



Changes to Medi-Cal Under the OBBBA and the CA Budget: Asset and Home Equity Limits

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H.R. 1, also known as the "One Big Beautiful Bill Act," (OBBBA) cuts around \$1 trillion from Medicaid which will result in an estimated 10 million individuals and families losing health coverage across the nation. Just before OBBBA's passage, California finalized its budget which includes additional cuts to the Medi-Cal (Medicaid) program. Together these laws impose asset and home equity limits on Medi-Cal beneficiaries and applicants.

California's Reinstatement of Asset Limits

AB 116¹ adds Section 14005.62(a)(1) to the California Welfare & Institutions Code, effective January 1, 2026, and reinstates the asset limit² for Non-MAGI Medi-Cal enrollees at \$130,000 for an individual, with an additional allowance of \$65,000 per person, up to ten people in a household. The asset limit *does not* currently apply to individuals in the Pickle, Disabled Adult Child (DAC) and Disabled Widow/ers (DW) Medi-Cal programs.³ Starting July 1, 2022, California raised the asset limit to \$130,000 for an individual, with an additional allowance of \$65,000 per person, up to ten people in a household.⁴ Before 2022, asset limits were \$2,000 for an individual and \$3,000 for a couple.⁵ In 2024, California eliminated the asset limit entirely.

On June 30, 2025, DHCS issued All County Welfare Director's Letter (ACWDL) 25-14 about how the reinstatement of asset limits will be implemented, however much remains unknown.⁶ ACWDL 25-14 states that anyone who applies for Medi-Cal before January 1, 2025 will not have their assets considered, even if the application is approved after January 1, 2026.

However, starting January 1, 2026, applicants must report asset information and provide verification of their assets as part of their eligibility determination. For current Medi-Cal beneficiaries, the reinstated asset test will be applied at the earlier of the following dates: the next annual renewal; or, at a change in circumstance (CIC) redetermination, if asset information was previously collected and can be verified via ex parte review.⁷ Counties will be required to compute and report potential overpayments based on excess property, but will not consider the time period from January 1, 2024, through December 31, 2025 or for

dates of eligibility prior to existing Non-MAGI members' annual renewal or CIC with assets that are verified ex parte.

DHCS has not detailed how the look-back period of ineligibility for Medi-Cal will be applied. The look-back period of ineligibility (POI) for Medi-Cal benefits is triggered when someone transfers assets for less than their value in order to become eligible for Medi-Cal funded long-term care.⁸ DHCS has also not determined how the undue hardship provision⁹ will be applied, or how these changes will impact individuals who are eligible through spousal impoverishment protections.

OBBBA Home Equity Limits

Effective January 1, 2028, OBBBA sets a permanent cap of \$1 million in equity for non-agricultural homes for individuals seeking long-term care, including nursing facility care and home and community-based services.¹⁰ Individuals with agricultural homes are exempt from the cap and states may set different requirements for those types of properties.

This means that Medi-Cal enrollees with more than \$1 million in equity in their home will be ineligible for Medi-Cal funded long-term care, including nursing facility care and home and community-based services.¹¹ The \$1 million cap will not rise with inflation and prohibits exceptions, meaning California will not have flexibility to account for regional housing markets or rising property values. California has never imposed a limit on home equity for eligibility for long-term care services, so beneficiaries will have to make choices about their property and whether or not to receive Medi-Cal if they have more than \$1 million in home equity after January 1, 2028.¹²

¹ California Assembly Bill 116, Health Omnibus Trailer Bill (Chaptered June 30, 2025), [AB 116](#). Asset limits were raised to \$130,000 by California Assembly Bill AB 133 (Chaptered 2021), [Assembly Bill 133](#).

² Certain assets have always been exempt; see 20 C.F.R. §§ 416.1210, 416.1216, 416.1218.

³ Cal. Dep't Health Care Servs., All County Welfare Directors Letter 25-14 (June 30, 2025), <https://www.dhcs.ca.gov/services/medi-cal/eligibility/letters/Documents/25-14.pdf> at 2. DHCS has indicated it will reinstate the asset limitation at the expiration of the CalAIM 1115 Waiver, which eliminates the asset test for these populations. See *CalAIM Demonstration Approval Technical Correction Attachment* (January 2025), <https://www.medicaid.gov/medicaid/section-1115-demonstrations/downloads/ca-calaim-dmnstrn-appvl-thncl-crctn-atchmnt-c-aa-01172025.pdf> at 8.

⁴ Cal. Dep't Health Care Servs., Medi-Cal Eligibility Division Information Letter No.: I 22-02 (January 26, 2022), <https://www.dhcs.ca.gov/services/medi-cal/eligibility/letters/Documents/I22-02.pdf>.

⁵ Asset limits remain the same in the Social Security Supplemental Security Income Program: \$2,000 for an individual and \$3,000 for a couple. See, <https://www.ssa.gov/ssi/spotlights/spot-resources.htm>.

⁶ Cal. Dep't Health Care Servs., All County Welfare Directors Letter 25-14 (June 30, 2025), <https://www.dhcs.ca.gov/services/medi-cal/eligibility/letters/Documents/25-14.pdf>.

⁷ Ex parte review is the process DHCS uses to use available data sources to verify information about a beneficiary prior to requesting specific documents. Cal. Dep't Health Care Servs., Medi-Cal Eligibility Division Information Letter No.: I 23-49 (October 4, 2023), <https://www.dhcs.ca.gov/services/medi-cal/eligibility/letters/Documents/I23-49.pdf>.

⁸ Cal. Dep't Health Care Servs., All County Welfare Directors Letter 23-28 (November 30, 2023), <https://www.dhcs.ca.gov/services/medi-cal/eligibility/letters/Documents/23-28.pdf>.

⁹ See Cal. Welf. & Inst. Code § 14015.1.

¹⁰ Section 71108 of OBBBA, adding 42 U.S.C. § 1396a(r)(2)(C).

¹¹ See Medicaid and CHIP Payment and Access Commission, *Home and community-based services* (April 02, 2024), <https://www.macpac.gov/subtopic/home-and-community-based-services/>.

¹² Current law provides that the home in which an individual lives (their principal residence) is exempt for Medi-Cal purposes, and does not set an equity limit, and will need to be amended. See Cal. Welf. & Inst. Code § 14006 and tit 22 C.C.R. § 50425.