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June 30, 2026

Fiscal Year 2026-27 State Budget Enactment: Key Medi-Cal Impacts

Governor Newsom and legislative leaders reached an agreement on the Fiscal Year (FY) 2026–27 State Budget on June 26th, which was subsequently passed by the Legislature and signed into law by the Governor on June 29th.

Transition of Medi-Cal Members with Unsatisfactory Immigration Status from Managed Care to the Fee-for-Service Delivery System

The enacted budget adopts the Governor's May Revision proposal to transition Medi-Cal members with unsatisfactory immigration status (UIS) from managed care to the fee-for-service (FFS) delivery system beginning in January 2027.

Recognizing the scope of planning and member support required to minimize disruption for Medi-Cal members with UIS, the enacted budget also provides $39 million to the Department of Health Care Services (DHCS) for care coordination and transition activities.

Of this amount, $31 million is allocated for clinical and non-clinical staffing, language access services, integrated care planning, member outreach, coordination with FFS providers, and enhancements to Population Health Management systems to facilitate continuity of care for members with complex needs.

An additional $8 million is available for DHCS to contract with clinics and community-based organizations to provide culturally and linguistically appropriate care navigation services for members transitioning to FFS.

Investment in CenCal Health

The enacted budget delivers a notable investment for the Central Coast, providing $5 million for CenCal Health to establish a behavioral health pilot program focused on supporting individuals experiencing anosognosia in Santa Barbara and San Luis Obispo counties. This funding reflects the collaborative advocacy efforts of Assemblymember Addis, county behavioral wellness leaders, and CenCal Health to address the needs of our community.

Additional Key Medi-Cal Provisions Included in the Budget

The enacted budget includes several other significant Medi-Cal-related provisions:

- Reauthorizes a new, federally compliant Managed Care Organization (MCO) tax to support Medi-Cal financing and maintain provider rate increases.

- Provides $196.9 million to support increased county Medi-Cal eligibility and enrollment workload associated with implementing H.R. 1.
- Preserves the Medi-Cal acupuncture benefit, rejecting the Governor's proposal to eliminate coverage.
- Reinstates a Medi-Cal asset test effective July 1, 2027, using higher household resource limits than those proposed by the Governor.
- Delays until July 1, 2027, certain cost-containment measures affecting Medi-Cal members with UIS, including:
    - The elimination of dental benefits, and
    - Prospective Payment System reimbursement for services provided by community clinics to Medi-Cal members with UIS.
- Extends CalAIM through December 31, 2031, subject to federal approval.

Additional Resources

Budget Summaries from the Governor and Legislature

- Governor's FY 2026-27 Budget Fact Sheet
- California State Senate FY 2026-27 Budget Summary
- California State Assembly FY 2026-27 Budget Floor Report

Notable Budget Bills

- AB 109 (Gabriel) – Budget Act of 2026
- AB 112 (Gabriel) – Budget Acts of 2022, 2023, 2024, and 2025
- SB 111 (Laird) – Budget Act of 2026
- SB 125 (Committee on Budget and Fiscal Review) – Medi-Cal: managed care organization provider tax
- SB 164 (Committee on Budget and Fiscal Review) – Health

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FY 2026-27 State Budget Crosswalk

The crosswalk below compares key health policy proposals included in the Governor's May Revision, the Assembly-Senate Legislative Budget Agreement, and the enacted budget passed by the Legislature and signed by the Governor.

