

MEMO: Analysis of Harms to California from GOP Medicaid Proposal

May 18, 2025

KEY TAKEAWAYS

The GOP megabill will cause serious harm to California's health care system. If passed, the proposal would strip Medicaid (Medi-cal) coverage from up to **3.4 million Californians**, cost the state an estimated over **\$30 billion in lost federal funding**, disrupt the financial tools we use to fund Medi-Cal and our safety net, and penalize states, including California, for spending our own state dollars to provide non-emergency care to undocumented residents.

PENALTIES & RED TAPE

Frequent Eligibility Checks: Adults covered under the Affordable Care Act (ACA) expansion would have to prove their eligibility every six months instead of once a year. This could cause up to 400,000 Californians to lose Medi-Cal coverage — especially those who move or miss paperwork deadlines. This would drive up the uninsured rate and raise costs for hospitals treating uninsured patients.

Job Loss Penalties: Starting in 2029, adults (with certain exceptions) who struggle to work, volunteer, or go to school at least 80 hours per month will be kicked off their Medi-Cal. This could lead to a loss of up to \$22.3 billion in federal funding and cause up to 3 million people in California to lose coverage. This would significantly drive up the uninsured rate and raise costs for hospitals treating uninsured patients.

PENALTIES FOR SPENDING STATE DOLLARS

California would be penalized at least \$4.4 billion in federal funding for using state dollars and the state's Medi-Cal systems to provide non-emergency coverage to undocumented residents.

RESTRICTIONS ON STATE FUNDING TOOLS

Freezing Provider Taxes: California, like 48 other states, relies on state taxes from providers and managed care organizations (MCOs), to bring in federal matching dollars. The proposal would freeze these taxes and ban new ones, threatening this funding stream.

New Rules for What Qualifies: Under this proposal, the federal government is also changing how it decides whether these state taxes qualify for federal matching funds. California's current provider likely wouldn't qualify under the new rules — putting billions of dollars at risk.

Cap on Payments to Hospitals: The bill would also limit how much federal funding hospitals can receive through certain types of payments. This would mean less funding for both public and private hospitals in California.

GUTTING PLANNED PARENTHOOD FUNDING

The bill would prohibit Medicaid funding from going to nonprofit providers that offer abortion services — even if those services are limited and legally permitted — and even if the provider also delivers essential reproductive and preventive care like cancer screenings, contraception, and STI testing. This provision appears to be a direct effort to defund Planned Parenthood. In California, roughly 80% of Planned Parenthood patients rely on Medi-Cal, meaning this proposal would effectively strip funding from one of the state's largest providers of reproductive health care.

COST SHARING REQUIREMENTS

The proposal would require low-income adults on Medicaid who earn just above the poverty line to pay up to \$35 per service — creating new financial barriers to care. California does not charge co-payments for services.

