Protect Medi-Cal Funding 2025: Services

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California's Medicaid program (Medi-Cal) provides a critical investment in the health of Californians. Medi-Cal coverage and services are tailored to meet the unique needs of low-income individuals and families, and provides the most affordable coverage. If Medicaid cuts are enacted, states like California will lose billions of dollars in federal Medicaid funding, shifting financial responsibility for Medicaid services to the states and to enrollees. The loss of billions of dollars in federal Medicaid funding will invariably lead to cuts in coverage and services and the loss of affordable coverage. This issue brief highlights the importance of Medi-Cal covered services and how they are threatened by Medicaid funding cuts.

Why Medi-Cal's covered services are critical:

- **Medi-Cal offers comprehensive and quality health services.** Medi-Cal beneficiaries have unique health care needs. Low-income individuals and families tend to have more difficultly managing their health conditions compared to high-income households because of greater social, economic, and environmental stressors that impact low-income individuals access to affordable health care services.[1] The **service package** offered by the Medi-Cal program was developed to meet the health needs of all beneficiaries. This includes critical benefits required by federal law, such as hospitalization and physician services.[2] It also includes the Early and Periodic Screening, Diagnostic and Treatment (EPSDT) benefit for children up to age 21, which is specifically designed to meet the needs of low-income children and ensure health conditions are diagnosed and treated as early as possible.[3] Medi-Cal also covers critical benefits such as long-term services and supports for older adults and individuals with disabilities; family planning services; non-emergency medical transportation to and from health related services; and a wide range of mental health and substance use disorder services.[4] (*For more information on why Medi-Cal is critical for children; pregnant people; LGBTQI+ individuals; older adults and individuals with disabilities; immigrants; and individuals with mental health conditions or substance use disorders, see the upcoming issue briefs of this series.*)

- **Medi-Cal provides coverage of critical "optional" services.** Federal law gives states the flexibility to provide a wide range of optional services in the Medi-Cal program. California has opted to cover many of these services, including dental care, which has helped decrease racial and ethnic dental health disparities, including among Black and Latino children and adults.[5] California has also opted to cover prescription drugs, which help prevent and treat HIV, Hepatitis C, epilepsy, alcohol and opioid use disorders, and other potentially life-threatening conditions.[6] Additionally, Medi-Cal covers home and community-based services, which help older adults and individuals with disabilities remain in their homes by supporting their daily living and preventing unnecessary and costly institutionalization.[7]

- **Medi-Cal covers critical preventive services**. Federal law requires states to cover preventive care, which are services that help prevent or manage disease, disability, and other health conditions, prolong life, and promote physical and mental health.[8] California covers a wide range of preventive services for both children and adults, including cancer-related screenings, STI screenings, chronic condition screenings, immunizations, pregnancy-related screenings, developmental screenings, and health promotion counselling.[9] Through innovative programs and strategies, California also provides services that are tailored to address the needs of Medi-Cal beneficiaries and help coordinate care and access to social services that contribute to healthy outcomes, including Community Health Workers, Doulas and Peer Support Services. These services are known to help reduce health disparities for Black, Indigenous, and People of Color (BIPOC).[10]

- **Medi-Cal funds additional services that are structured to meet the ongoing needs of California communities.** In addition to the comprehensive health services that Medi-Cal already covers, California has expanded Medi-Cal services to include services that address the health of communities holistically, which includes addressing social, economic, and environmental stressors that may directly impact an individual's health.[11] California has expanded coverage of additional benefits through special programs and Medicaid waivers. Two distinct and more recent demonstrations being implemented in Medi-Cal includes the California Advancing and Innovating Medi-Cal Initiative **(CalAIM Initiative)** and the Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment Demonstration **(BH-CONNECT Demonstration)**. CalAIM offers services that improve the coordination of a person's care and provide additional holistic health support, such as **Enhanced Care Management** and coverage of certain **Community Supports** (e.g., medically tailored meals and housing supports). CalAIM initiatives are broadly reforming Medi-Cal's programs and systems with a phased in period of 5 years, which means that

reforms were implemented in January 2022 and will continue to be implemented through 2027. The BH-CONNECT Demonstration also offers additional services that help reduce the use of institutionalized forms of care and expand a robust continuum of community-based behavioral health care services for Medi-Cal members living with significant behavioral health needs, which includes the transitional rent benefit. Both of these separate demonstrations are essential for youth involved in child welfare, individuals experiencing homelessness, and individuals involved with the justice system.

