2026-27 Governor's Budget

Department of Health Care Services Highlights

January 9, 2026

Governor Gavin Newsom
State of California

Secretary Kim Johnson
California Health and Human Services Agency

Director Michelle Baass
Department of Health Care Services

DHCS
CALIFORNIA DEPARTMENT OF
HEALTH CARE SERVICES

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This document provides a summary of the Department of Health Care Services (DHCS or Department) proposed fiscal year (FY) 2026-27 budget, including related statutory changes. The Department's budget builds on the Administration's previous investments, within a responsible budgetary structure, and enables DHCS to continue to transform Medi-Cal (California's Medicaid program) to create a more coordinated, person-centered, and equitable health system that works for its millions of members and California as a whole. The Department's programs include Medi-Cal, county-operated community mental health and substance use disorder programs, and several programs for special populations. The proposed budget supports the Department's purpose to provide equitable access to quality health care leading to a healthy California for all.

GENERAL BUDGET OVERVIEW

For 2026-27, the Governor's Budget proposes a total of $229.1 billion and 4,745.5 positions for the support of DHCS programs and services. Of that amount, $1.3 billion funds state operations (DHCS operations), while $228 billion supports local assistance (funding for program costs, partners, and county administration). The position count for 2026-27 includes the changes requested via budget change proposals.

Total DHCS Budget

(Includes non-Budget Act appropriations)

Fund Source*	FY 2025-26 Enacted Budget	FY 2025-26 Revised Budget	FY 2026-27 Proposed Budget
Local Assistance (LA)			
LA General Fund	$ 45,283,036	$ 46,723,535	$ 49,177,488
LA Federal Funds	$120,075,811	$119,936,119	$137,822,685
LA Special Funds	$ 32,965,030	$ 32,279,750	$ 34,279,447
LA Reimbursements	$ 3,061,014	$ 3,271,978	$ 6,512,060
Total Local Assistance	**$201,384,891**	**$202,211,382**	**$227,791,680**
State Operations (SO)			
SO General Fund	$ 320,641	$ 386,937	$ 348,394
SO Federal Funds	$ 642,738	$ 667,275	$ 644,227
SO Special Funds	$ 371,583	$ 372,595	$ 325,941
SO Reimbursements	$ 26,367	$ 30,189	$ 29,838
Total State Operations	**$1,361,329**	**$1,456,996**	**$1,348,400**
Total Funds			
Total General Fund	$ 45,603,677	$ 47,110,472	$ 49,525,882
Total Federal Funds	$120,718,549	$120,603,394	$138,466,912
Total Special Funds	$ 33,336,613	$ 32,652,345	$ 34,605,388
Total Reimbursements	$ 3,087,381	$ 3,302,167	$ 6,541,898
Total Funds	**$202,746,220**	**$203,668,378**	**$229,140,080**

** Dollars in Thousands*

MAJOR BUDGET ISSUES AND PROPOSALS

Federal H.R. 1 – On July 4, 2025, President Trump signed H.R. 1 into law, which made significant changes to Medicaid including impacts on enrollment and federal matching funds. The budget includes adjustments related to the implementation of H.R. 1 as outlined below:

- ***Unsatisfactory Immigration Status (UIS) Emergency Affordable Care Act (ACA) Federal Medical Assistance Percentage (FMAP) Adjustment.*** H.R. 1 requires a change in FMAP from 90 percent to 50 percent for emergency services for ACA Adult Expansion population members with UIS, effective October 1, 2026. This results in additional General Fund (GF) costs of $658 million in 2026-27.

- ***Work and Community Engagement Requirement.*** H.R.1 introduced new work and community engagement requirements for the ACA Adult Expansion population, effective January 1, 2027. Under this new policy, eligible individuals will need to meet minimum participation hours or qualify for exemptions to maintain Medi-Cal coverage. In 2026-27, as a result of this population losing Medi-Cal eligibility, the cost reduction is estimated to be $373.3 million total funds ($102.4 million GF).

- ***ACA Adult Expansion Population Six-Month Redetermination.*** As part of H.R. 1, the Department will increase the eligibility redetermination frequency for the ACA Adult Expansion population from once per year to every six months, effective January 1, 2027. For 2026-27, this results in a cost reduction of $463.3 million total funds ($74.1 million GF).

- ***Reduced Retroactive Medi-Cal Timeframes.*** As a result of H.R. 1, there is a federally mandated reduction of retroactive Medi-Cal coverage from three months before an individual's application date to one month for the ACA Adult Expansion population (M1 aid code) and two months for all other eligible groups, effective January 1, 2027. This policy assumes implementation no sooner than January 1, 2027. Estimated savings in 2026-27 are $23 million total funds ($9.6 million GF).

- ***Restrictions on Immigrant Eligibility.*** Effective October 1, 2026, H.R. 1 narrows the definition of qualified non-citizens that remain eligible for federally funded Medi-Cal. This change will exclude certain immigration statuses, which significantly reduces federal funding for this population. The budget proposes to move these individuals to restricted scope Medi-Cal. If the state were to provide full-scope Medi-Cal to this population, the cost is projected to be $786 million GF in 2026-27 and $1.1 billion GF ongoing.

- ***County Administration.*** The H.R. 1 changes Medi-Cal eligibility requirements for DHCS and county eligibility workers, in particular the ACA Expansion Population Six-Month Redetermination and the Work and Community Engagement Requirement. The Department is working with counties to evaluate

needed support for county implementation of the eligibility-related H.R. 1 provisions.

