

2026-27 May Revision

Department of Health Care Services Highlights

May 14, 2026

**Governor Gavin Newsom
State of California**

**Secretary Kim Johnson
California Health and Human Services Agency**

**Director Michelle Baass
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 May Revision, 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 May Revision proposes a total of \$223.2 billion and 4,749.5 positions for the support of DHCS programs and services. Of that amount, \$1.4 billion funds state operations (DHCS operations), while \$221.8 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	\$48,969,644	\$45,321,415
LA Federal Funds	\$120,075,811	\$117,164,630	\$132,363,674
LA Special Funds	\$32,965,030	\$30,388,590	\$37,014,736
LA Reimbursements	\$3,061,014	\$3,368,520	\$7,102,092
Total Local Assistance	\$201,384,891	\$199,891,384	\$221,801,917
State Operations (SO)			
SO General Fund	\$320,641	\$386,937	\$358,477
SO Federal Funds	\$642,738	\$667,275	\$690,460
SO Special Funds	\$371,583	\$373,486	\$362,693
SO Reimbursements	\$26,367	\$30,189	\$29,838
Total State Operations	\$1,361,329	\$1,457,887	\$1,441,468
Total Funds			
Total General Fund	\$45,603,677	\$49,356,581	\$45,679,892
Total Federal Funds	\$120,718,549	\$117,831,905	\$133,054,134
Total Special Funds	\$33,336,613	\$30,762,076	\$37,377,429
Total Reimbursements	\$3,087,381	\$3,398,709	\$7,131,930
Total Funds	\$202,746,220	\$201,349,271	\$223,243,385

* Dollars in Thousands

MAJOR BUDGET ISSUES AND PROPOSALS

Managed Care Organization Tax—The May Revision reflects Managed Care Organization (MCO) Tax revenue of \$4.5 billion in 2025-26 and \$2.5 billion in 2026-27 to support the Medi-Cal program. The May Revision also includes \$1.3 billion in 2025-26, \$2.4 billion in 2026-27, and \$150 million in 2027-28 to support increases in managed care and other payments relative to calendar year 2024, for hospital, community clinic, behavioral health, and other services. This includes an increase of \$1.9 billion from excess MCO Tax revenues from calendar years 2025 and 2026, after fulfilling the provider payment increases as required in Proposition 35. The existing MCO Tax expires on December 31, 2026.

The May Revision proposes the renewal of an MCO Tax effective January 1, 2027, that conforms with new, stringent H.R. 1 federal requirements. H.R. 1 significantly constrains state options to impose health care-related taxes and prohibits taxes that assess higher tax rates on Medi-Cal plans than commercial plans or otherwise place a disproportionately higher tax burden on Medi-Cal plans.

Proposition 35 requires that the state seek federal approval to continue an MCO tax on and after January 1, 2027, that is substantially similar to the current MCO tax and caps the annual non-Medicaid tax liability under that tax to \$36 million.

In order to comply with applicable law, the Administration proposes to seek federal approval of a 2027 MCO tax with two components:

- A substantially similar tax authorized by Prop. 35 that complies with, and is governed by, Prop. 35.
- A substantially dissimilar tax authorized by the Legislature that is not subject to Prop. 35.

The May Revision includes \$575 million in 2026-27, \$2.3 billion each in 2027-28 and 2028-29, and \$1.7 billion in 2029-30 from this renewed tax to support the Medi-Cal program and maintain targeted rate increases for primary, maternal, and non-specialty mental health care.

H.R. 1 of 2025—The May Revision reflects costs of approximately \$1.5 billion General Fund in 2026-27 and reduced General Fund costs of \$1.9 billion by 2029-30. This reflects increased costs of \$363.1 million General Fund in 2026-27 and reduced savings of \$157.6 million in 2029-30 compared to the Governor's Budget. The May Revision projects total H.R. 1 disenrollment of 44,000 in 2026-27 and 1.3 million by 2029-30, a decrease of 478,000 in 2026-27 and 446,000 by 2029-30 compared to the Governor's Budget.

- **Work and Community Engagement Requirement**—An estimated reduction of \$357.6 million (\$90.3 General Fund) in 2026-27 and \$9.6 billion (\$2.4 billion General Fund) by 2029-30, resulting from the new work and community engagement requirements for the Affordable Care Act adult expansion population, effective January 1, 2027. This is a General Fund increase of \$12 million in 2026-27 and \$1.2 billion in 2029-30. Projected disenrollments are 43,000 in 2026-27 and 1.1 million by 2029-30, a decrease of 190,000 in 2026-27 and 337,000 by 2029-

30 compared to the Governor's Budget. The May Revision reflects an increase in the number of individuals projected to retain Medi-Cal coverage by meeting specified exemption criteria, primarily for medical frailty and the CalFresh Able-Bodied Adults Without Dependents requirements, which exempts these adults from Medi-Cal work requirements.

- **Federal Medical Assistance Percentage for Emergency Services**—A net savings of \$51.5 million (\$669 million General Fund cost) annually beginning in 2026-27 due to the federal match reduction from 90 percent to 50 percent for emergency services for Affordable Care Act adult expansion population members with unsatisfactory immigration status effective October 1, 2026.
- **Restrictions on Immigrant Eligibility**—A cost of \$668.1 million General Fund in 2026-27 and savings of \$294 million in 2029-30 and ongoing for a delayed July 1, 2027 transition to restricted-scope Medi-Cal for individuals impacted by the federal eligibility change for qualified non-citizens. Effective October 1, 2026, federal policy will exclude individuals with certain immigration statuses from federally funded for full-scope Medi-Cal, which significantly reduces federal funding for this population. If the state were to otherwise continue to provide full-scope fee-for-service Medi-Cal to this population, the annual cost is estimated to be an additional \$1.3 billion General Fund.
- **Affordable Care Act Adult Expansion Six-Month Redeterminations**—Based on updated federal guidance released in March 2026, the six-month renewals will not be effectuated until six months from March 2027. As such, the May Revision anticipates disenrollments will not materialize until 2027-28. The May Revision includes a reduction of \$747.3 million (\$186.4 million General Fund) in 2027-28 and \$2.5 billion (\$633 million General Fund) by 2029-30. Compared to the Governor's Budget, projected disenrollments have decreased to zero in 2026-27 and estimated to be approximately 278,600 in 2029-30.
- **Reduced Retroactive Medi-Cal Timeframes**—A reduction of \$34.6 million (\$14.7 million General Fund) in 2026-27 and \$75.5million (\$32.1 million General Fund) in 2029-30 and ongoing from the reduction of retroactive Medi-Cal coverage changes from three months before an individual's application date to one month for the Affordable Care Act adult expansion population and two months for all other members, effective no sooner than January 1, 2027.
- **County Medi-Cal Administration**—The May Revision reflects a one-time augmentation of \$262 million (\$74 million General Fund) in 2026-27 and \$33 million (\$16.7 million General Fund) in each of 2027-28 and 2028-29 to support county workload for the implementation of Medi-Cal eligibility changes pursuant to H.R. 1. This augmentation for county administration includes optional surge staffing capacity to provide additional support to counties for activities such as verifying completeness of application and renewal materials data entry, call center general inquiries, and new activities relating to work requirements. The optional surge staffing is meant for supporting activities only, the county worker retains the final authority to make the Medi-Cal eligibility determination. The May Revision includes a total of \$2.8 billion (\$705.3 million General Fund) for Medi-Cal county administration in 2026-27.

