

LEGISLATIVE UPDATE



Week of June 29, 2026

State Issues	
Facility Fee Bill Dropped	AB 225 (Bonta) would have prohibited hospitals from being reimbursed for facility fees that support outpatient health care. The Alliance joined a large coalition of hospital providers to oppose the measure, which would have cut hundreds of millions of dollars from California’s hospitals. We are pleased to report that the author pulled the bill from hearing this week. Therefore, the measure will miss the policy bill deadline and can no longer advance this year.
Final State Budget Agreement	<p>The final budget agreement between the Legislature and Governor was released in a series of budget bills and trailer bills last Friday evening. More than 20 measures were heard in Committee, voted on the Floor and signed by Governor Newsom by Monday evening (June 29). The Governor’s press release can be found here; and a list and links to the Budget bills and trailer bills can be found here. Included below are a few of the key health issues included in the final budget agreement.</p> <p>NEW REVENUES</p> <p>Software tax: Extends the State Sales and Use taxes to the sale of electronically delivered pre-written software, commencing January 1, 2027. No exemption for health care entities was included.</p> <p>Business Tax Credit Limits: Reflects a temporary business tax credit limitation through 2029 and a permanent tax credit limitation beginning in 2030.</p> <p>MCO Tax: Adopts the Governor’s proposal for the next MCO tax to be HR 1 compliant, which means increased tax on commercial plans resulting in commercial premium increases of \$8.85 per member per month. This will bring in \$2.3 billion, with \$2 billion being redacted for the State General Fund and \$300 million for provider rate increases already in statute.</p> <p>“Fair Share” Options: Requires the Department of Finance to provide draft bill options by March 2027 to hold large employers accountable for employees on Medi-Cal.</p> <p>HEALTH CARE BUDGET ACTIONS</p> <p>Moving UIS beneficiaries to FFS: Reflects \$471.6 million General Fund savings in 2026-27 from the transition of Medi-Cal beneficiaries with unsatisfactory immigration status (UIS) from managed care to fee-for-service.</p> <p style="text-align: right;"><i>(more)</i></p>

Final State Budget Agreement
(continued)

UIS Care Management Funding: Includes \$39 million to support care coordination resources and clinic and community-based organization navigators to support UIS beneficiaries as they transition from managed care to fee-for-service.

Delays clinic cuts: Reflects General Fund costs of \$1 billion to delay the elimination of prospective payment system reimbursement for community clinics for services provided to Medi-Cal beneficiaries with unsatisfactory immigration status (UIS) until July 1, 2027.

Delays cuts to Medi-Cal access for asylees: Reflects General Fund costs of \$303.2 million to delay the transition of certain immigrant populations (e.g. asylees, victims of human trafficking, etc.) to restricted scope Medi-Cal until July 1, 2027.

Distressed Hospital Funding Program: Allocates \$90 million General Fund to support grants to distressed hospitals and authorizes the Department of Finance to augment the grant program by up to \$50 million.

HCAI Technical Assistance: Allocates \$10 million General Fund to HCAI to establish a health care access stability unit to evaluate hospitals' strategic importance to their communities to assist policymakers to maintain access to critical services in the event of a hospital's financial distress.

New Public Hospital Funding: Allocates \$250 million General Fund to the Department of Health Care Services to support designated public hospitals.

County Administration Funding: Allocates \$196.9 million General Fund to DHCS to support county administration workload for the Medi-Cal program.

Gender Affirming Care Funds: Allocates \$10 million General Fund in 2026-27, and \$8 million General Fund in 2027-28 and 2028-29, to HCAI to support a gender affirming care provider network stabilization and uncompensated care grant program.

Delays cuts to Denti-Cal: Reflects General Fund costs of \$360.8 million to delay elimination of dental benefits in Medi-Cal for the UIS population, until July 1, 2027.

Delays cuts to Prop 56 Provider rates: Reflects General Fund costs of \$258.2 million to delay elimination of Proposition 56 supplemental provider payments for dental services in Medi-Cal, until July 1, 2027.

New Funding for PACE Program Administration: Allocates \$400,000 General Fund to DHCS to support application assistance for Program for All-Inclusive Care for the Elderly (PACE) beneficiaries.

Rejects cuts to PACE program: Rejects the Governor's proposal to cap Medi-Cal reimbursement rates for PACE, resulting in General Fund costs of \$33.7 million in 2026-27 and \$84.9 million ongoing.

(more)

<p>Final State Budget Agreement <i>(continued)</i></p>	<p>Maintains Acupuncture Coverage: Rejects the Governor’s proposal to eliminate acupuncture benefits in the Medi-Cal program, resulting in General Fund costs of \$5.4 million in 2026-27 and \$13.1 million ongoing.</p> <p>Redirects Opioid Settlement: Redirects \$35.4 million of Opioid Settlements Fund to offset General Fund expenditures in the Medi-Cal program.</p> <p>New funding for Private Duty Nursing: Allocates \$30 million General Fund one-time to support rate increases for private duty nursing in the Medi-Cal program.</p> <p>Sickle Cell Investment: Appropriates \$30 million General Fund over five years to CDPH to support Sickle Cell Disease Centers for Excellence.</p> <p>EMSA Rate Study: Appropriates \$500,000 General Fund to support a rate study for ground ambulance services at the Emergency Medical Services Authority (EMSA).</p> <p>HCAI Workforce: Appropriates \$5 million General Fund to the Department of Health Care Access and Information (HCAI) to support physician access and workforce development in shortage areas.</p> <p>Cal RX Funding: Allocates \$15.5 million General Fund to HCAI to support the procurement of low-cost epinephrine pens and tuberculosis drugs through CalRx.</p>
<p>Summer Recess</p>	<p>This Thursday, July 2 is the last day for policy committees to meet and report bills; and, when they adjourn, this date marks the start of the Legislature’s month-long Summer Recess. They will reconvene on August 3, giving them four weeks to complete their work for this legislative session.</p>

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