Community-Based Mobile Crisis Services. Existing federal law authorizes state Medicaid programs to offer "qualifying" community-based mobile crisis response services for a five-year period beginning on April 1, 2022, through March 31, 2027. Additionally, federal law allows states to be reimbursed at an enhanced 85 percent FMAP for the first 12 quarters during the five-year period. The Department's enhanced federal funding expires on December 31, 2026. The mobile crisis services will sunset March 31, 2027, pending submission and approval of a Medi-Cal state plan amendment. The budget proposes to revise the benefit authority and reframe the requirements of mobile crisis services as an optional benefit beginning April 1, 2027. The budget includes $431.5 million total funds ($50.7 million Proposition 35 funds, $347 million federal funds, $28.2 million 988 funds, and $5.6 million GF) to continue this benefit across 2025-26 and 2026-27.

Hospital Quality Assurance Fee (HQAF) GF Offset. Compared to the 2025 Budget Act, HQAF funds available to support the Medi-Cal program decreased by $92 million in 2025-26 and are estimated to increase by $142.1 million in 2026-27. These changes are attributed to prior year payments (calendar year (CY) 2025) shifting into the budget year and the assumption of a reduced CY 2025 offset based on the federal government's notification that California's waiver request would not be approved as submitted.

Improvements and Efficiencies. The Department is exploring a range of potential improvements and efficiencies generating GF savings across three areas: enhancing oversight, monitoring, and enforcement of managed care plans; improving program integrity; and aligning provider payments with value. The Budget includes estimated savings of $120 million GF in 2026-27.

Caseload Impacts Related to Redeterminations and Residency Verification. The Governor's Budget projects that Medi-Cal enrollment will be lower than assumed for the 2025 Budget Act most likely due to new redeterminations as part of the COVID-19 pandemic unwinding. The November 2025 Medi-Cal Local Assistance Estimate assumes that discretionary unwinding flexibilities ended June 30, 2025, and caseload will decline more steeply from August 2025 through June 2026 resulting in additional savings of $26.8 million in 2025-26 compared to the 2025 Budget Act. This is offset by increased GF costs of $90.6 million due to residency verification improvements implementation shifting to 2026-27. Revised caseload projections related to redeterminations and residency verification for the Governor's Budget result in increased GF costs of approximately $63.8 million in 2025-26 when compared to caseload assumptions used in the 2025 Budget Act. There is a net increase of approximately $897.2 million GF savings for 2026-27, compared to 2025-26. This is inclusive of continued impacts from the end of the COVID-19 unwinding flexibilities resulting in a year-over-year increase of $783.2 million in GF savings, total savings of $1.2 billion in 2026-27, and an additional

$114 million GF savings from the expected January 2027 implementation of improvements to residency verification.

Trailer Bill Language
DHCS is proposing the following trailer bill language:

- H.R. 1 - Conforming State to Federal Law
- Community-Based Mobile Crisis Intervention Services
- Skilled Nursing Facility Financing Reauthorization

CASELOAD UPDATES

Medi-Cal Program

This section provides an overview of caseload projections for Medi-Cal as reflected in the November 2025 Medi-Cal Local Assistance Estimate (referred to as the Medi-Cal Estimate).

In previous Medi-Cal Estimates, the caseload pages were published using 18 aid categories. Beginning with the November 2025 Estimate, the Department consolidated these 18 aid categories to 6 new aid categories: Title 19 Children, Title 19 Adults, Title 21, ACA Expansion, Seniors and Persons with Disabilities (SPDs) and Long-Term Care (LTC) aid codes to better align with Department rate setting. The updated aid categories are more streamlined and increase usefulness by focusing on major categories of members, helping the user to recognize the major drivers affecting enrollment projections. Due to this change in the caseload display in the new aid category format, the 2025-26 Appropriation Estimate is not available for comparison to the November 2025 Medi-Cal Estimate.

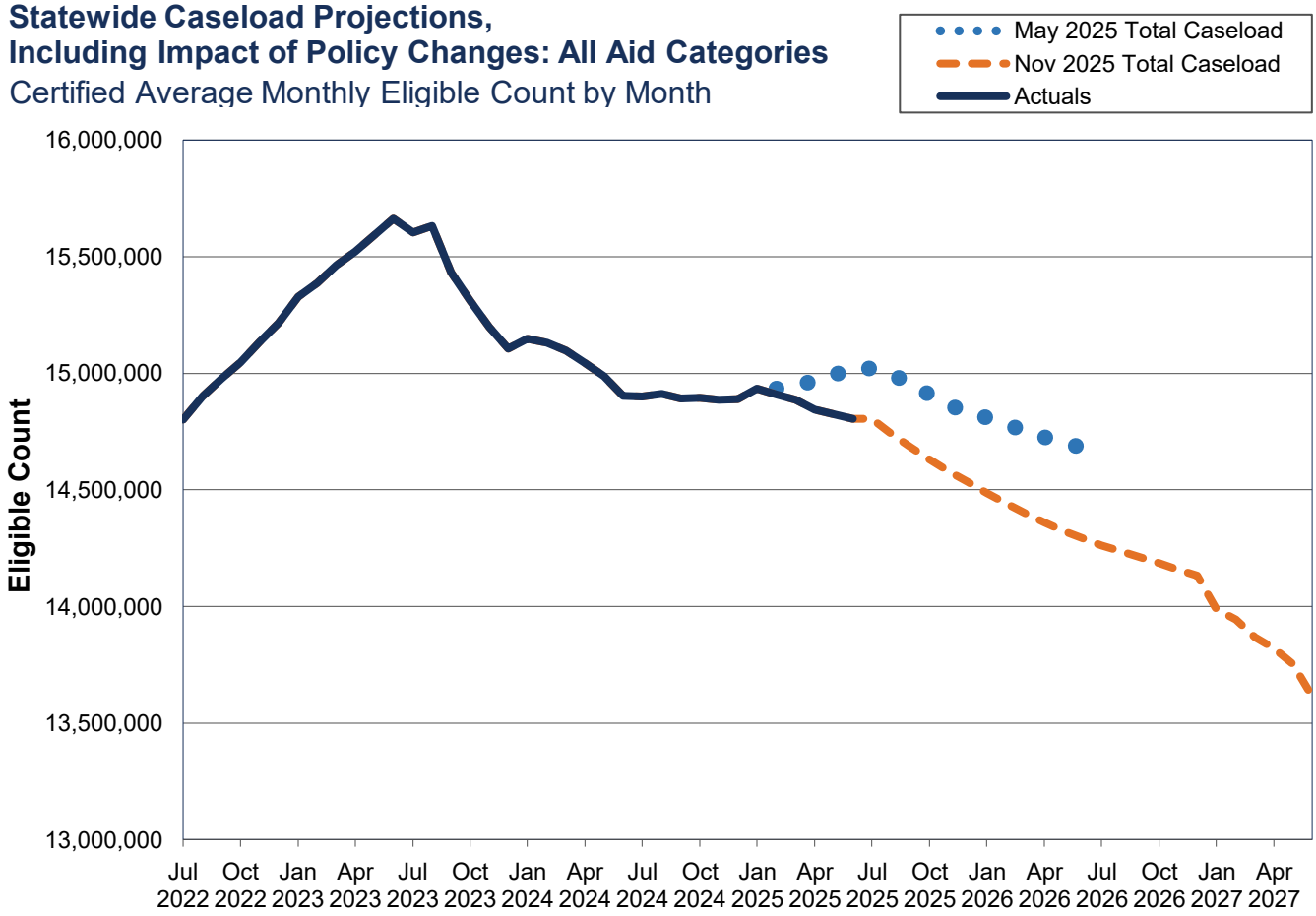
Projected caseload levels are summarized in the tables below:

