

Director's Update

Michelle Baass, Director

2025-26 Budget Update

The image features two thick, wavy horizontal lines. The bottom line is a dark navy blue, and the line above it is a teal color. Both lines have a fluid, undulating shape that spans the width of the page.

2025-26 Budget Act Update

- » DHCS' enacted budget is \$202.7 billion in total funds.
- » The Medi-Cal budget includes \$179.1 billion (\$37.4 billion General Fund) in 2024-25 and \$196.7 billion (\$44.9 billion General Fund) in 2025-26. Medi-Cal is projected to cover approximately 15 million Californians in 2024-25 and 14.9 million in 2025-26—more than one-third of the state's population.

2025-26 Budget Act Update

- » To address a statewide budget shortfall, solutions included:
 - **Freeze on enrollment** for full scope, state-only Medi-Cal expansion adults, ages 19 and older.
 - State-only **Medi-Cal premiums of \$30** for adults 19-59 with unsatisfactory immigration status (UIS).
 - Elimination of state-only **Prospective Payment System** rates for Federally Qualified Health Centers and Rural Health Clinics for members with UIS.

2025-26 Budget Act Update

- » **Elimination of dental benefits** for UIS adults, ages 19 and older.
- » Reinstatement of the **Medi-Cal Asset Test Limit**, effective January 1, 2026.
- » Elimination of \$362 million in 2026-27 and ongoing in **dental supplemental payments**.

2025-26 Budget Act Update

» Pharmacy changes include:

- Implementation of a **rebate aggregator** to secure rebates for members with UIS.
- **Elimination of coverage for Glucagon-Like Peptide-1 (GLP-1)** for weight loss.
- Implementation of **prescription drug utilization management**, step therapy protocols, and prior authorization for prescription drugs.

2025-26 Budget Act Update

- » **Proposition 36** implementation funding of \$50 million to provide non-competitive grants to county behavioral health departments.
- » **Title X funding restoration** of \$15 million to replace lost funding for family planning providers.
- » **988 Suicide and Crisis Lifeline Centers** one-time funding totaling \$17.5 million.
- » **Next Generation Digital Therapeutics** funding as part of the Children and Youth Behavioral Health Initiative, totaling \$2 million.
- » \$2 million in funding to support **Adverse Childhood Experiences (ACEs)** provider trainings.

Federal Legislation Update

House Resolution 1



Behavioral Health Virtual Services Platform Update



BrightLife Kids and Soluna Impact Update

California continues to set the national standard for behavioral health through the free, preventive, and early-intervention virtual services — **BrightLife Kids and Soluna.**

77 percent of BrightLife Kids users report it is their first and only source of behavioral health support

99 percent of BrightLife Kids users are satisfied with their experience

88 percent of children using BrightLife Kids reported meeting their behavioral health goals after using virtual coaching resources

50 percent of Soluna users report it is their first contact with behavioral health services

97 percent of Soluna users would recommend it to a friend

82 percent of young people reported feeling less alone after using the Soluna app



319,000+ California youth and families reached statewide

BrightLife Kids and Soluna Impact Update



Hear directly from youth and families in the new [BrightLife Kids and Soluna Impact Update](#).

"Soluna has a lot of resources that can better help me or others in one spot rather than going to different places...In the [Soluna] community, I find that I am, in fact, NOT alone or the only one struggling with mental health."