Transition of Unsatisfactory Immigration Status (UIS) Members to Fee-for-Service— Pursuant to new federal interpretation of federal law released by the Centers for Medicare & Medicaid Services (CMS) in September of 2025, the Department must transition members with unsatisfactory immigration status (approximately 2 million individuals) from the managed care delivery system to the fee-for-service system effective January 1, 2027. Pursuant to the federal guidance, DHCS must discontinue federal funded coverage of Medicaid emergency services for members with unsatisfactory immigration status through the managed care delivery system. This shift is anticipated to result in decreased General Fund costs associated with not paying managed care plans for administration and underwriting gain, and impacted members no longer being eligible for certain benefits under managed care, such as Enhanced Care Management and Community Supports. The May Revision includes a reduction of \$583.8 million (\$471.6 million General Fund) in 2026-27 and \$1.5 billion (\$1.2 billion General Fund) ongoing due to this federal policy. If the state were to otherwise provide emergency Medi-Cal services to this population in a state-only managed care program, the cost is estimated to be \$6 billion General Fund annually.

Hospital Quality Assurance Fee—The May Revision assumes \$84.7 million in 2025-26 and \$1.7 billion in 2026-27 to support children’s coverage, which results in increased General Fund costs of \$1.2 billion in 2025-26 and General Fund savings of \$286.8 million in 2026-27 compared to the Governor’s Budget. Based on the federal government’s notification that California’s tax waiver request would not be approved as submitted, the Administration submitted a modified waiver request to the federal government in March 2026 that is currently pending approval. The 2025 Hospital Quality Assurance Fee program is estimated to provide hospital net-benefit payments of \$5.5 billion.

Medi-Cal Efficiencies—The May Revision includes a General Fund reduction of \$68 million in 2026-27 increasing to \$552 million in 2029-30 to strengthen utilization management controls for applied behavioral analysis and transportation in the Medi-Cal program and eliminating the incentive component of the quality withhold and incentive program for Medi-Cal managed care. This includes a placeholder amount in the out-years given that the Administration is continuing its effort to identify efficiencies in select areas of Medi-Cal.

General Fund Solutions—To address the projected statewide budget shortfall, the May Revision includes General Fund solutions to achieve a balanced budget. The May Revision proposes:

- **Increase Monthly Premium for Adults with Unsatisfactory Immigration Status (Aged 19–59) from \$30 to \$50**—The May Revision proposes to implement increased monthly premiums of \$50 for adults, aged 19 to 59, effective July 1, 2027. The 2025 Budget Act included \$30 premiums for this group of adults effective July 1, 2027. Estimated General Fund savings of approximately \$427.3 million in 2027-28, decreasing to approximately \$314.3 million annually in 2029-30.
- **Medi-Cal Asset Test Limits**—The May Revision proposes to reinstate the Medi-Cal asset limit to consider resources, including property and other assets when

determining Medi-Cal eligibility for seniors and disabled adults to \$2,000 for an individual or \$3,000 for a couple, effective no sooner than January 1, 2027. The 2025 Budget Act included a partial reinstatement of the Medi-Cal asset limit that went into effect January 1, 2026. Estimated General Fund savings of \$94 million in 2025-26, \$278.3 million in 2026-27 and \$495.6 million ongoing, inclusive of IHSS impacts.

- **Enhanced Care Management**—The May Revision proposes to refine eligibility criteria, service definitions, utilization management criteria, and payment adjustments for the Medi-Cal Enhanced Care Management benefit, effective January 1, 2027. Estimated General Fund savings of \$41.4 million in 2026-27 and \$99.2 million ongoing.
- **Community Supports**—The May Revision proposes to refine referral pathways, eligibility criteria, service definitions, and utilization management criteria for select Medi-Cal Community Supports services, effective January 1, 2027. Estimated General Fund savings of \$26.9 million in 2026-27, \$58.8 million in 2027-28, and \$51.0 million ongoing.
- **Cap Program of All-Inclusive Care for the Elderly Rates**—The May Revision proposes to implement a rate cap for Program of All-Inclusive Care for the Elderly (PACE) organizations, except for new entrants in their first two years, at the actuarially sound lower bound rate, effective January 1, 2027. The 2025 Budget Act included a rate cap at the mid-point effective January 1, 2027. Estimated General Fund savings of \$33.7 million in 2026-27 and \$80.9 million ongoing.
- **Medical Loss Ratio Remittances**—The May Revision proposes to redirect medical loss ratio remittances to the General Fund. Estimated General Fund reduction of \$25 million ongoing beginning in 2027-28.
- **Eliminate Optional Adult Acupuncture Benefit**—The May Revision proposes to eliminate the optional adult acupuncture benefit effective January 1, 2027. Estimated General Fund savings of approximately \$5.4 million in 2026-27 and \$13.1 million ongoing.