Estimated Average Monthly Certified Members

November 2025 Estimate

	Members			Year over Year Change Percent	
	FY 2024-25	FY 2025-26	FY 2026-27	FY 2024-25 to FY 2025-26	FY 2025-26 to FY 2026-27
Affordable Care Act Expansion	5,034,600	4,916,800	4,591,700	-2.34%	-6.61%
Long Term Care Aid Codes	44,600	45,000	44,500	0.90%	-1.11%
Seniors and Persons with Disabilities	2,434,100	2,545,300	2,574,400	4.57%	1.14%
Title 19 Adults	2,399,100	2,257,600	2,133,600	-5.90%	-5.49%
Title 19 Children	3,744,200	3,543,000	3,458,300	-5.37%	-2.39%
Title 21	1,224,400	1,215,200	1,212,000	-0.75%	-0.26%
Miscellaneous	7,100	7,400	7,400	4.23%	0.00%
Total	**14,888,100**	**14,530,300**	**14,021,900**	**-2.40%**	**-3.50%**

The following plot displays the projected total Medi-Cal caseload from July 2022.



The first decline in overall caseload began around April 2023 at the end of the COVID-19 public health emergency when the unwinding process began and ended in May 2024 (leveling off of the caseload with the unwinding flexibilities still in place). The Department anticipates a steeper decline beginning with August 2025 due to the end of the unwinding flexibilities on June 30, 2025, as more individuals are disenrolled procedurally. Additionally, the projected overall caseload is expected to further decline as a result of two major programmatic changes—the Reinstatement of Asset Limit and the Full Scope Expansion Enrollment Freeze. The caseload plot includes H.R. 1 caseload impacts.

Family Health Programs

This section provides an overview of caseload projections for the Family Health programs as reflected in the November 2025 Family Health Local Assistance Estimate (referred to as the Family Health Estimate). Projected caseload levels are summarized below.

California Children's Services (CCS)

	Prior Year (PY)	Current Year (CY)	Budget Year (BY)	Change from	
CCS State Only	FY 2024-25	FY 2025-26	FY 2026-27	PY to CY	CY to BY
November 2025	13,231	12,718	12,718	-3.88%	0.00%
May 2025	13,965	14,284			
Change from May 2025	(734)	(1,566)			
% Change from May 2025	-5.26%	-10.96%			

Genetically Handicapped Persons Program (GHPP)

	PY	CY	BY	Change from	
GHPP State Only	FY 2024-25	FY 2025-26	FY 2026-27	PY to CY	CY to BY
November 2025	589	517	518	-12.22%	0.19%
May 2025	624	599			
Change from May 2025	(35)	(82)			
% Change from May 2025	5.61%	-13.69%			

Every Woman Counts (EWC)

