



Changes to Medi-Cal Under OBBBA and the California Budget: Sexual and Reproductive Health Services

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H.R. 1, also known as the “One Big Beautiful Bill Act” (OBBBA), cuts approximately \$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 that includes additional cuts to the Medi-Cal (Medicaid) program, which covers extensive sexual and reproductive health services.

Medi-Cal provides health care coverage to nearly 15 million Californians and about half of the Medi-Cal enrollee population are female.¹² Notably, Medi-Cal also provides coverage for about 40% of all births in California. Medi-Cal is crucial to the health and wellbeing of Californians and any cuts to the program will harm Medi-Cal enrollees and providers.

Abortion Provider “Defund” Provision

Effective on July 4, 2025, OBBBA targets a certain type of abortion provider by designating them as “prohibited entities,” forbidding them from receiving Medicaid funding for a year.³ The law outlines four criteria a provider must meet to be considered a “prohibited entity”: (1) They must be a tax-exempt 501(c)(3) organization; (2) they must be an essential community provider that is primarily engaged in providing family planning services, reproductive health, and related medical care (as defined by 45 CFR 156.235); (3) they must be providing abortions beyond the narrow scope of exceptions allowed under the Hyde Amendment; and (4) they must have received more than \$800,000 total under the Medicaid program in fiscal year 2023.⁴ The law includes any affiliates, subsidiaries, successors, and clinics related to the prohibited entity.⁵

This law will significantly ban Planned Parenthood and independent abortion providers from receiving any Medicaid funding, including for services unrelated to abortion. While the funding ban is effective immediately, the assessment of which providers are considered “prohibited entities” will be determined on October 1, 2025.⁶ This places providers in the difficult position of determining if they are a prohibited entity without the interpretation or implementation from the Centers for Medicare and Medicaid Services (CMS).⁷

California State Guidance and Pending Litigation

Planned Parenthood and Maine Family Planning have filed separate lawsuits.⁸ A coalition of 22 attorneys general and the state of Pennsylvania have challenged this provision as unconstitutional.⁹ A federal district court has issued a partial preliminary injunction to block the enforcement of the law for a subset of Planned Parenthood members that do not provide abortions or reach the Medicaid revenue threshold.¹⁰ While Planned Parenthood's challenge is being reviewed by the district court, the majority of Planned Parenthood clinics will not be able to receive federal Medicaid funding for non-abortion services.¹¹ None of Planned Parenthood's California-based clinics are included in this partial preliminary injunction.¹²

California's state Medicaid agency has issued guidance for providers that are likely to be impacted by the "prohibited entity" funding bans.¹³ The California Department of Health Care Services (DHCS) instructed providers who are likely to be "prohibited entities" and do not have relief under the ongoing litigation to hold all claims for services rendered on or after July 4, 2025, until DHCS can make necessary systems edits. Once DHCS makes these system edits, providers will be able to submit state-funded abortion claims only.¹⁴

Impact of Federal Funding Ban on Abortion Providers

While other providers might be impacted by the "defunding" provision in OBBBA, it is clear that Planned Parenthood is the law's main target. Planned Parenthood and its affiliates are important providers of a diverse range of health care services to Medi-Cal enrollees through over 100 California clinics. Over 80% of Californians who sought necessary care at Planned Parenthood did so with Medi-Cal coverage.¹⁵ Medi-Cal enrollees rely on Planned Parenthood to provide them with abortion services, contraceptive care, STI testing and treatment, some cancer screenings, and other primary care check-ups.¹⁶ This ban amounts to about \$300 million in federal funding that may force clinics to either cut services or close entirely.¹⁷

The United States and California are already facing provider shortages and hospital closures.¹⁸ OBBBA is likely to worsen provider shortages and increase hospital closures due to cuts to Medicaid beyond the "prohibited entity" bans. The California 2025-2026 Budget also includes cuts to health care coverage that may result in more shortages. The State Budget includes funding cuts to Federally Qualified Health Centers and rural health clinics and suspends the Proposition 56 loan repayment program.¹⁹ The combined federal and California cuts to Medi-Cal jeopardize both the availability of health care coverage and the accessibility of sexual and reproductive providers and facilities.²⁰

The Medicaid funding cuts under OBBBA will significantly limit access to key reproductive and sexual health care to all low-income people. In conjunction with the abortion provider funding ban, low-income and immigrant families' access to sexual and reproductive health care services is threatened through other OBBBA provisions, such as the implementation of work requirements, limits to state directed payments and provider taxes, and new state and federal restrictions to Medi-Cal eligibility. To learn more about additional provisions in OBBBA, please read our other fact sheets in this series.

