

# LEGISLATIVE UPDATE



Week of June 30, 2025

## State Issues

### Federal Watch

This week, the health care focus has been on the U.S. Capitol. Despite Governor Newsom's signing the state budget over the weekend, what is taking place in Washington, DC will have an outsized impact on the work in California and will require the state to open up its budget bill to work out how to address the cuts that are coming. The Governor, California Health and Human Services Secretary and the Director of the Department of Health Care Services held a press conference last Friday, outlining the concerns they have with the federal bill currently being debated. You can access the Governor's press conference video [here](#). Slides from the presentation can be found [here](#). Press release [here](#).

The Governor anticipates about a \$28.4 billion hit to California's Medi-Cal program – along with billions in cuts to other human service safety net programs like SNAP, the nutrition program for low-income Californians. The Governor highlights other important numbers:

- 3.4 million Californians at risk of losing health care coverage
- 2 million Californians enrolled in Covered California will see premium increases
- 217,000 jobs lost
- \$4.3 billion penalty for providing non-emergency healthcare to undocumented Californians
- \$305 million cut to Planned Parenthood
- 735,000 Californians losing food assistance

It is important to note that we are still waiting to determine what will be the full extent of the impact. One critical component of the federal bill is the timing of the implementation of the various cuts to different programs. Different cuts have different implementation times so there will be some immediate cuts and some that are in the out years. California's need to respond will likely begin with its 2025-2026 budget, but extent over the next several years.

In addition, one major outstanding issue is whether the federal bill will allow California to remedy any components of its Medicaid program to meet the new requirements. The Hospital Fee program could come into compliance with the federal bill, if CMS allows it. This fix could mean billions to California hospitals and could be the difference between extensive hospital closures or not. In addition, we will see if California lawmakers eliminate coverage altogether for undocumented Californians to avoid the \$4.3 billion penalty. We will have to see what some of the California delegation moderate Republicans were able to negotiate related to the ability for California to make adjustments to stave off the most difficult cuts, or if we all need to brace for a substantive reduction in access to health care.

(more)

Federal Watch <i>(continued)</i>	The Legislature and Governor have all noted that changes to the state's budget may be needed once we see the final result of the federal actions, but no special session has yet been called. The timing on the latter likely depends on the timing of the cuts included in the wiggle room and administrative flexibility negotiated around the federal bill.
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