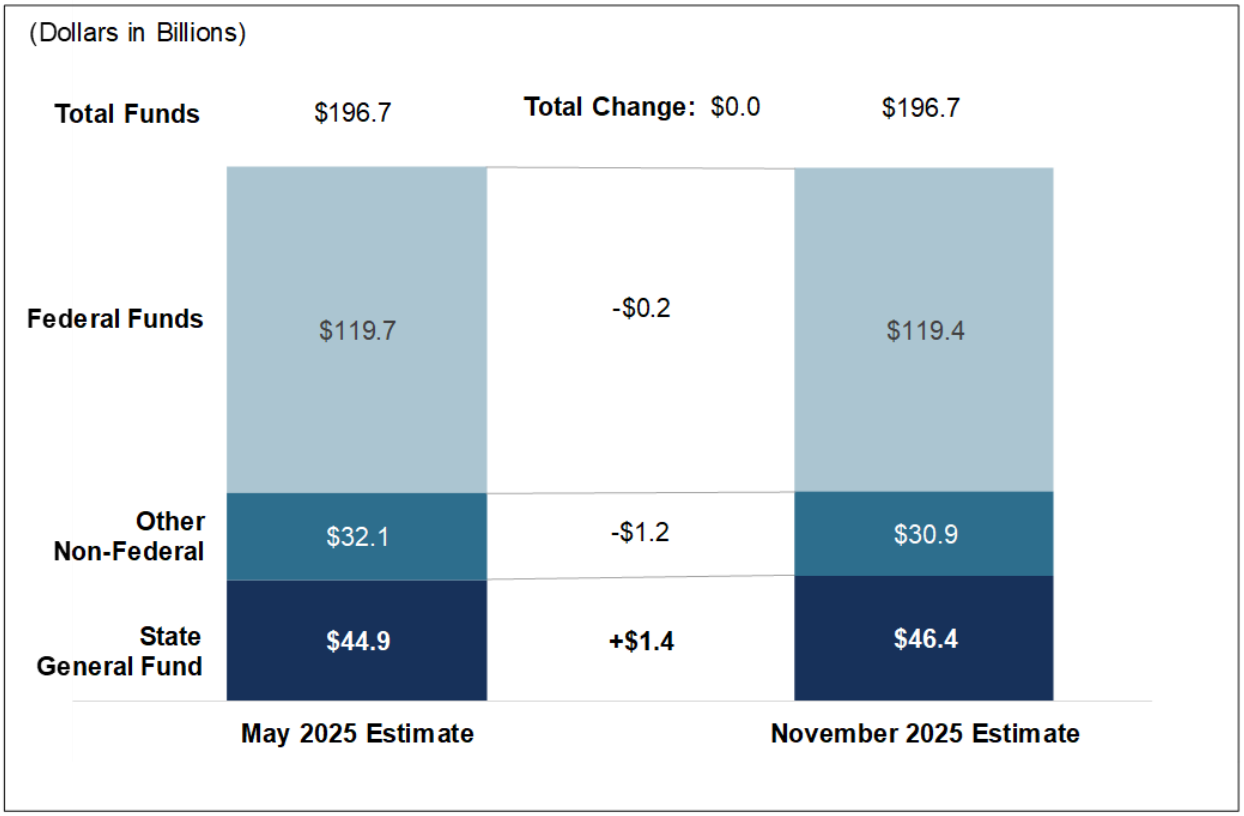
	PY	CY	BY	Change from	
EWC	FY 2024-25	FY 2025-26	FY 2026-27	PY to CY	CY to BY
November 2025	8,237	8,663	8,862	5.17%	2.30%
May 2025	8,786	9,255			
Change from May 2025	(549)	(592)			
% Change from May 2025	-6.25%	-6.40%			

SUMMARY OF MEDI-CAL LOCAL ASSISTANCE ESTIMATE INFORMATION

Funding in the Medi-Cal Estimate makes up the vast majority of local assistance spending in the Department's budget. Other local assistance funding is described in subsequent sections including the Family Health Estimate and new requests for Non-Estimate local assistance funding.

The Department estimates Medi-Cal spending to be $196.7 billion total funds ($46.4 billion GF) in 2025-26 and $222.4 billion total funds ($48.8 billion GF) in 2026-27. This does not include Certified Public Expenditures of local governments or GF expenditures in other state departments. For more information, see the November 2025 Medi-Cal Local Assistance Estimate available on the DHCS website at https://www.dhcs.ca.gov.

FY 2025-26 Comparison



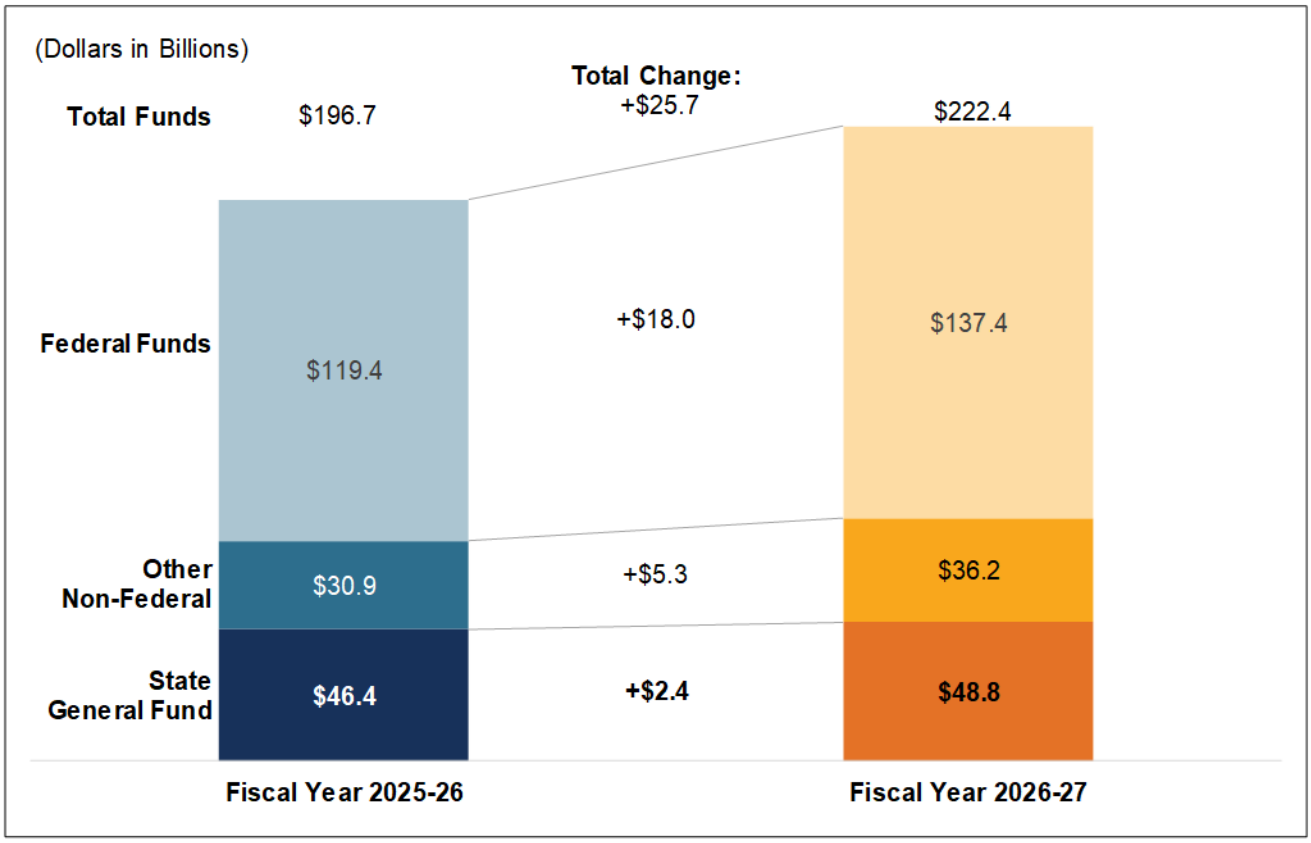
The November 2025 Estimate for 2025-26 projects no change in total spending and a $1.4 billion, or 3.2 percent increase in GF spending compared to the May 2025 Estimate. When comparing the November 2025 Estimate to the final 2025 Budget Act, General Fund increased by $2 billion.

