), (d)(3), (e), (f)(1), (h), and (j)).

Transitioning Individuals with UIS from the Managed Care Delivery System to Fee-for-Service Delivery System in the Medi-Cal program

- Effective no sooner than January 1, 2027 specifies that specified populations of individuals with UIS are eligible for services delivered through the Medi-Cal fee-for-service delivery system. (WIC Section 14007.8(e))
- No sooner than January 1, 2027, exempts individuals with unsatisfactory immigration status from mandatory enrollment in the Medi-Cal Managed Care delivery system. (WIC Section14184.200(b)(2)(L)).

Summary of Arguments in Support: The proposal's changes are necessary to bring California into compliance with the H.R. 1 requirements.

BCP # and Title: 4260-070-BCP-2026-GB: H.R. 1 Planning and Implementation