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

- H.R. 1 Implementation (Update)
- 988 Suicide and Crisis Lifeline
- California Advancing and Innovating Medi-Cal (CalAIM) Renewal
- Medi-Cal Provider Oversight
- Reinstatement of Medi-Cal Asset Limit
- County Administration
- Managed Care Organization Tax
- Medical Loss Ratio Remittances
- Adult Acupuncture Services Elimination
- Medi-Cal Premiums

CASELOAD UPDATES

Medi-Cal Program

This section provides an overview of caseload projections for Medi-Cal as reflected in the May 2026 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 May 2026 Medi-Cal Estimate.

Projected caseload levels are summarized in the tables below:

Estimated Average Monthly Certified Members

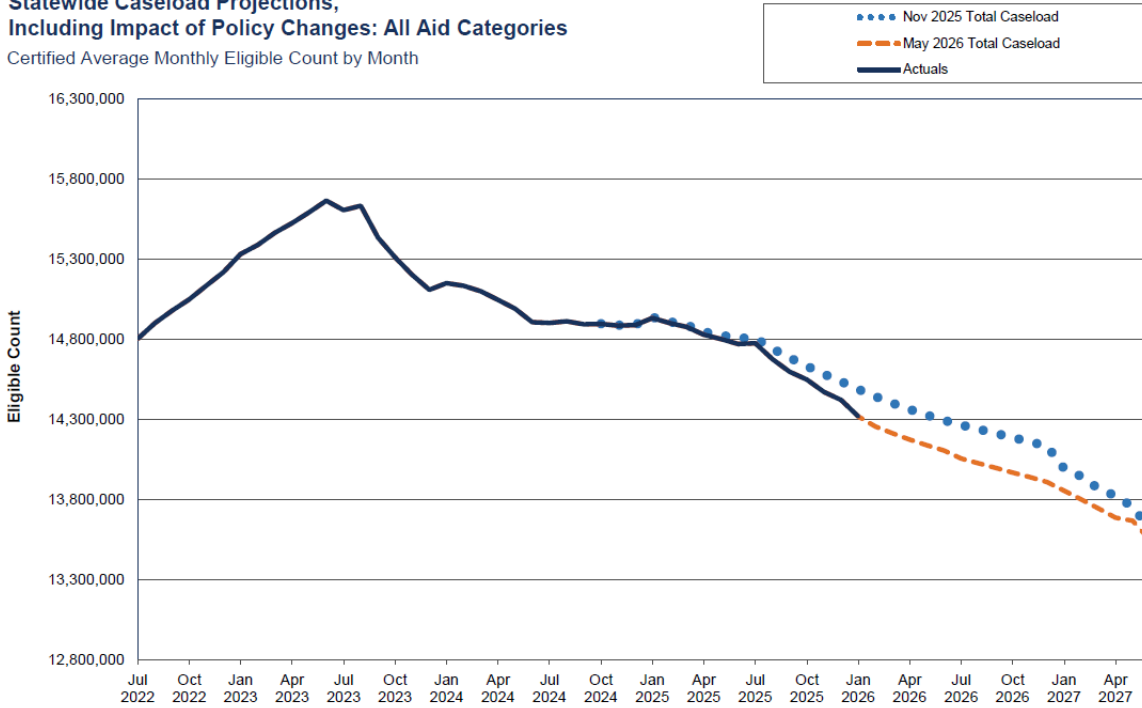
May 2026 Estimate

	<u>Members</u>			<u>Year over Year Change</u>	
	FY 2024-25	FY 2025-26	FY 2026-27	<u>Percent</u>	
				FY 2024-25 to FY 2025-26	FY 2025-26 to FY 2026-27
Affordable Care Act Expansion	5,032,200	4,846,000	4,545,600	-3.70%	-6.20%
Long Term Care Aid Codes	44,500	49,400	50,200	11.01%	1.62%
Seniors and Persons with Disabilities	2,431,900	2,497,800	2,477,500	2.71%	-0.81%
Title 19 Adults	2,398,200	2,231,700	2,097,200	-6.94%	-6.03%
Title 19 Children	3,741,100	3,515,500	3,411,900	-6.03%	-2.95%
Title 21	1,224,300	1,247,100	1,265,200	1.86%	1.45%
Miscellaneous	7,300	8,700	8,400	19.18%	-3.45%
Total	14,879,500	14,396,200	13,856,000	-3.25%	-3.75%

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

**Statewide Caseload Projections,
Including Impact of Policy Changes: All Aid Categories**

Certified Average Monthly Eligible Count by Month



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 May 2026 Family Health Local Assistance Estimate (referred to as the Family Health Estimate). Projected caseload levels are summarized below.

California Children’s Services (CCS)

CCS State Only	PY	CY	BY	Change from	
	FY 2024-25	FY 2025-26	FY 2026-27	PY to CY	CY to BY
May 2026	13,231	12,166	12,265	-8.05%	0.81%
November 2025	13,231	12,718	12,718		
Change from November 2025	-	(552)	(453)		
% Change from November 2025	0.00%	-4.34%	-3.56%		

Genetically Handicapped Persons Program (GHPP)

GHPP State Only	PY	CY	BY	Change from	
	FY 2024-25	FY 2025-26	FY 2026-27	PY to CY	CY to BY
May 2026	589	514	519	-12.73%	0.97%
November 2025	589	517	518		
Change from November 2025	-	(3)	1		
% Change from November 2025	0.00%	-0.58%	0.19%		

Every Woman Counts (EWC)

EWC	PY	CY	BY	Change from	
	FY 2024-25	FY 2025-26	FY 2026-27	PY to CY	CY to BY
May 2026	8,237	6,770	6,526	-17.81%	-3.60%
November 2025	8,237	8,663	8,862		
Change from November 2025	-	(1,893)	(2,336)		
% Change from November 2025	0.00%	-21.85%	-26.36%		

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 \$194.4 billion total funds (\$48.6 billion GF) in 2025-26 and \$216.7 billion total funds (\$44.9 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 May 2026 Medi-Cal Local Assistance Estimate available on the DHCS website at <https://www.dhcs.ca.gov>.

