Health and Human Services

The Health and Human Services Agency includes twelve departments and four state offices that provide health and social services to vulnerable and at-risk Californians. Despite recent federal policies and state actions to help contain expenditure growth in major programs, Health and Human Services Agency department expenditures are projected to continue growing at a significant rate, outpacing revenue projections.

The Governor's Budget includes proposals to help align program expenditures with projected revenue to mitigate the projected structural operating deficits in the out-years. The Budget includes $343.6 billion ($94.4 billion General Fund) for all health and human services programs in 2026-27.

Department of Health Care Services

Medi-Cal, California's Medicaid program, is administered by the Department of Health Care Services. Medi-Cal is a public health care coverage program that provides comprehensive health care services at no or low cost for low-income individuals. The Department also administers programs for special populations and several other non-Medi-Cal programs, as well as county-operated community mental health and substance use disorder programs. The Medi-Cal budget includes $196.7 billion ($46.4 billion General Fund) in 2025-26 and $222.4 billion ($48.8 billion General Fund) in 2026-27. Medi-Cal is projected to cover approximately 14.5 million members in 2025-26 and 14 million members in 2026-27—more than one-third of the state's population.

MAJOR ACCOMPLISHMENTS

- **Behavioral Health Services Act (Proposition 1)**—The state is improving accountability, increasing transparency, and expanding the capacity of behavioral health care facilities. Proposition 1 authorized $6.4 billion in General Obligation bonds, $4.4 billion administered by the Department of Health Care Services for behavioral health treatment sites and $2 billion administered by the California Department of Housing and Community Development in collaboration with the California Department of Veterans Affairs for permanent supportive housing. In addition, in 2026-27, counties are estimated to receive over $4 billion Behavioral Health Services Fund for behavioral health treatment and supports.
- **California Advancing and Innovating Medi-Cal (CalAIM)**—CalAIM improves the health care delivery system by providing whole person care for those with the most acute needs, including transitional housing assistance to prevent homelessness, and prioritizes prevention and health-related social needs.

SIGNIFICANT BUDGET ADJUSTMENTS

- **2025-26 Budget**—The Budget includes increased Medi-Cal expenditures of approximately $2 billion General Fund in 2025-26 compared to the 2025 Budget Act. This increase is driven primarily by federal fund claiming changes, including a one-time retroactive state-only claiming repayment and federal fund claim deferrals, as well as increased Medicare costs.

- **Year-Over-Year Comparison**—The Budget projects Medi-Cal expenditures of $48.8 billion General Fund in 2026-27, an increase of $2.4 billion General Fund compared to the revised 2025-26 expenditures. This increase is driven primarily by the Medical Provider Interim Payment loan ending in 2025-26 and a decrease in Managed Care Organization (MCO) Tax revenue available for Medi-Cal support.

- **House of Representatives (H.R.) 1 of 2025**—The Budget reflects the following significant adjustments related to the implementation of federal requirements included in H.R. 1:
  - **Work and Community Engagement Requirement**—An estimated reduction of $373 million ($102 million General Fund) in 2026-27 and $13.1 billion ($3.6 billion General Fund) by 2029-30, resulting from the new work and community engagement requirements for the Affordable Care Act adult expansion

population, effective January 1, 2027. Under this federal policy, these individuals must comply with federal work or community engagement requirements as a condition of Medi-Cal eligibility unless they meet an allowable exemption or short-term exception.

- **Medical Assistance Percentage for Emergency Services**—A cost of $658 million General Fund in 2026-27 and $872 million General Fund by 2029-30 due to the federal match reduction from 90 percent to 50 percent for emergency services for Affordable Care Act adult expansion population members with unsatisfactory immigration status.
- **Restrictions on Immigrant Eligibility**—Transitions individuals impacted by the federal eligibility change for qualified non-citizens to restricted-scope Medi-Cal. Effective October 1, 2026, the federal policy will exclude individuals with certain immigration statuses from federal eligibility for full-scope Medi-Cal, which significantly reduces federal funding for this population. If the state were to otherwise provide full-scope Medi-Cal to this population, the cost is estimated to be $786 million General Fund in 2026-27 and $1.1 billion General Fund ongoing.
- **Affordable Care Act Adult Expansion Six-Month Redeterminations**—A reduction of $463 million ($74 million General Fund) in 2026-27 and $3 billion ($474 million General Fund) by 2029-30 for decreased caseload resulting from the required federal eligibility redetermination frequency changing from once per year to every six months for this population.
- **Reduced Retroactive Medi-Cal Timeframes**—A reduction of $23 million ($10 million General Fund) in 2026-27 and $48 million ($20 million General Fund) ongoing from the reduction of retroactive Medi-Cal coverage changes from three months before an individual's application date to one month for the Affordable Care Act adult expansion population and two months for all other members, effective no sooner than January 1, 2027.