Major factors driving the changes in the comparison of the May Estimate to November Estimate in estimated GF spending include:

- Updated projections and timing of payments related to the Managed Care Organization (MCO) Tax and Proposition 35 Funding resulted in reduced GF savings, a net increase of $159.3 million in GF costs.
- An approximately $43.1 million GF decrease in costs for the managed care base expenditures due to lower enrollment and $88.2 million GF decrease in other managed care items due to the net impact of updated estimated expenditures for various policies and updated projected recoupments and savings.
- An estimated $547.2 million GF decrease due to lower fee-for-service pharmacy and inpatient utilization.
- An approximately $638.7 million GF increase in Medicare costs due to ongoing growth in the Medicare population.
- An additional $819.3 million in GF costs from State-Only claiming adjustments for unsatisfactory immigration status (UIS) members.
    - Approximately $219.3 million GF primarily from revised estimates for pharmacy State-Only deferrals.
    - Approximately $600 million GF from prospective downward adjustments to Medi-Cal administrative claims related to members with UIS.
- An increase of $617.6 million GF from deferrals from the Centers for Medicare & Medicaid Services (CMS). The benefit deferrals estimate has increased by $334.6 million GF in 2025-26 from the higher quarterly deferral estimate and no longer estimating state only pharmacy deferral resolutions. An additional $283.0 million GF is also included for two quarters of State-Only administrative deferrals.
- Budget Act of 2025 solutions were impacted by timing and/or technical adjustments resulting in a net increase of $195.1 million GF spending in 2025-26 as a result of the following changes:
    - $407.9 million increase in GF spending due to updated timing assumptions for several solutions.
        - Approximately $321.7 million increased GF from delayed pharmacy rebates solutions in 2025-26.
        - Approximately $86.2 million GF from shifting the elimination of the Skilled Nursing Facility Workforce & Quality Incentive Program (WQIP) to 2026-27.
    - $44.7 million increased GF from lower savings for pharmacy budget solutions from technical adjustments to the Federal Medical Assistance Percentage (FMAP) assumptions.

- $250.1 million GF savings related to 2024-25 Medical Provider Interim Payment Loan funds available in 2025-26 due to end-of-year adjustments.
- $7.4 million GF savings due to other minor technical adjustments to various solutions.

Year Over Year Change from FY 2025-26 to FY 2026-27



After the adjustments described previously, the Medi-Cal Estimate projects that total spending will increase by $25.7 billion (13.1 percent), and GF spending will increase by $2.4 billion (5.2 percent) between 2025-26 and 2026-27.

Major factors driving the changes in estimated GF spending are:

- The budget assumes the MCO Tax will continue through the transition period ending December 31, 2026. Additional reductions in GF savings between 2025-26 and 2026-27 due to the MCO Tax sunset and Proposition 35 Funding provider payment adjustments result in an increase of $1.1 billion GF.
- An approximate $471.9 million GF increase is estimated between fiscal years for H.R. 1 policies effective in 2026-27, including:

- Work and Community Engagement: $102.4 million GF cost reduction.
- Six-Month Redetermination: $74.1 million GF cost reduction.
- Reduced Retroactive Coverage: $9.6 million GF cost reduction.
- Unsatisfactory Immigration Status (UIS) FMAP Adjustment: $658 million GF cost increase.

- An increase of $2.7 billion GF in 2026-27 for Managed Care base projections, primarily from base rate increases and enrollment growth, including $445.3 million GF for PACE. A projected $554.1 million GF decrease is estimated in other managed care items due to the net impact of updated estimated expenditures for various policies and updated projected recoupments and savings.

- A projected net decrease of $897.2 million GF is estimated in 2026-27 resulting from projected caseload reductions likely relating to the COVID-19 End of Unwinding Flexibilities, H.R. 1 Impacts and savings from the implementation of improvements for residency verification detailed in the Caseload Impact section above.

- Costs related to State-Only claiming adjustments for UIS members are projected to decline by approximately $395.8 million in 2026-27 as retroactive repayments are completed in 2025-26.