How Funding Cuts Threaten Medi-Cal Services:

- **Significant cost shift onto the State.** Medicaid funding is the largest source of federal funding for California (nearly $107.5 billion in 2024).[12] Medicaid funding cuts would limit the amount of federal funding available to California, and shift the cost to the State. As a result, California may be forced to cut Medi-Cal covered services, which would disproportionately impact certain populations, including children, pregnant people, older adults, and individuals with disabilities.

- **The State may reduce or eliminate coverage of optional services.** If California receives less federal Medicaid funding, it may have to eliminate coverage of critical, yet optional, Medi-Cal services. The prime target will be costlier services, such as home and community-based services, which allow older adults and children and adults with disabilities to remain in their home instead of institutional care. In 2021, California had the highest total number of home and community-based service participants (716,965) in the country.[13]

- **The State may reduce coverage of critical preventive services.** With less federal Medicaid funding, California may have to reduce the scope of essential preventive services that have traditionally been neglected by our health care system, such as Doula and Community Health Worker services. If such preventive services are reduced or eliminated, it would have the counter effect of increasing costs in treatment since treatment services for a health condition would be costlier than prevention services of the same health condition. For example, California covers PrEP to prevent HIV infection and is cheaper than providing a lifetime of HIV treatment due to early prevention and detection.[14] Limiting the scope of such services would exacerbate existing health disparities among BIPOC, LGBTQI+ individuals, and other underserved populations.[15]

- **The State may use more utilization controls to restrict or delay access to services.** If a service is not entirely eliminated, California may enact more barriers, such as service caps or cost-sharing, to reduce access to Medi-Cal services in order to save costs. This could include more prior authorization requirements, which serve to delay or prevent access to care. Onerous service limits or delays have caused individuals to forgo needed services and resulted in the deterioration of their medical conditions.[16]

- **The State would bear the cost for services related to emergencies and new technologies or treatments.** The onset of emergencies from natural disasters, such as the recent wildfires in Southern California, and emergencies related to new transmittable diseases, such as the COVID-19 pandemic, causes states to experience significant and unexpected increases in medical costs.[17] Innovations in expensive technology (e.g., MRIs) and new treatments (e.g., Hepatitis C medications and COVID-19 vaccines) also lead to large, unplanned cost increases. If California received reduced or capped federal Medicaid funding, the state would have to bear the cost of new pandemics, technologies, and treatments with no additional federal support. In response, the State would have to limit these services, cut Medi-Cal benefits to make up for the new costs, or pay 100% of the additional costs on its own. In addition, other important California state efforts will be threatened, such as actions to address homelessness, incarceration and reduce health disparities which have a significant negative impacts on an individual's health.[18]

Conclusion

The Medicaid program is designed to give California wide flexibility in designing and implementing its own Medi-Cal program to meet the particular health needs of its residents. The potential threats to the program on the federal level will not only result into devastating impacts on low-income individuals and families across the state, these threats will also make it necessary for California to impose additional cuts and erect barriers to access life-sustaining care in the future. While it remains unclear what the current 2025 Congress and Trump Administration will do with respect to the Medicaid program, any federal funding cuts or barriers implemented against Medicaid to deter access to comprehensive services must be rejected so low-income individuals and families have access to the quality and affordable comprehensive health care services they need.

ENDNOTES

[1] *See* Felicia Hill-Briggs *et al.*, *Social Determinants of Health and Diabetes: A Scientific Review*, 44 DIABETES CARE 258, 259–262 (2021), https://pmc.ncbi.nlm.nih.gov/articles/PMC7783927/pdf/dci200053.pdf; *see also* Carolina Peck *et al.*, *The Burden of Chronic Disease, Injury, and Environmental Exposure* 64 (2020); *see also* Caroline Danielson *et al.*, *The Impact of Health Insurance on Poverty in California* (2023), https://www.ppic.org/publication/the-impact-of-health-insurance-on-poverty-in-california/.

[2] 42 U.S.C. §§ 1396a(a)(10)(A), 1396d(a).

[3] *Id.* §§ 1396a(a)(43), 1396d(r).

[4] *See* CAL. WELF. & INST. CODE § 14132.

[5] G.L. Wehby, W. Lyu, D. Shane, *Racial and Ethnic Disparities In Dental Services Use Declined After Medicaid Adult Dental Coverage Expansions*, 41 HEALTH AFF. 44–52 (2022), https://www.healthaffairs.org/doi/10.1377/hlthaff.2021.01191.