- **Managed Care Organization (MCO) Tax**—$4.5 billion in 2025-26 and $2.5 billion in 2026-27 MCO Tax revenue to support the Medi-Cal program and $1.6 billion across 2025-26 and 2026-27 to support increases in managed care payments relative to calendar year 2024 in certain domains. The current MCO Tax is not consistent with H.R. 1 requirement that prohibits taxing Medicaid providers at higher rates than non-Medicaid providers. Under recent federal guidance, the state will receive a transition period through June 30, 2026, which would result in a General Fund cost of approximately $1.1 billion in 2026-27. However, the Budget assumes a transition period through December 31, 2026 as California will continue to evaluate options to

receive a full transition period. Additionally, H.R. 1 and Proposition 35 requirements significantly limit the potential size of a future MCO Tax, resulting in a substantial reduction in ongoing funding to support the Medi-Cal program.

- **MCO Tax Behavioral Health**—The Budget reflects $65 million in 2025-26 and $95.5 million in 2026-27 MCO Tax revenue for qualifying community-based mobile crisis services, transitional rent, and behavioral health rates from the calendar year 2025 behavioral health facility throughputs domain allocation.
- **Hospital Quality Assurance Fee**—The Budget assumes $1.3 billion General Fund to support children's coverage, a decrease of approximately $652 million General Fund compared to the 2025 Budget Act. Based on the federal government's notification that California's waiver request would not be approved as submitted, the Administration continues to evaluate options to modify the request for approval.

DEPARTMENT OF SOCIAL SERVICES

The Department of Social Services (DSS) serves, protects, and supports the people of California experiencing need in ways that empower well-being. The Department's major programs include the California Work Opportunity and Responsibility to Kids (CalWORKs), CalFresh and Nutrition Programs, In-Home Supportive Services (IHSS), Supplemental Security Income/State Supplementary Payment, Child Welfare and Adult Protective Services, Community Care Licensing, Disability Determination Services, and Child Care. The Budget includes $58.6 billion ($25.8 billion General Fund) for DSS programs in 2026-27.

CHILD CARE AND DEVELOPMENT

DSS administers child care and development programs including CalWORKs Stages One, Two, and Three; the Emergency Child Care Bridge Program; Alternative Payment Programs; Migrant Child Care; General Child Care; Family and Child Care Home Education Networks; Child Care for Children with Severe Disabilities; and a variety of local supports for these programs, such as Resource and Referral Programs and Local Child Care Planning Councils, in addition to quality improvement projects. Families can access child care subsidies through centers that contract directly with DSS or through vouchers administered by county welfare departments and Alternative Payment Programs. The Budget includes $7.5 billion ($5.1 billion General Fund) for DSS administered child care and development programs.

MAJOR ACCOMPLISHMENTS

DSS assumed responsibility for administering child care from the California Department of Education on July 1, 2021. Since 2020-21, the state has invested over $3.6 billion in additional General Fund to increase access to child care and development services, improve affordability for families, support the child care workforce, and strengthen capacity, including funding approximately 125,000 new subsidized child care slots, and awarding 3,800 grants to providers to improve infrastructure.

In 2019, legislation was signed that set the stage for approximately 40,000 family child care providers to unionize as the Child Care Providers United (CCPU) - California. More recently, the state and CCPU reached a new three-year agreement on August 7, 2025. The agreement includes $38.2 million General Fund for increases to monthly payments to CCPU providers and an additional $157.9 million General Fund for one-time stabilization payments for all child care providers, including California State Preschool Providers. The agreement with CCPU also includes a commitment to invest up to $585 million General Fund over the next three years for health benefits, retirement benefits, and training for represented child care providers.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Child Care Cost-of-Living Adjustment**—An increase of $89.1 million ongoing General Fund for a cost-of-living adjustment for DSS administered child care programs.
- **Child Care Infrastructure**—An increase of $11.5 million one-time Proposition 64 funding for child care infrastructure, specifically targeted toward communities impacted by recent fires.

FOOD AND NUTRITION

The CalFresh program, California's version of the federal Supplemental Nutrition Assistance Program (SNAP), provides federally funded benefits for eligible families to purchase food needed to maintain adequate nutrition. The Budget includes $3.2 billion ($1.6 billion General Fund) in CalFresh and nutrition programs. In addition, $12.8 billion in federal food benefits is provided directly to recipients by the federal government. The average monthly CalFresh caseload is projected to be 3.4 million households in 2026-27.

MAJOR ACCOMPLISHMENTS

In recent years, CalFresh and nutrition programs have expanded, increasing the number of individuals served. According to the most recently available data from the U.S. Department of Agriculture, about 80 percent of eligible Californians receive CalFresh, a 20-percent increase over the previous two years.

Since summer 2024, California has participated in the SUN Bucks program, which provides $120 per child ($40 per month for June, July, and August) in federally funded food benefits to approximately 5.4 million children who lose access to free and reduced-price meals during the summer school closure period. The Budget includes $73.4 million ($36.7 million General Fund) in 2026-27 for transaction costs and outreach to allow the state to provide an estimated $642.8 million in federal food assistance to children.