- An approximate $515.5 million decrease in GF costs as ongoing CMS deferrals are projected to be lower, and no further State-Only administrative deferrals are estimated in 2026-27.

- From 2025-26 to 2026-27, there is an estimated $897.8 million GF increase primarily driven by fee-for-service pharmacy rate growth.

- From 2025-26 to 2026-27, there is an approximately $648.3 million GF increase in Medicare costs due to projected growth in the Medicare population and increases in Buy-In premiums and Part D costs.

- The 2026-27 budget includes estimates for ongoing savings from Budget Act of 2025 solutions reflecting a decrease of $648.9 million in GF spending:
  - $2.2 billion GF savings from budget solutions effective in 2026-27.
    - Full Scope Medi-Cal Expansion Enrollment Freeze – an additional $659.2 million GF cost reduction in 2026-27.
    - Reinstatement of Asset Limit – an additional $302.1 million GF cost reduction in 2026-27.
    - Utilization Management for Hospice – an additional $50 million GF savings in 2026-27.
    - Eliminate Prospective Payment System (PPS) for State Only – an additional $1 billion GF savings in 2026-27.
    - Eliminate Dental for Adult UIS – an additional $134.6 million GF cost reduction in 2026-27.

- $901.2 million additional GF savings from pharmacy and pharmacy rebate solutions in 2026-27.

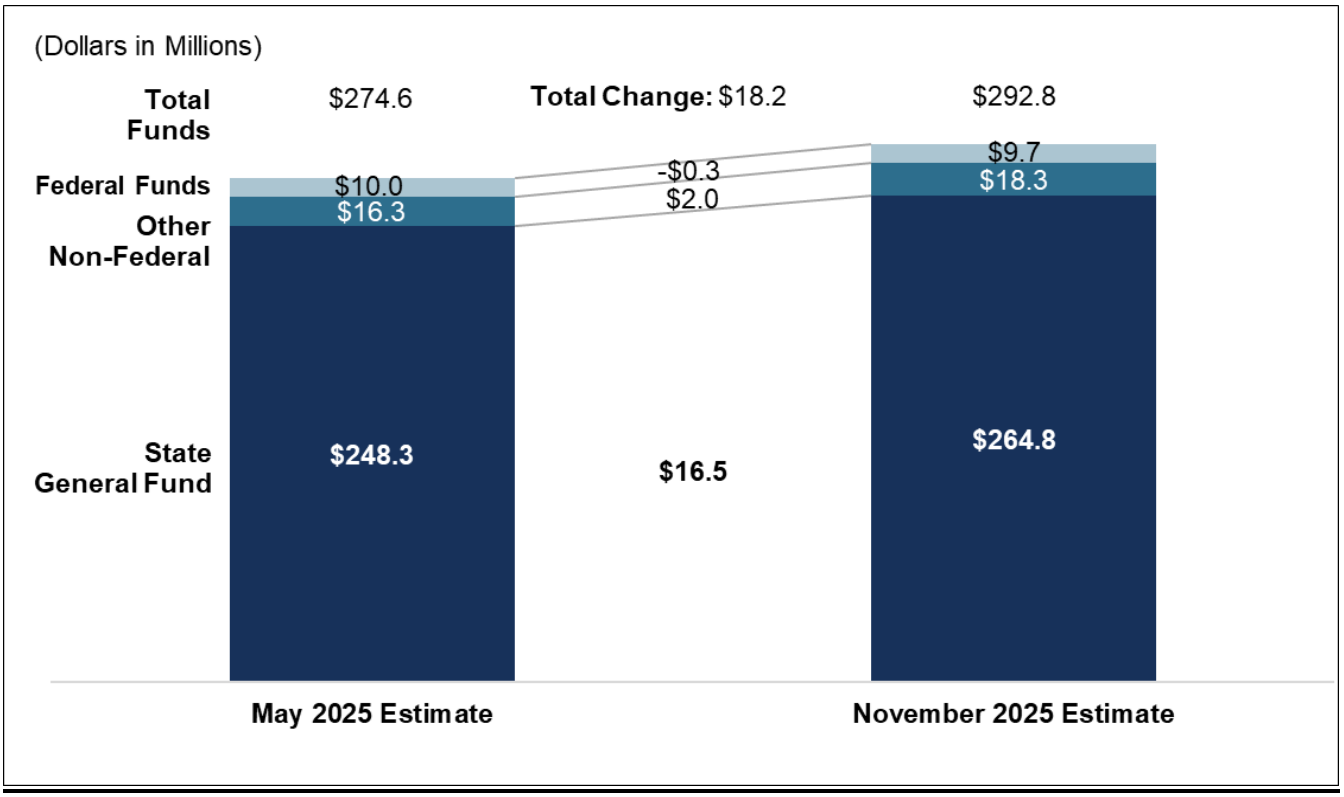
- $132.4 million additional GF savings from the elimination of the Skilled Nursing Facility Workforce & Quality Incentive Program in 2026-27.

- The 2026-27 budget does not include Medical Provider Interim Payment (MPIP) Loan funds to offset GF costs, resulting in an additional $2.5 billion GF.