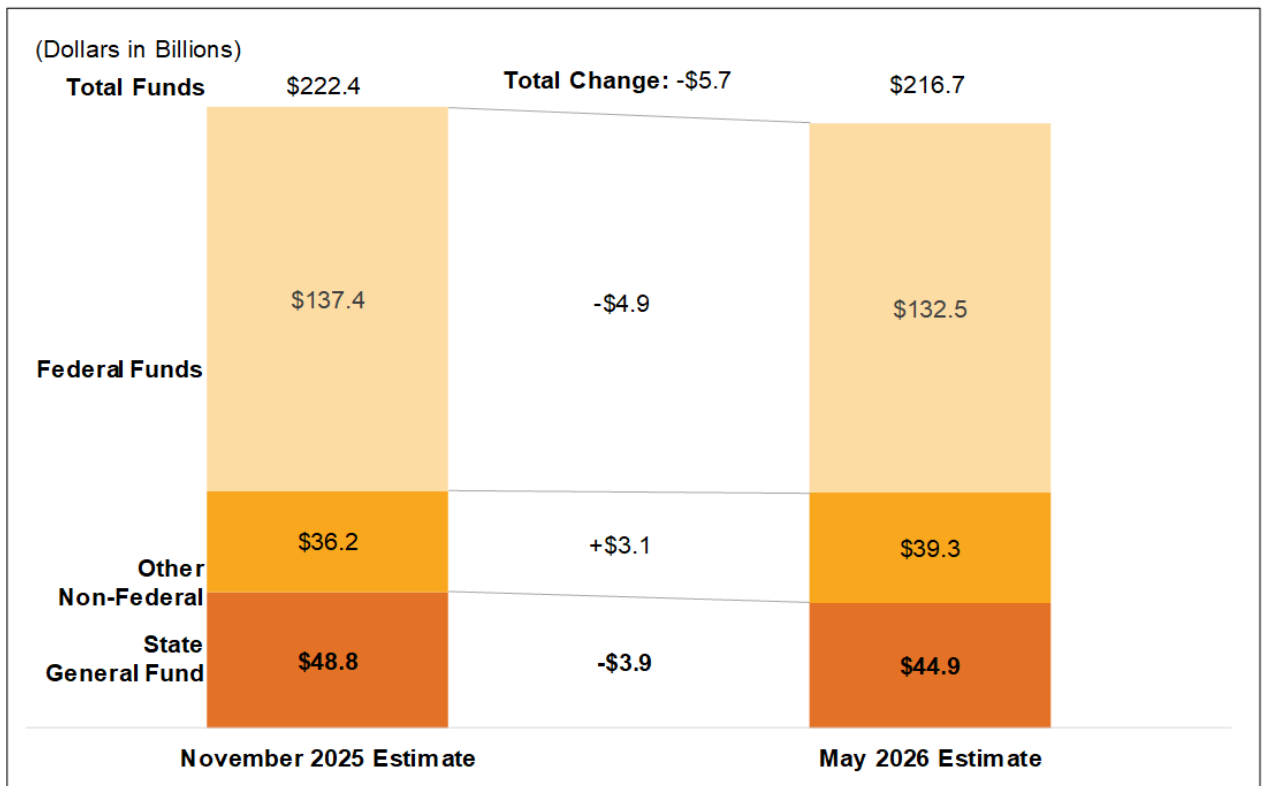
FY 2025-26 Comparison

(Dollars in Billions)

	May 2025 Estimate	Total Change:	November 2025 Estimate	Total Change:	May 2026 Estimate
Total Funds	\$196.7	\$0	\$196.7	-\$2.3	\$194.4
Federal Funds	\$119.7	-\$0.2	\$119.4	-\$2.4	\$117.0
Other Non-Federal	\$32.1	-\$1.2	\$30.9	-\$2.1	\$28.8
State General Fund	\$44.9	+\$1.4	\$46.4	+\$2.2	\$48.6

The May 2026 Estimate for 2025-26 projects a \$2.3 billion, or 1.2 percent decrease in total spending and a \$2.2 billion, or 4.8 percent increase in GF spending compared to the November 2025 Estimate, including authority from all previous budget acts. When comparing the May 2026 Estimate, absent authority from all previous budget acts, to the final 2025 Budget Act, General Fund increased by \$4.2 billion.

FY 2026-27 Comparison



The May 2026 Estimate for 2026-27 projects a \$5.7 billion, or 2.6 percent decrease in total spending and a \$3.9 billion, or 7.9 percent decrease in GF spending compared to the November 2025 Estimate.

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

Changes Related to H.R. 1. The May Revision reflects the following changes compared to the Governor's Budget:

- **H.R. 1 – 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. This policy change includes only the effect on FFS expenditures. The effect on all other types of service is included in the base policy changes. This results in additional General Fund costs of \$106.8 million in 2026-27 and no change from Governor's budget.

Of note, the above specifically identifies FFS costs. There are similar costs incorporated into various managed care policy changes totaling \$562 million General Fund in 2026-27.

- **H.R. 1 – Reduced Retroactive Medi-Cal Timeframes.** As a result of H.R.1, there would be 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. This policy assumed implementation no sooner than January 1, 2027. Estimated savings in 2026-27 are \$34.6 million TF (\$14.7 million GF), a GF savings increase of \$5.1 million from Governor’s Budget based on updated claims data.
- **H.R. 1 – Restricted Federal Funding for Certain Qualified Non-Citizens (QNCs).** As a result of H.R. 1, there is a federally mandated narrowing of QNC eligibility for federally funded Medicaid. Effective October 1, 2026 this group will be shifted to state-only full scope with no dental coverage. Effective January 1, 2027, managed care members with Unsatisfactory Immigration Status (UIS) will shift to the Fee-for-Service delivery system, inclusive of this group. Savings for this population related to that shift are captured in the UIS Member Transition to FFS issue. Effective July 1, 2027, this group will subsequently be shifted to state-only restricted scope coverage. For 2026-27, GF costs are estimated to be \$668.1 million.
- **H.R. 1 - Federal Work & 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. Savings in 2026-27, resulting from this population losing their Medi-Cal eligibility, are estimated to be \$357.6 million TF (\$90.3 million GF), a GF savings decrease of \$12.1 million from Governor’s Budget based on assuming more members will qualify for exemptions.
- **H.R. 1 – ACA Adult Expansion Group Six-Month Redetermination.** As part of H.R.1, the Department will increase the eligibility redetermination frequency for the ACA Adult Expansion from once per year to every six months. At Governor’s Budget, the Department assumed savings of \$463.3 million TF (74.1 million GF). However, based on recent CMS guidance (discussed above), impacts of this policy are not assumed to occur until FY 2027-28. This results in a GF increase of \$74.1 million for FY 2026-27 from Governor’s Budget.
- **H.R. 1 – Death Master File Automation.** As part of H.R.1, the Department is mandated to use the Death Master File to automatically disenroll deceased Medi-Cal members without needing further verification. For 2026-27, this result in savings of \$32.7 million TF (\$9.9 million GF), a GF savings increase or \$9.9 million from Governor’s Budget, as this policy change is newly added.
- **H.R. 1 – County Administration Allocation.** - The Budget reflects an investment of \$262.1 million (\$73.9 million GF) in county administration augmentation for 2026-27 to support county eligibility offices with implementing significant Medi-Cal eligibility changes pursuant to H.R. 1, including work and community engagement requirements and 6-month redeterminations. The