ENDNOTES

¹ James Paci *et al.*, Cal. Health Care Found., *Medi-Cal Facts and Figures Almanac - 2024 Edition* (2024), <https://www.chcf.org/resource/medi-cal-facts-figures-almanac>.

² NHeLP strives to use gender inclusive language to accurately reflect the scope of people with various reproductive and sexual health care needs and related experiences. We employ “women” or “female” in limited instances when necessary to accurately reference legal terms or cisgender women-centered research and to honor how advocates or groups self-identify. More inclusive policy language and research is needed to better serve, understand, and illuminate the needs of all people who need equitable access to health care, including sexual and reproductive care.

³ An Act to provide for reconciliation pursuant to title II of H. Con. Res. 14, Pub. L. No. 119-21, § 71113(a), (b) (2025) [“OBBBA”]; OBBBA, § 71113(a) (setting effective date).

⁴ OBBBA, § 71113(b); see also Cat Duffy, *OBBBA’s Medicaid Abortion Provider “Defund”: An Overview*, National Health Law Program (August 11, 2025), <https://healthlaw.org/obbbas-medicaid-abortion-provider-defund-an-overview/>.

⁵ OBBBA, § 71113(b)(1).

⁶ OBBBA, § 71113(b)(1)(A); Cat Duffy, *supra* note 4.

⁷ Cat Duffy, *supra* note 4.

⁸ Planned Parenthood Federation of America, *Planned Parenthood League of Massachusetts, and Planned Parenthood Association of Utah Sue Over Congressional Action “Defunding” Planned Parenthood Health Centers*, (July 7, 2025),

<https://www.plannedparenthood.org/about-us/newsroom/press-releases/planned-parenthood-federation-of-america-planned-parenthood-league-of-massachusetts-and-planned-parenthood-association-of-utah-sue-over-congressional-action-defunding-planned-parenthood-health-centers>; Ctr. for Reproductive Rights, *Maine Family Planning Sues Trump Administration Over Medicaid Defunding*, (July 16, 2025), <https://reproductiverights.org/maine-family-planning-sues-trump-administration-medicaid-defunding/>.

⁹ Cat Duffy, *supra* note 4.

¹⁰ Laurie Sobel, *Planned Parenthood Remains in Limbo as Court Reviews Their Request to Block Federal Medicaid Funding Ban*, KAISER FAMILY FOUNDATION (2025),

<https://www.kff.org/quick-take/planned-parenthood-remains-in-limbo-as-court-reviews-their-request-to-block-federal-medicaid-funding-ban/>

¹¹ *Id.*

¹² Kristen Hwang, *Planned Parenthood of California loses \$300 million in federal funding under court order*, CALMATTERS (July 23, 2025),

<https://calmatters.org/health/2025/07/planned-parenthood-california-defunded/>.

¹³ Dept. Health Care Servs., *Important July 31, 2025, Update: H.R. 1 – Federal Payments to Prohibited Entities*. <https://mcweb.apps.prd.cammis.medi-cal.ca.gov/news/33557.01>

¹⁴ *Id.*

¹⁵ Cal. Budget & Pol’y Ctr., *State Leaders Must Respond Boldly to the Devastating Cuts in President Trump’s Budget Bill* [hereinafter, California Budget & Policy Center] (2025), <https://calbudgetcenter.org/resources/state-leaders-must-boldly-respond-to-the-devastating-cuts-in-president-trumps-budget-bill/#h-health-care>.

¹⁶ *Id.*

¹⁷ Kristen Hwang, *supra* note 10. See generally J. Duncan Moore Jr., *Federal Medicaid Cuts Would Devastate Health Care Systems in California’s Vast Rural North*, CALIFORNIA HEALTH CARE FOUNDATION (May 1, 2025); <https://www.chcf.org/resource/federal-medicaid-cuts-would-devastate-health-care-systems-californias-vast-rural-north>.

¹⁸ GlobalData Plc., *The Complexities of Physician Supply and Demand: Projections From 2021 to 2036* (2024); <https://www.aamc.org/media/75236/download> (last visited August 10, 2025); see also Zachary Levinson *et al.*, *Key Facts About Hospitals*, KAISER FAMILY FOUNDATION (February 19, 2025), <https://www.kff.org/key-facts-about-hospitals>.

¹⁹ James Paci *et al.*, *supra* note 15.

²⁰ James Paci *et al.*, *supra* note 15.