SUMMARY OF FAMILY HEALTH LOCAL ASSISTANCE ESTIMATE INFORMATION

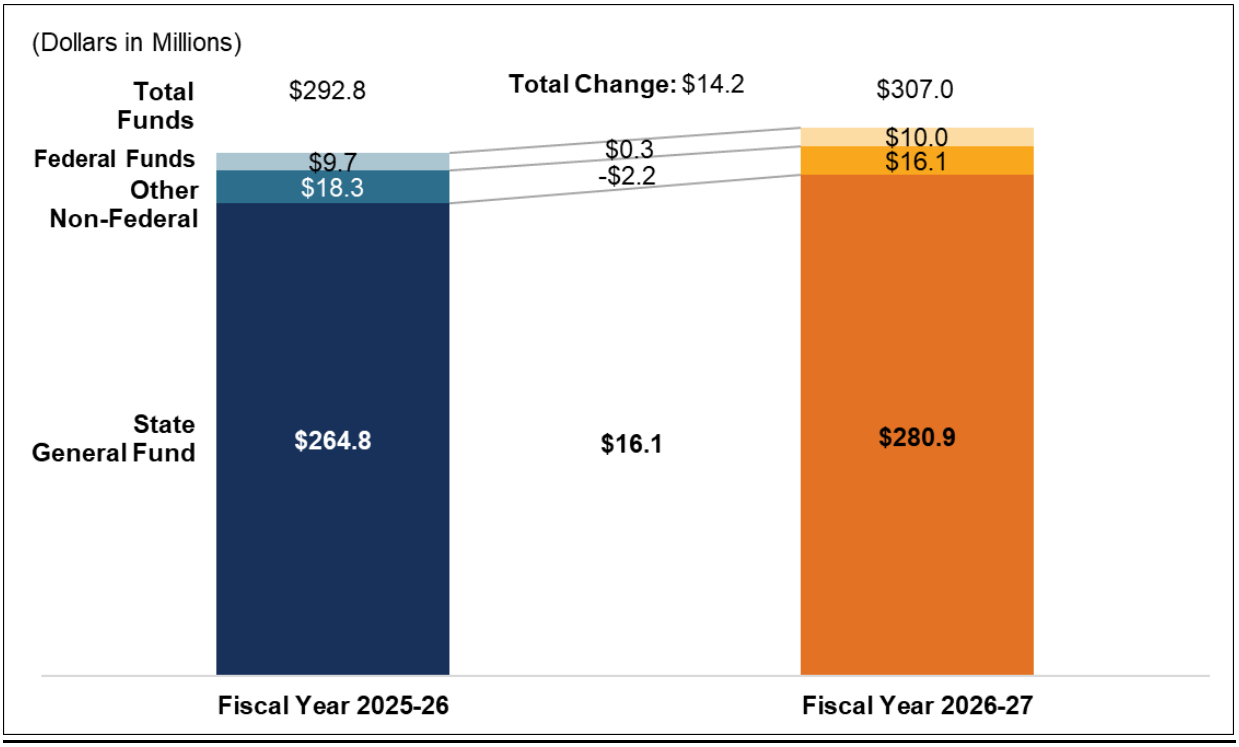
The Department estimates Family Health spending to be $292.8 million total funds ($264.8 million GF) in 2025-26 and $307 million total funds ($280.9 million GF) in 2026-27. This does not include Certified Public Expenditures of local governments or GF expenditures in other state departments. For more information, see the November 2025 Family Health Local Assistance Estimate available on the DHCS website at https://www.dhcs.ca.gov.

FY 2025-26 Comparison



The November 2025 Family Health Estimate for 2025-26 projects an $18.2 million (6.6 percent) increase in total spending and a $16.5 million (6.6 percent) increase in GF spending compared to the May 2025 Family Health Estimate.

Year Over Year Change from FY 2025-26 to FY 2026-27



The Family Health Estimate projects that total spending will increase by $14.2 million (4.8 percent), and GF spending will increase by $16.1 million (6.1 percent) between 2025-26 and 2026-27.

STATE OPERATIONS AND NON-ESTIMATE LOCAL ASSISTANCE BUDGET ADJUSTMENTS

The Budget includes additional expenditure authority of $100.7 million total funds ($25.9 million GF) for 156 positions (40 Permanent, 4 Limited-Term (LT) to Permanent, and 112 LT).

Detailed budget change proposal narratives can be found on the Department of Finance website at this link. To view Department requests, select the appropriate budget year (2026-27) and search for org code 4260 in the search bar located in the middle of the website.

Budget Change Proposal (BCP) Title	BCP Number	Positions	Total Funds**	GF**
988 and the Behavioral Health Crisis Continuum Implementation Supports	4260-061-BCP-2026-GB	8 Perm	$25.9	$0
California Community Transitions (CCT) Program Federally Funded Limited-Term Position	4260-065-BCP-2026-GB	1 LT	$0.2	$0
Advancing Interoperability and Improving Prior Authorization Final Rule	4260-066-BCP-2026-GB	18 LT	$3.5	$0.5
Ensuring Access to Medicaid Services (Access Rule)	4260-068-BCP-2026-GB	22 LT	$6.4	$0.9
H.R. 1 Planning and Implementation	4260-070-BCP-2026-GB	29 LT	$33	$15.5
Human Resources Plus Modernization (HR+ Mod)	4260-072-BCP-2026-GB	3 Perm	$4.5	$2.3
Managed Care Final Rule: Implementation and Operations	4260-075-BCP-2026-GB	39 LT	$12.3	$6.0
Managed Care Operations	4260-077-BCP-2026-GB	4 LT to Perm	$0.6	$0.2
Value Strategy for Hospital Payments in Medi-Cal Managed Care	4260-089-BCP-2026-GB	23 Perm 3 LT	$10.7	$0
Chaptered Legislation BCPs* **				
California Health and Human Services Data Exchange Framework (SB 660)	4260-145-BCP-2026-GB	1 Perm	$0.2	$0.1
Medi-Cal: Graduate Medical Education Payments (SB 246)	4260-146-BCP-2026-GB	1 Perm	$0.2	$0
Medi-Cal: Field Medicine (AB 543)	4260-149-BCP-2026-GB	4 Perm	$0.7	$0.4