Policy Area	Governor's May Revision	Legislative Budget Agreement	Enacted Budget	Alignment / Differences
Managed Care Organization (MCO) Tax	Restructure the MCO tax to maintain provider rate increases and ensure federal compliance	Adopt similar proposal	Restructure the MCO tax to maintain provider rate increases and ensure federal compliance	Fully aligned
County Administration of Medi-Cal	Provide a one-time $262 million augmentation to support county Medi-Cal enrollment workload associated with the implementation of H.R. 1	Adopt similar proposal	Provide $197 million to support county Medi-Cal enrollment workload associated with the implementation of H.R. 1	Final funding lower than the Governor's proposal
Enhanced Care Management (ECM) and Community Supports	Refine eligibility criteria and utilization controls to reduce ECM and Community Support costs, effective January 1, 2027	Adopt similar proposal	Extend CalAIM through December 31, 2031, preserving the framework for ECM, and Community Supports	No statutory language implementing the Governor's proposed ECM or Community Supports cost-containment changes

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Policy Area	Governor's May Revision	Legislative Budget Agreement	Enacted Budget	Alignment / Differences
Covered California Subsidies	Allocates $300 million to support increased state premium subsidies to Covered California enrollees up to 200% of the Federal Poverty Level	Adopt similar proposal	Allocate $300 million to support increased state premium subsidies to Covered California enrollees up to 200% of the Federal Poverty Level	Fully aligned
Medi-Cal Asset Test Limits	Reinstate asset limits for seniors and disabled adults to $2,000 for an individual and $3,000 for a couple, no sooner than January 1, 2027	Postpone asset limit cuts to FY 2027-28 and lower the limit to $21,000	Beginning July 1, 2027, reinstate a Medi-Cal asset test with resource limits of $21,000 for a one-person household, $31,000 for a two-person household, and an additional $1,550 for each additional household member	Follow the Legislature's higher limits
Acupuncture Medi-Cal Benefit	Eliminate the optional adult Medi-Cal acupuncture benefit, effective January 1, 2027	Reject proposal to eliminate Medi-Cal acupuncture benefits	Maintain Medi-Cal acupuncture benefits	Follow the Legislature's rejection of the benefit elimination

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Policy Area	Governor's May Revision	Legislative Budget Agreement	Enacted Budget	Alignment / Differences
Prospective Payment System (PPS) Cuts to Clinics	No mention of planned PPS cuts to community clinics	Delay the elimination of PPS reimbursement for community clinic services provided to Medi-Cal members with UIS by 12 months, until July 1, 2027	Delay the elimination of PPS reimbursement for community clinic services provided to Medi-Cal members with UIS by 12 months, until July 1, 2027	Follow the Legislature's delayed elimination
Dental Services for Members with UIS	No mention of planned elimination of dental service for Medi-Cal members with UIS	Delay the elimination of dental services in Medi-Cal from July 1, 2026, to July 1, 2027	Delay the elimination of dental services in Medi-Cal from July 1, 2026, to July 1, 2027	Follow the Legislature's delayed elimination
Premium Increase for Members with UIS	Increase monthly premium for adult Medi-Cal members with UIS aged 19–59 from $30 to $50, effective July 1, 2027	Reject monthly premium increase for adult Medi-Cal members with UIS	Require the Governor's FY 2027-28 May Revision to include the level of the monthly premiums, to be set at no less than $30 and no greater than $50	Reflect a compromise allowing the next Governor to determine whether monthly premiums will increase

Policy Area	Governor's May Revision	Legislative Budget Agreement	Enacted Budget	Alignment / Differences
Transition of Members with UIS to Fee-for-Service (FFS)	Transition Medi-Cal members with UIS from managed care to FFS by January 1, 2027	Transition Medi-Cal members with UIS to FFS while maintaining access to ECM, Community Supports, and non-emergency services through managed care and allowing time to evaluate alternative proposals	Adopt the transition of the UIS population from managed care to FFS in Medi-Cal, and **allocates $39 million to support care coordination** resources as well as clinic and community-based organization navigators to assist members with the transition	Adopt the Governor's framework with added funding to support the transition
Anosognosia Pilot Project for CenCal Health	No mention of an anosognosia pilot project for CenCal Health	No mention of an anosognosia pilot project for CenCal Health	Provide $5 million as a one-time direct payment to CenCal Health to establish a behavioral health pilot program on the treatment of anosognosia in our service area	Reflect a new funding priority