support for county administration includes \$228.8 million (\$57.2 million GF) in administrative funding directly available to counties, and resources in the amount of \$33.3 million (\$16.7 million GF) available for DHCS to provide surge staffing support to counties upon request. Surge staffing support will be offered to counties based on self-identified need in key functional areas, such as application, renewal, change in circumstance, call center, work requirements, and priority MEDS alerts, for example. This is a newly added policy change.

UIS Member Transition to FFS. \$471.6 million GF savings in 2026-27 by transitioning Medi-Cal members with unsatisfactory immigration status will receive all covered Medi-Cal services through the fee-for-service delivery system effective January 1, 2027.

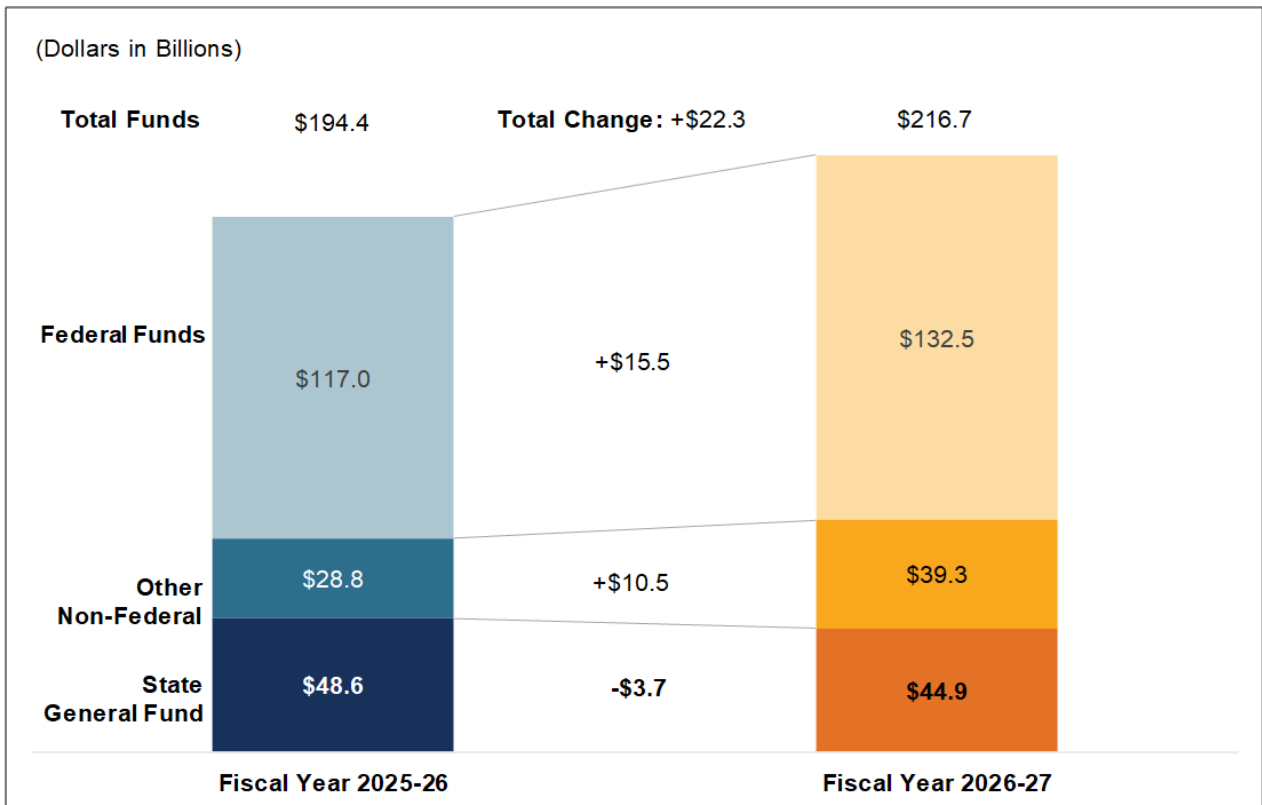
Solutions assumed in the 2026 May Revision include:

- Full Reinstatement of Asset Limit - \$215.7 million GF savings in 2026-27 achieved by building upon the previously budgeted partial Reinstatement of the Asset Limit.
- MCO Tax Revenue to Support Medi-Cal Base Rate Increases. \$1.7 billion savings is proposed to be provided from the excess MCO tax revenue in 2026-27.
- CalAIM Enhanced Care Management (ECM)-Community Supports-Transitional Rent. In FY 2026-27, there is a net decrease in estimated expenditures, specifically inclusive of a decrease of \$116 million TF (\$68.3 million GF) for refinements to ECM benefits and Community Supports services.
- Cap Program of All-Inclusive Care for the Elderly (PACE) Rates at Lower Bound. - This policy caps payments to PACE organizations beginning January 1, 2027, at the lower bound of the actuarial rate ranges. An estimated savings of \$67.4 million TF (\$33.7 million GF) is assumed in FY 2026-27.
- Eliminate Medi-Cal Optional Benefit – Acupuncture – Savings of \$5.4 million GF in 2026-27.
- Qualifying Community-Based Mobile Crisis Services - \$20.1 million GF offset from Behavioral Health Services Fund in 2026-27.
- Drug Medi-Cal Organized Delivery Systems (DMC-ODS) - A total \$135.4 million GF offset consisting of \$100 million Behavioral Health Services Fund and \$35.4 million Opioid Settlements Fund in 2026-27.
- The budget assumes the Department will seek renewal of an MCO Tax effective January 1, 2027, that aligns with the H.R. 1 federal changes that prohibit taxes that assess higher tax rates on Medi-Cal plans than commercial plans or otherwise place a disproportionately higher tax burden on Medi-Cal plans. It is estimated that the renewed tax will support the Medi-Cal program and maintain targeted rate increases for primary, maternal, and non-specialty mental health care, and provide for a \$575 million GF decrease

in 2026-27.

