



June 15, 2026

Hon. Monique Limón
President Pro Tempore California Senate
1021 O Street, Suite 8518
Sacramento, CA 95814

Hon. Robert Rivas
Speaker of the California State Assembly
State Capitol Building, Room 219
Sacramento, CA 95814

Hon. John Laird
Chair, Senate Budget Committee
Capitol Office, 1021 O Street, Suite 8720
Sacramento, CA 95814

Hon. Jesse Gabriel
Chair, Assembly Budget Committee
Capitol Office, 1021 O Street, Suite 8230
Sacramento, CA 95814

Hon. Caroline Menjivar
Chair, Senate Budget Committee on Health
Capitol Office, 1021 O Street, Suite 6630
Sacramento, CA 95814

Hon. Dawn Addis
Chair, Assembly Budget Subcommittee on Health
Capitol Office, 1021 O Street, Suite 4120
Sacramento, CA 95814

Re: Adopt an Alternative Solution to Retain Coordinated Care for Medi-Cal Members with Unsatisfactory Immigration Status

Dear Senators Limón, Laird, Menjivar and Assemblymembers Rivas, Gabriel and Addis,

Our organizations strongly urge the Legislature to reject the proposal to move Medi-Cal beneficiaries with Unsatisfactory Immigration Status (UIS) out of managed care and into the Fee-For-Service (FFS) delivery system and instead adopt our proposal to retain coordinated and accessible Medi-Cal coverage for UIS Medi-Cal members. This proposal is compliant with federal guidance, maintains a large portion of the Administration's assumed savings, and is achievable by January 1, 2027.

The Administration's proposed shift would dismantle the coordinated care infrastructure that UIS beneficiaries rely on and **replace it with a fragmented system offering limited care management, reduced provider options, and significantly higher long-term costs.** The consequences would be immediate and severe. Reduced access to managed care providers will drive increased emergency room utilization, disrupt preventive and chronic care, and overwhelm the already strained safety net system. Far from reducing expenses, these proposals simply shift costs to more acute and expensive settings, thereby creating avoidable crises for families and greater financial pressure on counties, hospitals and community providers. These outcomes are not theoretical; they are baked into the savings and cost assumptions in the Administration's budget proposal.

Our proposal is straightforward: **maintain continuity, preserve provider rates for managed care services, and avoid the disruption of care for nearly 2 million vulnerable Medi-Cal members.**

Under this model, UIS members would remain connected to their existing health plan, provider network, care coordination infrastructure, member services, and access supports, while the state would directly pay for the federally sensitive carve-out services through their proposed FFS system.

This approach **addresses the federal directive without eliminating meaningful access to care,** through a state-only contract with plans to manage outpatient, preventative and specialty care carved-in services and a targeted FFS carve-out for federally payable services. It also protects the safety net by avoiding the Administration's projected utilization consequences — including the proposed **16% increase in inpatient care and 12% increase in emergency room use** — because plans would continue managing outpatient access, primary and specialty care pathways, complex case management, community health worker services, and local care coordination.

Importantly, we are not asking to preserve the status quo. Plans are agreeing to give up approximately **\$224 million** through reduced administrative costs, underwriting gain concessions, and opportunities to right-size rates where UIS medical loss ratios are at or below 85%. The proposal **maintains nearly two-thirds** of the Administration's assumed savings, while avoiding larger downstream costs to hospitals, clinics, physicians, counties, and members. Importantly, it preserves physician rates for managed care services paid now by health plans.

We respectfully urge the Legislature to invest the approximately \$190 million necessary to preserve the safety net and direct DHCS to implement this compliant approach by January 1, 2027. California can address the federal directive and achieve meaningful savings without eliminating access to comprehensive, local, coordinated care for nearly 2 million Medi-Cal members.

While we are not naïve to the operational efforts of health plans, the Department of Health Care Services, and Medi-Cal providers necessary to implement this proposal, **we are confident it is achievable and the tradeoff is untenable.** The May Revision proposal is silent on the current readiness of the FFS system and the additional state resources that would be required to serve an additional 2 million Medi-Cal members in FFS. A dramatic increase in FFS member volume, combined with lower reimbursement rates that discourage provider participation, would place unsustainable strain on the FFS system and create significant access barriers.

Our plan does not fully address providers' need for sustainable payment levels, which will require further attention to support the stability of the broader delivery system. It also does not resolve the long-term financial viability of public hospitals, which remain essential to meeting the healthcare needs of our communities. While our model provides a compliant alternative that enables both hospitals and public health systems to optimize DSH funding, it does not by itself ensure their long-term sustainability. Similarly, there must be solution for sustainable support for community health centers/FQHCs as a core of the Medi-Cal delivery system. Supporting the safety net Medi-Cal providers will be essential to preserving comprehensive access for all populations.

We understand that the state is attempting to respond to federal guidance, but compliance does not require adopting this harmful policy. **We urge the Legislature to reject this proposal and instead adopt this solution that allow all populations, regardless of immigration status, to benefit from comprehensive and coordinated care.** We look forward to working with the Legislature to identify workable solutions that are both compliant with federal law and ensure true access to care.

Sincerely,



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