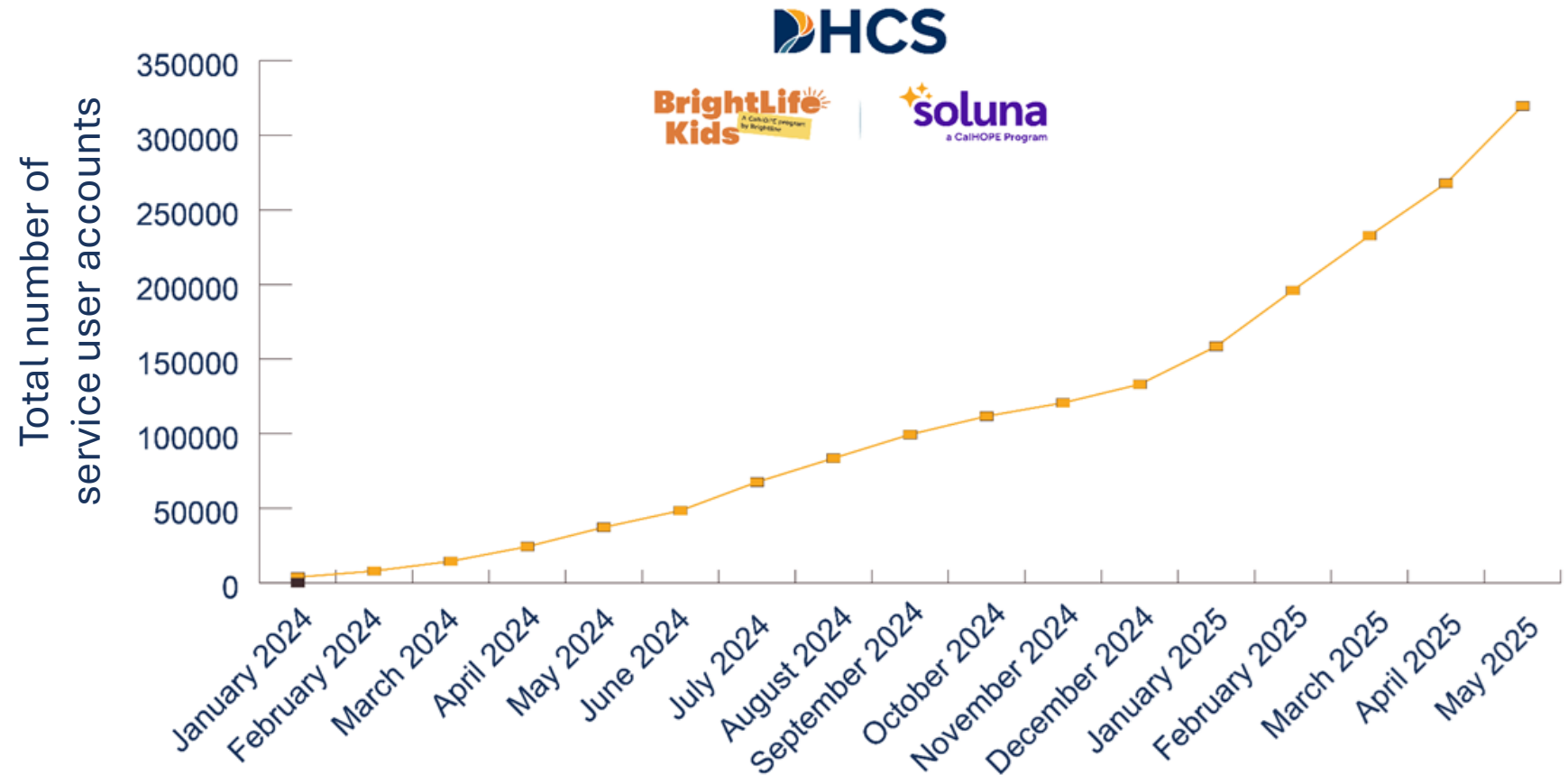
» 21 year old

"Working with our BrightLife Kids coach has helped us move from anxious to more confident when our daughter is having a rough time. I encourage any parent to utilize this support. We don't have to do it ourselves."

» Parents of a 5-year-old child

Statewide Reach

BrightLife Kids and Soluna have already reached **319,000+** youth and families statewide since launching in January 2024, with new users joining every day.



Community Supports: Update on Cost-Effectiveness Analysis



Overview of Community Supports

- » Community Supports are services provided by Medi-Cal managed care plans (MCP) to **address Medi-Cal members' health-related social needs, help them live healthier lives, and avoid higher, costlier levels of care.**
- » December 2021: The Centers for Medicare & Medicaid Services (CMS) approved California's requests to implement 14 Community Supports.
 - 12 are approved as in **lieu of services (ILOS) under 1915b managed care authority.**
 - 2 are authorized under **Section 1115 demonstration authority.**
- » December 2024: DHCS received 1115 demonstration authority to implement a new Community Support, Transitional Rent, which will go live as an optional benefit in July 2025 and as a mandatory benefit for certain populations in 2026.
- » Community Supports are provided to Medi-Cal members as a **substitute for a covered service or setting under the State Plan,** or when the service can be **expected to reduce or prevent the future need** to utilize the covered service or setting under the State Plan.
- » As required by CMS, an independent evaluator, UCLA/RAND, is conducting a rigorous **independent evaluation** of ILOS by 2028 that will examine its cost-effectiveness and other health impacts using comprehensive data. **DHCS' early analysis of cost-effectiveness shows promising findings.**

Cost-Effectiveness of Community Supports

Initial analysis shows that 12 Community Supports reviewed in this report are, or will likely be, cost-effective over time if current trends continue.

[Community Supports, or ILOS, Annual Report](#)

- » **DHCS evaluated the cost effectiveness of Community Supports** based on data from July 2022 to June 2024. **These early data already show promising results.**
- » **9 out of the 12 are already demonstrating cost-effectiveness.**
 - Housing Transition Navigation Services
 - Housing Deposits
 - Respite Care
 - Day Habilitation Programs
 - Nursing Facility Transition/Diversion to Assisted Living Facilities or Residential Care Facilities for the Elderly
 - Community Transition Services/Nursing Facility Transition to a Home
 - Personal Care and Homemaker Services
 - Environmental Accessibility Adaptations
 - Sobering Centers
- » **3 of the remaining services show utilization and cost reductions** in Medicaid-covered services, such as emergency room or long-term care, and are **expected to be cost-effective over time:**
 - Housing Tenancy and Sustaining Services
 - Medically Tailored Meals/Medically Supportive Food
 - Asthma Remediation

Early Cost-Effectiveness Results: Select Findings

DHCS' initial review of Community Supports focused on data from July 2022 to June 2024 and **already show promising results related to cost-effectiveness.**

Community Supports	Net Impact on Applicable Medicaid Costs
Housing Deposits	-31.6% across inpatient, outpatient, emergency room, long-term care, and outpatient mental health services costs.
Respite Care	-61.3% across inpatient-and long-term care services costs.
Personal Care/Homemaker Services	-58.4% across inpatient and long-term care services costs.
Day Habilitation Programs	-17.1% across inpatient, outpatient, emergency room, long-term care, and outpatient mental health services costs
Environmental Accessibility Adaptations (Home Modifications)	-14.5% across inpatient, emergency room, and long-term care services costs.
Sobering Centers	-11.7% across inpatient and emergency room services costs.

CalAIM 1115 and 1915(b) Renewals



Upcoming CalAIM Renewals

- » DHCS' vision for and focus on Community Supports will continue under active, approved waivers and managed care contracts through CMS.
- » To prepare for the renewal of these authorities and to advance initiatives aimed at improving Medi-Cal:



DHCS embarked on a **listening tour** across several counties to learn about stakeholders' experiences with implementing CalAIM, including successes and areas for improvement.



DHCS continues to **solicit feedback** from members, MCPs, counties, providers, and other stakeholders through various forums, including stakeholder advisory committees, listening sessions, and advisory groups.



DHCS is developing a **concept paper** that will outline the vision and goals for the ongoing transformation of the Medi-Cal program and delivery system. The concept paper will be released for public comment later this year.