Budget Change Proposal (BCP) Title	BCP Number	Positions	Total Funds**	GF**
Joint BCPs				
Long-Term Care Payment Transparency Final Rule Extension (Joint with Department of Health Care Access and Information or HCAI)	4260-074-BCP-2026-GB		$2.5	$0
	Total*	**40 Perm 4 LT to Perm 112 LT**	**$100.7**	**$25.9**

**Chart totals may differ from the BCP totals within an individual BCP due to rounding.*
***Dollars in millions.*
****Chaptered Legislation BCPs are displayed in a single BCP on the Department of Finance website.*

988 and the Behavioral Health Crisis Continuum Implementation Supports requests 8 permanent positions and State Operations and Non-Estimate Local Assistance expenditure authority of $25.9 million total funds to manage the increasingly complex and growing workload associated with 988 State Suicide and Behavioral Health Crisis Services. Requested resources support core operations of California's 988 Crisis Centers.

California Community Transitions (CCT) Program Federally Funded Limited-Term Position requests limited-term funding equivalent to 1 position and expenditure authority of $0.2 million in federal funding from the Money Follows the Person Rebalancing Demonstration Grant to continue operating the CCT program and verify all federal requirements are met. Under the CCT program, eligible individuals of all ages with disabilities can receive transition coordination services to assist them with the transition process from an institution to the community, and to connect them with the long-term services and supports they require to remain at home or in the community.

Advancing Interoperability and Improving Prior Authorization Process Final Rule requests funding equivalent to 18 limited-term positions and expenditure authority of $3.5 million total funds needed to plan and implement the CMS Advancing Interoperability and Improving Prior Authorization Processes Final Rule. The resources are vital to building internal capacity, overseeing managed care plan compliance, and supporting provider and member understanding and adoption of Application Program Interfaces data exchange.

Ensuring Access to Medicaid Services (Access Rule) requests funding equivalent to 22 limited-term positions and expenditure authority of $6.4 million total funds to continue to support efforts to meet all federal and state requirements related to the Ensuring Access to Medicaid Services Final Rule (federal CMS-2442-F), known as the "Access Rule", which was released in April 2024. The Access Rule is a comprehensive approach

to improving access to care, quality and health outcomes, and addressing health equity in Medicaid.

H.R. 1 Planning and Implementation requests funding equivalent to 29 limited-term positions and expenditure authority of $33 million total funds to make significant changes to Medi-Cal eligibility due to the passage of H.R. 1 in July 2025. This includes applicable eligibility statutes, regulations, policies, timelines, and processes related to application, renewal, and change of circumstances requirements, reducing duplicate coverage, and redefining allowable immigration statuses that qualify for federal matching funds.

Human Resources Plus Modernization (HR+ Mod) requests resources of 3 permanent positions and expenditure authority of $4.5 million total funds to modernize time and activity tracking, cost allocation, and human resources business technology and processes that are not effective, efficient, sustainable, interoperable, or compliant with current security requirements.

Managed Care Final Rule: Implementation and Operations requests funding equivalent to 39 limited-term positions and expenditure authority of $12.3 million total funds to support the implementation and ongoing operations of the Managed Care Final Rule requirements. The final rule reshapes the regulatory landscape for Medicaid managed care plans with respect to ensuring access to care, transparency, quality, and oversight of provider payment rates.

Managed Care Operations requests funding to convert 4 limited-term positions to permanent and expenditure authority to implement, monitor, and enforce federal and state requirements across a broad range of Medi-Cal managed care activities.

Value Strategy for Hospital Payments in Medi-Cal Managed Care requests resources to fund 23 permanent positions, 3 limited-term equivalent positions, and expenditure authority of $10.7 million total funds to develop, implement, and sustain a comprehensive value strategy for payments for hospital services in the Medi-Cal managed care delivery system. The Department, in consultation with stakeholders, will develop and publish a comprehensive value strategy that includes recommendations for changes to hospital reimbursement methodologies taking into account the ability to obtain necessary federal approvals.

Chaptered Legislation BCPs

California Health and Human Services (CalHHS) Data Exchange Framework (Senate Bill or SB 660) requests 1 permanent position and expenditure authority of $0.2 million total funds to implement and monitor Medi-Cal managed care plan compliance with the provisions of SB 660 (Chapter 325, Statutes of 2025). SB 660, among other provisions, transfers authority for the CalHHS Data Exchange Framework (DxF) and stakeholder advisory group to the Department of Health Care Access and Information. SB 660 creates new operational responsibilities for DHCS including

monitoring and enforcing compliance through contracts.

Medi-Cal: Graduate Medical Education Payments (SB 246) requests resources equivalent to 1 permanent position and expenditure authority of $0.2 million total funds to implement a graduate medical education program for district and municipal public hospitals and their affiliated government entities in order to implement legislation SB 246 (Chaptered 308, Statutes of 2025).

Medi-Cal: Field Medicine (Assembly Bill or AB 543) requests resources equivalent to 4 permanent positions and expenditure authority to monitor compliance with the provisions of AB 543 (Chapter 374, Statutes of 2025), including but not limited to, performing pre-audit procedures, developing the audit scopes of work, conducting post-service post-payment utilization reviews, conducting enforcement activities in collaboration with federal and state agencies, monitoring prescription drug utilization, reviewing provider medical and financial records, and providing technical assistance to Medi-Cal managed care plans.

Joint BCPs

Long-Term Care Payment Transparency Final Rule Extension (Joint with HCAI) requests for ongoing funding authority of $2.5 million total funds for positions in the 4260-266-BCP-2025-MR Long-Term Care Staffing & Payment Transparency Final Rule proposal.