[6] *See, e.g.*, CAL. WELF. & INST. CODE § 14132; *see also* 42 U.S.C. §§ 1396d(a),1396n; *see also* Allison Valentine *et al.*, *How Medi-Cal Expanded Substance Use Treatment and Access to Care: A Close Look at Drug Medi-Cal Organized Delivery System Pilots* (2020), https://www.chcf.org/wp-content/uploads/2020/08/HowMediCalExpandedSubstanceUseTreatment.pdf. While prescription drugs are part of the Essential Health Benefits that states must provide to the Medicaid expansion population as part of the Alternative Benefit Plans, the AHCA would eliminate this obligation. *See also* Lindsey Dawson *et al.*, *Medicaid and People with HIV* (2023), https://www.kff.org/hivaids/issue-brief/medicaid-and-people-with-hiv/.

[7] See, e.g., CAL. WELF. & INST. CODE § 14132; *see also* 42 U.S.C. §§ 1396d(a), 1396n.

[8] 42 U.S.C. § 1396d(a)(13); 42 C.F.R. § 440.130; *see generally* CMS, State Medicaid Manual, https://www.cms.gov/regulations-and-guidance/guidance/manuals/paper-based-manuals-items/cms021927 (last visited Jan. 27, 2025) at § 4385 (preventive services).

[9] Cal. Dep't Health Care Servs., *Medi-Cal Provider Manual, Preventative Services* 1-21 (2020), https://mcweb.apps.prd.cammis.medi-cal.ca.gov/assets/DDBB7BD0-9D06-4B3C-9597-7FAFF5471E6F/prev.pdf?access_token=6UyVkRRfByXTZEWIh8j8QaYylPyP5ULO.

[10] *See generally* Lindsay M. Mallick *et al.*, *The role of doulas in respectful care for communities of color and Medicaid recipients*, 49 BIRTH 823, WILEY PERIODICALS, 823-832 (2022), https://pmc.ncbi.nlm.nih.gov/articles/PMC9796025/pdf/BIRT-49-823.pdf; *see also* Shreya Kangovi *et al.*, *Evidence-Based Community Health Worker Program Addresses Unmet Social Needs And Generates Positive Return On Investment*, 39 HEALTH AFFAIRS 207- 213 (2020), https://www.healthaffairs.org/doi/epdf/10.1377/hlthaff.2019.00981.

[11] See Debra J. Lipson, *Medicaid's Role in Improving the Social Determinants of Health: Opportunities for States* (2017), https://www.nasi.org/wp-content/uploads/2017/06/Opportunities-for-States_web.pdf.

[12] Cal. Health Care Found., *Medi-Cal and the Federal Government: How decisions at the federal level affect Medi-Cal and the Californians enrolled in the program* (2025).

[13] Dep't of Health Care Serv., *California Long Term Services and Supports Dashboard:*

Initial Release Fact Sheet 4 (2022).

[14] *See* U.S. Dep't of Health and Hum. Serv., *Access to Preventive Services without Cost-Sharing: Evidence from the Affordable Care Act* (2022), https://aspe.hhs.gov/sites/default/files/documents/786fa55a84e7e3833961933124d70dd2/preventive-services-ib-2022.pdf. *See generally*, Hope C. Norris, *et al.*, *Utilization Impact of Cost-Sharing Elimination for Preventive Care Services: A Rapid Review*, 79 MED. CARE. RSCH. & REV. 175, 192 (2022); *see also* Neda Jasemi, Nat'l Ass'n Med. Dir., *Top five Medicaid budget pressures for fiscal year 2025* (2024), https://medicaiddirectors.org/resource/top-five-medicaid-budget-pressures-for-fiscal-year-2025/.

[15] Medicaid & CHIP Payment & Access Comm'n, *Medicaid's Role in Advancing Health Equity* (2022), https://www.macpac.gov/publication/medicaids-role-in-advancing-health-equity/.

[16] *See* Michael Anne Kyle & Austin B. Frakt, *Patient administrative burden in the US health care system*, 56 HEALTH SERV. RSCH. 761 (Sept. 2021); *see also* Medicaid and CHIP Payment Access Commission, *Prior Authorization in Medicaid* 9 (2024). https://www.macpac.gov/wp content/uploads/2024/08/Prior-Authorization-in-Medicaid.pdf.

[17] Edwin Park, Ctr. on Budget & Pol'y Priorities, *Medicaid Block Grant Would Slash Federal Funding, Shift Costs to States, and Leave Millions More Uninsured* (2016), https://www.cbpp.org/research/health/medicaid-block-grant-would-slash-federal-funding-shiftcosts-to-states-and-leave.

[18] Sharon Rapport, *Building on CalAIM's Housing Supports Strengthening Medi-Cal for People Experiencing Homelessness* (2023), https://www.chcf.org/wp-content/uploads/2023/07/BuildingCalAIMsHousingSupportsMedi-CalHomelessness.pdf.