- MCO Tax Behavioral Health - \$122 million GF of Proposition 35 funds to support behavioral health in 2026-27.
- Children and Youth Behavioral Health Initiative (CYBHI) – Wellness Coach Benefit - \$5.1 million GF offset from the Behavioral Health Services Fund.
- CYBHI Services and Platform – \$56.5 million GF offset from the Behavioral Health Services Fund in 2026-27.
- A decrease of \$1.2 billion GF savings in 2025-26 due to delayed timing of the Hospital Quality Assurance Fee approval, slightly dampened by the shift of the updated HQAF VI net benefit reconciliation from 2026-27 to be paid in 2025-26. An increase of \$286.8 million GF from shifting HQAF IX payments and including one quarter of estimated HQAF X payments in 2026-27.
- An additional \$288.9 million in GF costs in 2025-26 from retroactive State-Only claiming adjustments for unsatisfactory immigration status (UIS) members. The FFS supplemental repayments will initially use GF in 2025-26 and 2026-27 to repay the federal funds owed and additional quarters have been added to the Estimate. Costs related to retroactive State-Only claiming adjustments for UIS members are projected to decline by approximately \$277.8 million in 2026-27 as program recoupments to repay the GF will occur in 2026-27.
- An increase of \$444.6 million GF from deferrals from the Centers for Medicare & Medicaid Services (CMS). The deferral payments were updated based on actual deferrals and resolutions received through the July to September 2025 quarter, which were higher than previously projected. In addition, 2025-26 now anticipates five quarters of deferral payments instead of four quarters. Estimates for projected deferral quarters have also increased based on the continuing deferrals. An approximate \$245 million increase in GF costs as ongoing CMS deferrals are projected to be higher compared to the prior estimate, based on assuming several deferrals will continue.
- Reimbursement of \$5 million from the California Department of Public Health to continue the CalHOPE warm line and red line in 2026-27.

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



The Medi-Cal Estimate projects that total spending will increase by \$22.3 billion (11.5 percent), and GF spending will decrease by \$3.7 billion (7.6 percent) between 2025-26 and 2026-27.

Major factors driving the changes in the comparison of May 2026 Estimate 2025-26 to 2026-27 in estimated GF spending include:

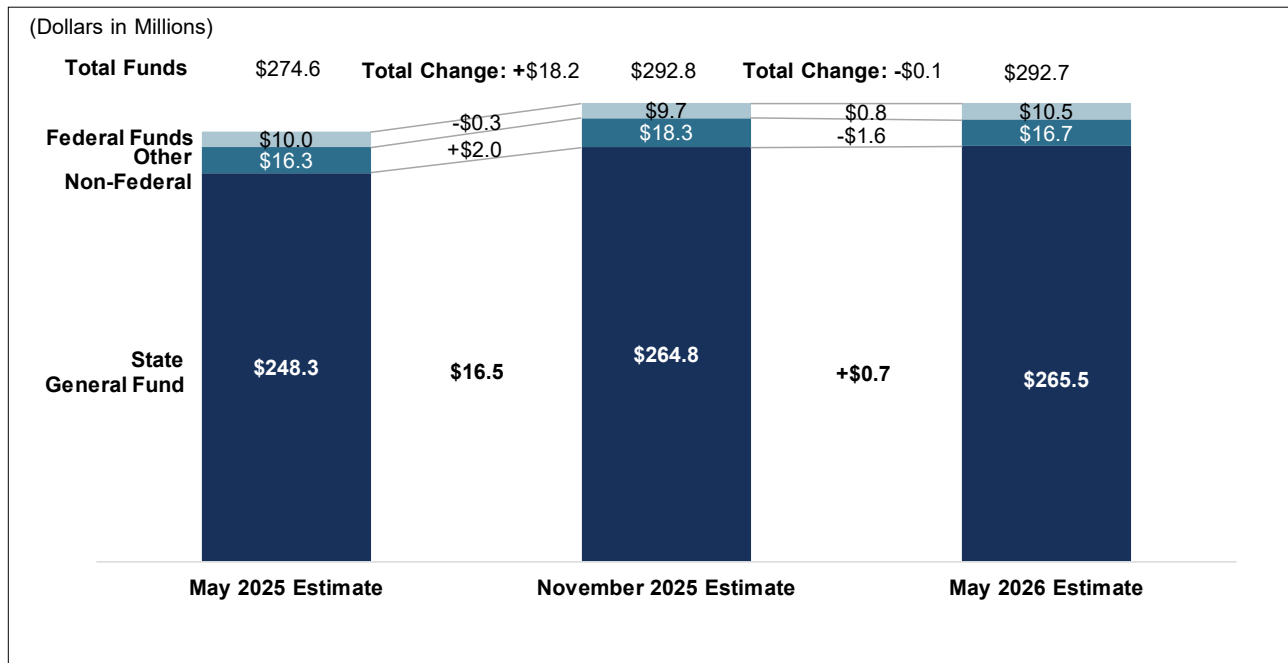
- From 2025-26 to 2026-27, the combined impacts from various May 2026 savings proposals are estimated to result in an increase of \$2.9 billion GF savings. The major changes are:
 - Full Reinstatement of Asset Limit. Increased savings of \$215.7 million GF based on implementation in 2026-27.
 - MCO Tax Revenue to Support Medi-Cal Base Rate Increases. \$1.7 billion savings is proposed to be provided from the excess MCO tax revenue in 2026-27.
 - CalAIM Enhanced Care Management (ECM)-Community Supports-Transitional Rent. In FY 2026-27, there is a net decrease in estimated expenditures, specifically inclusive of a decrease of \$116 million TF (\$68.3 million GF) for refinements to ECM benefits and Community Supports services.

