Medi-Cal Update

for the Financial Standards Solvency Board

DHCS
CALIFORNIA DEPARTMENT OF
HEALTH CARE SERVICES

November 12, 2025

Federal and State Changes

- H.R. 1 – enacted on July 4, 2025
- 2024 Medicaid and CHIP Managed Care Final Rule
- Other Federal Changes
- 2025-26 State Budget

Things to Watch

- **Medi-Cal total enrollment and enrollment mix** – work requirements, eligibility redeterminations, enrollment freeze for full-scope state-only Medi-Cal expansion adults (19 and older), etc.
- New **federal guidance**, especially regarding provider taxes
- Changes in **Medi-Cal financial arrangements** related to:
  - New requirements for provider incentive payments *(Final Rule)*
  - SDPs shifting away from "pooled" approaches *(Final Rule)*
  - H.R. 1 impacts on SDPs, other federal changes
  - Medi-Cal purchasing/value strategies – hospitals, SNFs, etc.

Medical Loss Ratio (MLR)

Effective CY 2023

- MCPs must impose equivalent MLR reporting requirements on their direct and indirect subcontractors

Effective CY 2024

- MCPs that do not meet the minimum MLR standard of 85 percent must provide a remittance.

Effective CY 2025

- MCPs must impose equivalent MLR remittance requirements on their direct and indirect subcontractors

Provider Incentive Payments

Effective July 9, 2024

- Incentive payments included in MLR must be “tied to clearly-defined, objectively measurable, and well-documented clinical or quality improvement standards that apply to providers”.

Effective January 1, 2026

- Incentive payment contracts must: (i) have a defined performance period; (ii) be signed and dated before the performance period; (iii) include clinical or quality improvement standards; and (iv) specify a dollar amount or a percentage of a verifiable dollar amount linked to achievement of metrics.

Targeted Rate Increases

Scope

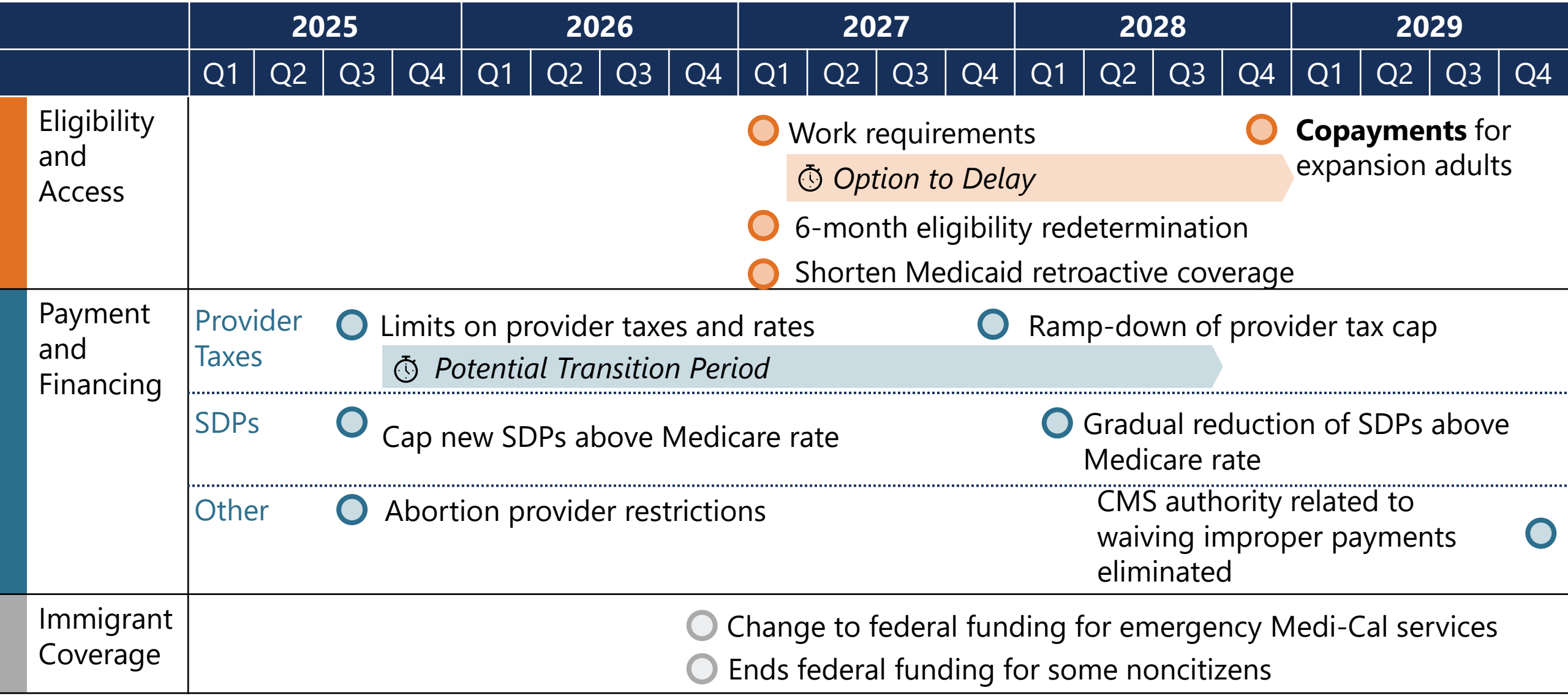
- Primary care, maternal, and non-specialty mental health services, for dates of service on or after January 1, 2024