- Cap Program of All-Inclusive Care for the Elderly (PACE) Rates at Lower Bound. - This policy caps payments to PACE organizations beginning January 1, 2027, at the lower bound of the actuarial rate ranges. An estimated savings of \$67.4 million TF (\$33.7 million GF) is assumed in FY 2026-27.
 - Eliminate Medi-Cal Optional Benefit – Acupuncture – Savings of \$5.4 million GF in 2026-27.
 - Qualifying Community-Based Mobile Crisis Services - \$20.1 million GF offset from Behavioral Health Services Fund in 2026-27.
 - Drug Medi-Cal Organized Delivery Systems (DMC-ODS) - A total \$135.4 million GF offset consisting of \$100 million Behavioral Health Services Fund and \$35.4 million Opioid Settlements Fund in 2026-27.
 - The budget assumes the Department will seek renewal of an MCO Tax effective January 1, 2027, that aligns with the H.R. 1 federal changes that prohibit taxes that assess higher tax rates on Medi-Cal plans than commercial plans or otherwise place a disproportionately higher tax burden on Medi-Cal plans. It is estimated that the renewed tax will support the Medi-Cal program and maintain targeted rate increases for primary, maternal, and non-specialty mental health care, and provide for a \$575 million GF decrease in 2026-27.
 - MCO Tax Behavioral Health - \$122 million GF of Proposition 35 funds to support behavioral health in 2026-27.
 - Children and Youth Behavioral Health Initiative (CYBHI) – Wellness Coach Benefit - \$5.1 million GF offset from the Behavioral Health Services Fund.
 - CYBHI Services and Platform – \$56.5 million GF offset from the Behavioral Health Services Fund in 2026-27.
- From 2025-26 to 2026-27, a decrease of \$715.1 million GF costs due to the actual deferrals paid in 2025-26 are lower than the deferral projections in 2026-27.
 - From 2025-26 to 2026-27, a decrease of \$962.5 million GF costs due to the completion of Pharmacy immigration status blanks repayments in 2025-26 and program recoupments happening in 2026-27.

SUMMARY OF FAMILY HEALTH LOCAL ASSISTANCE ESTIMATE INFORMATION

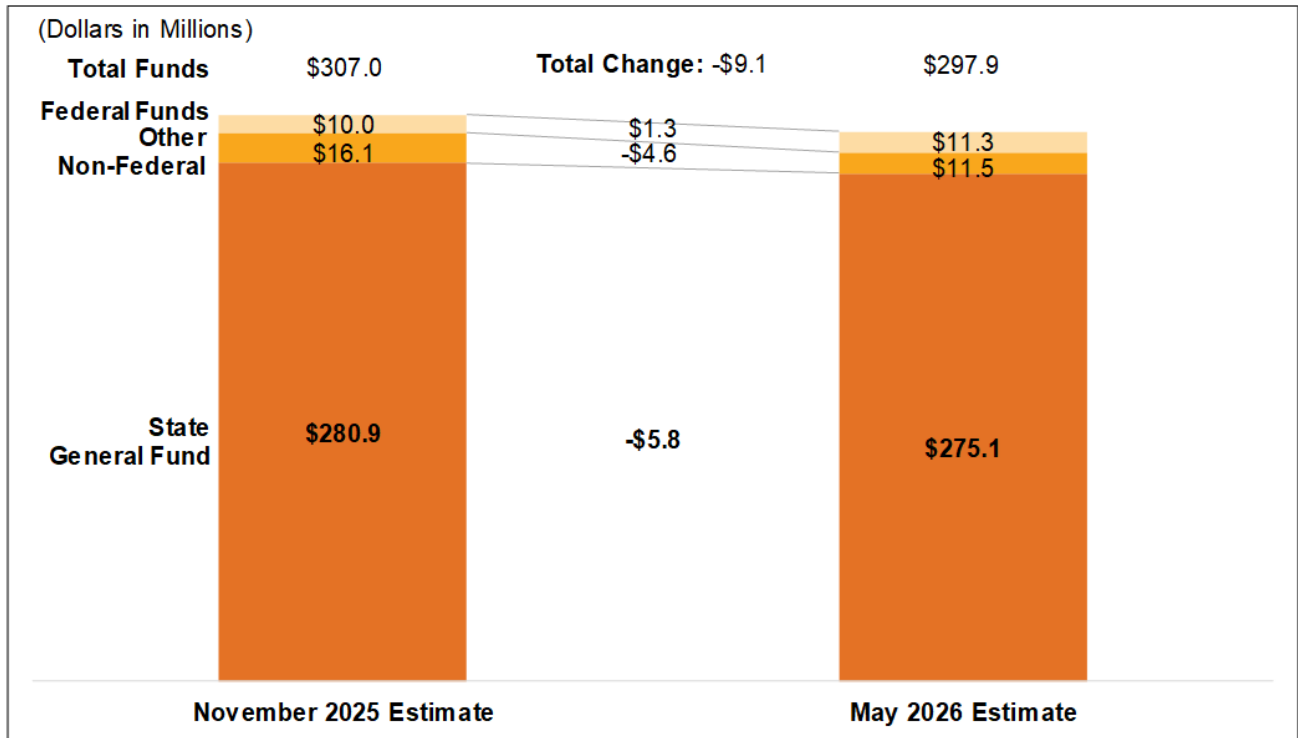
The Department estimates Family Health spending to be \$292.7 million total funds (\$265.5 million GF) in 2025-26 and \$297.9 million total funds (\$275.1 million GF) in 2026-27. This does not include Certified Public Expenditures of local governments or GF expenditures in other state departments. For more information, see the May 2026 Family Health Local Assistance Estimate available on the DHCS website at <https://www.dhcs.ca.gov>.

FY 2025-26 Comparison



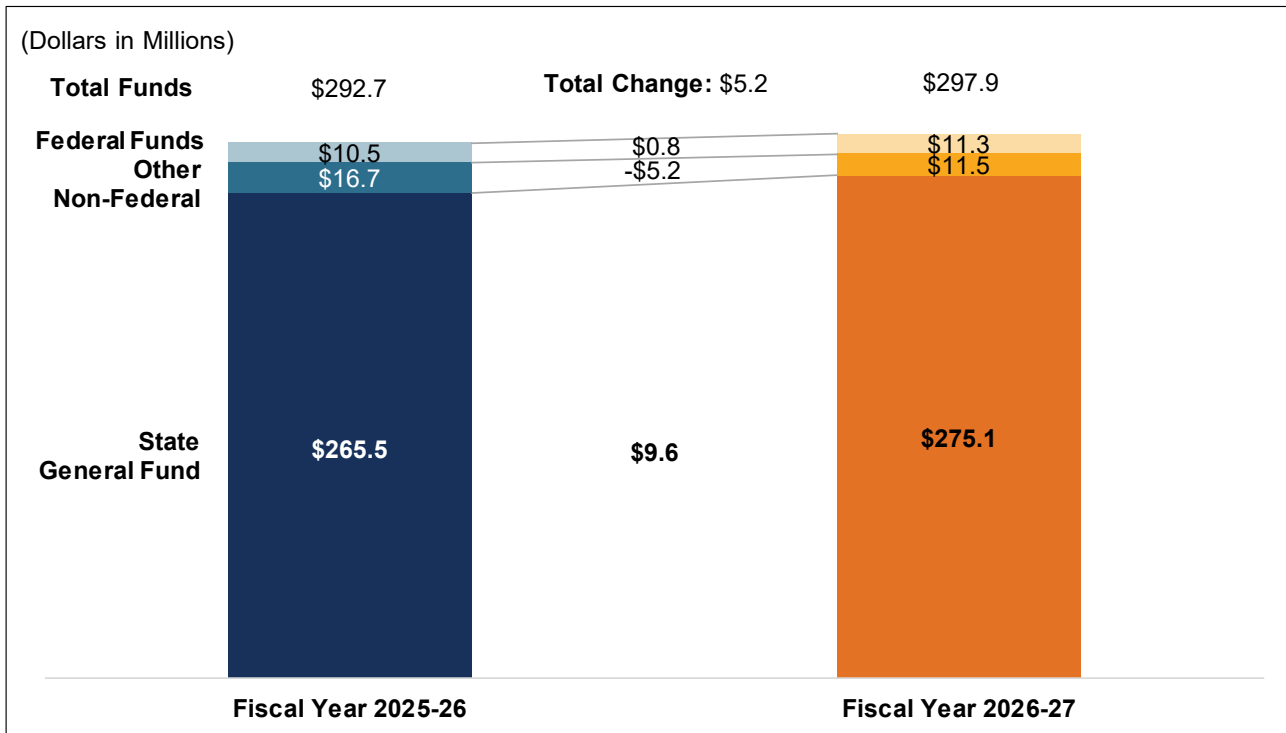
The May 2026 Family Health Estimate for 2025-26 projects a \$0.1 million (less than 0.1 percent) decrease in total spending and a \$0.7 million (0.3 percent) increase in GF spending compared to the November 2025 Family Health Estimate.

FY 2026-27 Comparison



The May 2026 Family Health Estimate for 2025-26 projects a \$9.1 million (3.0 percent) increase in total spending and a \$5.8 million (2.1 percent) decrease in GF spending compared to the November 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 \$5.2 million (1.8 percent), and GF spending will increase by \$9.6 million (3.6 percent) between 2025-26 and 2026-27.

STATE OPERATIONS AND NON-ESTIMATE LOCAL ASSISTANCE BUDGET ADJUSTMENTS

The May Revision includes additional expenditure authority of \$63.9 million total funds (\$10.1 million GF) for 4 positions (4 Permanent) in 2026-27.

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**
2027 Medi-Cal CalAIM Waiver Planning and Implementation	4260-263-BCP-2026-MR		\$17.5	\$8.7
Waiver Personal Care Services (WPCS) Backlog	4260-265-BCP-2026-MR		\$0.9	\$0.5
Behavioral Health Transformation: Behavioral Health Services Act Ongoing Implementation, Oversight, and Monitoring	4260-260-BCP-2026-MR		\$41.8	\$0.0
Ensuring Access to Medicaid Services (Access Rule) - Technical Adjustment	4260-264-BCP-2026-MR		\$0.9	\$0.9
Narcotic Treatment Program and Driving Under the Influence Program Licensing Trust Fund Authority	4260-267-BCP-2026-MR		\$2.0	\$0.0
Joint BCP				
Healthcare Payments Data Program Long-Term Funding (Joint with HCAI)	4260-270-BCP-2026-MR	4 Perm	\$0.8	\$0.0
	Total*	4 Perm	\$63.9	\$10.1

**Chart totals may differ from the BCP totals within an individual BCP due to rounding.*

***Dollars in millions.*

DHCS May Revision Proposals

2027 Medi-Cal CalAIM Waiver Planning and Implementation requests resources to support planning and ongoing implementation efforts of the CalAIM 1115 demonstration and 1915(b) waivers, which expire on December 31, 2026.

Waiver Personal Care Services (WPCS) Backlog requests resources to build the necessary capacity to support administration of the WPCS benefit.

Behavioral Health Transformation: Behavioral Health Services Act Ongoing Implementation, Oversight, and Monitoring requests resources to continue implementation of the changes to 1) modernize the Mental Health Services Act and 2) improve statewide accountability and access to behavioral health services for Behavioral Health Transformation.

Ensuring Access to Medicaid Services (Access Rule) - Technical Adjustment requests additional funding for intended resources in the Governor's Budget proposal.

Narcotic Treatment Program (NTP) and Driving Under the Influence (DUI) Program Licensing Trust Fund Authority requests resources to support existing licensing and compliance monitoring activities of NTP and DUI programs.

Joint BCP

Healthcare Payments Data Program Long-Term Funding (Joint with HCAI) requests the transfer of 4 positions to Department of Health Care Services for the purposes of: transforming, managing, and transmitting Medi-Cal data to the California Department of Health Care Access and Information.