Implementation

- Medi-Cal Fee-For-Service
- Medi-Cal Managed Care
- Implementation challenges/lessons

H.R. 1 – Effective Dates for Key Provisions

Effective Dates for Key Provisions



Q1: Jan–Mar **Q2:** Apr–Jun **Q3:** Jul–Sept **Q4:** Oct–Dec

Effective Dates for Key Provisions: Eligibility and Access

2025				2026				2027				2028				2029			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4

- **JANUARY 1, 2027:** Implements **mandatory work requirements** for Medicaid expansion adults ages 19 to 64.

  ⏱ *State option to delay implementation until December 31, 2028; California unlikely to obtain approval from HHS Secretary.*

- **JANUARY 1, 2027: Redetermine eligibility** for expansion adults once every 6 months.
- **JANUARY 1, 2027: Shorten Medicaid retroactive coverage**; provide Children's Health Insurance Program (CHIP) retroactive coverage at state option.
- **OCTOBER 1, 2028:** Impose **copayments** on most services for expansion adults with incomes above 100% of the federal poverty level (FPL).

Q1: Jan–Mar **Q2:** Apr–Jun **Q3:** Jul–Sept **Q4:** Oct–Dec

Effective Dates for Key Provisions: Payment and Financing (*Provider Taxes)*

2025				2026				2027				2028				2029			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4

- **JULY 4, 2025:**
  1. Prohibits implementation of new Medicaid provider taxes and increasing existing tax rates.
  2. Prohibits taxes that impose a lower tax rate on providers explicitly defined based on their lower Medicaid volumes compared to providers with higher Medicaid volumes, or tax Medicaid units of service at a higher rate than non-Medicaid units of service (as well as taxes that have the same effect) – impacts Managed Care Organization (MCO) Tax and Hospital Quality Assurance Fee (HQAF).

- **OCTOBER 1, 2027:** Ramp-down of **provider tax** cap begins, with the 6% tax threshold reduced by half a percentage point per year until the threshold hits 3.5% in 2031.

⏱ *CMS may allow for a transition period of up to **3 years***

Q1: Jan–Mar **Q2:** Apr–Jun **Q3:** Jul–Sept **Q4:** Oct–Dec

Effective Dates for Key Provisions: Payment and Financing (*SDPs and Other)*

2025				2026				2027				2028				2029			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4

- **JULY 4, 2025:** Caps future **State-Directed Payments (SDP)** at 100% of Medicare payment levels.
- **January 1, 2028:** Requires states with existing **SDPs** above Medicare rates to reduce payments by 10 percentage points per year until they are no greater than 100% of Medicare.

- **JULY 4, 2025– July 4, 2026:** Bars Medicaid participation by certain **providers of abortion services.**
- **OCTOBER 1, 2029: Eliminates CMS authority to waive states' disallowance of federal funds** associated with "excess" improper payments.

Q1: Jan–Mar **Q2:** Apr–Jun **Q3:** Jul–Sept **Q4:** Oct–Dec

Effective Dates for Key Provisions: Immigrant Coverage

2025				2026				2027				2028				2029			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4

- **OCTOBER 1, 2026:**
  Provides regular **Federal Medical Assistance Percentage (FMAP) for emergency Medi-Cal.**

- **OCTOBER 1, 2026:**
  Ends the availability of federal Medicaid and CHIP funding for **refugees, asylees, and certain other noncitizens.**

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