SIGNIFICANT BUDGET ADJUSTMENTS

- **H.R. 1**—Federal policy and cost sharing changes included in H.R. 1 resulted in significant changes to CalFresh eligibility and increased the state's share of costs for the CalFresh program.
  - **Cost-Sharing Provisions**—The Budget includes an increase of $382.9 million General Fund in 2026-27 to reflect the federal share of CalFresh administrative cost reduction from 50 percent to 25 percent. As a result, the Budget assumes General Fund and county share of cost increases beginning October 1, 2026. The state continues to assess the potential fiscal impact of the benefit cost sharing provision of H.R. 1 based on the payment error rate beginning October 1, 2027. The 2025 Budget Act includes $39.9 million ($20.1 million General Fund) to support various initiatives to improve the state's payment error rate.
  - **Eligibility Provisions**—The Budget includes $66.2 million in anticipated reduced General Fund costs in 2026-27 due to changes in federal policy, resulting in fewer individuals remaining eligible for CalFresh benefits. Those federal policy changes include, but are not limited to: ineligibility for certain lawfully present non-citizens; updated Able-bodied Adults without Dependents work requirements, and State Utility Assistance Subsidy limitations.

IN-HOME SUPPORTIVE SERVICES

The IHSS program provides domestic and related services such as housework, meal preparation, and personal care services to eligible low-income individuals with disabilities, including children and adults, as well as low-income individuals who are ages 65 and over. These services are provided to assist individuals to remain safely in their homes and prevent more costly care in advanced care settings. The Budget includes $33.4 billion ($12.5 billion General Fund) for the IHSS program in 2026-27. Average monthly caseload in this program is estimated to be 875,344 recipients in 2026-27.

MAJOR ACCOMPLISHMENTS

Since 2019, California has invested over $8.2 billion General Fund to restore and support service hours, improve administration, and support provider career pathways and systems. The IHSS program has continued to expand and serve a growing number of individuals, with over 800,000 recipients and over 800,000 providers statewide.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Administrative Efficiency: Streamlining Eligibility to Align with Medi-Cal**—A reduction of $86 million General Fund to conform the IHSS Residual Program with the timing of Medi-Cal coverage, beginning in 2026-27.
- **IHSS Backup Provider System**—A reduction of $3.5 million General Fund to eliminate the IHSS Backup Provider System, beginning in 2026-27.
- **IHSS Growth in Assessed Hours**—A reduction of $233.6 million General Fund to remove the state's share of cost for IHSS hours per case growth, beginning in 2027-28.

DEPARTMENT OF DEVELOPMENTAL SERVICES

The Department of Developmental Services (DDS) provides individuals with intellectual and developmental disabilities a variety of services that allow them to achieve their goals. The state's developmental services are designed to meet the needs and choices of individuals at each stage of their lives, and support them in their home communities, providing choices that are reflective of lifestyle, cultural, and linguistic preferences. The Budget includes $21.1 billion ($13.5 billion General Fund) and estimates that over

527,000 individuals will receive services in 2026-27. The expenditure growth from 2025-26 continues to be driven by service utilization and caseload increases.

DDS continues to work closely with regional centers, service providers, and the community on numerous initiatives to streamline and enhance developmental services and supports statewide, including service provider rate reform, multiple information and process standardization efforts, enhanced transparency, supports for people with neurodiversities (including autism), employment, and workforce development.

MAJOR ACCOMPLISHMENTS

In recent years, the state has undertaken historic reforms focused on stabilizing the service delivery system, promoting equity and consistency, and improving outcomes for individuals served.

A key component of these efforts has been the multi-year investment in, and implementation of, new service provider rates, and an associated quality incentives program, estimated at approximately $3.5 billion ($2.1 billion General Fund) annually.

SIGNIFICANT BUDGET ADJUSTMENT

- **Federal Cost-Sharing Reimbursements**—The Budget reflects an increase in Medicaid reimbursements of $265.2 million in prior years, and $154.6 million beginning in 2025-26 and ongoing. This increase is due to updating federal matching claims for the Affordable Care Act adult expansion population receiving regional center services.

OTHER HEALTH AND HUMAN SERVICES

MAJOR ACCOMPLISHMENTS

- **Behavioral Health Continuum**—The state has invested approximately $8.5 billion total funds across various Health and Human Services departments to expand the continuum of behavioral health treatment and infrastructure capacity and transform the system for providing behavioral health services. This includes $4.2 billion total funds for the Children and Youth Behavioral Health Initiative, $2.9 billion total funds for the Behavioral Health Bridge Housing Program and the Behavioral Health Continuum Infrastructure Program, and $1.4 billion total funds for Mobile Crisis Response.

- **Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment (BH-CONNECT) Initiative**—The BH-CONNECT Initiative aims to expand the continuum of community-based services and evidence-based practices available for children, youth, and adults living with behavioral health conditions through an investment of nearly $8 billion total funds over five years.
- **Health Care Workforce**—The state has invested approximately $1.9 billion ($1.7 billion General Fund and $174.2 million other funds) for various initiatives within the Department of Health Care Access and Information, Department of Public Health, and Department of Health Care Services, to support health workforce development with a focus on nursing, primary care, public health, and behavioral health workforce. In addition, there is a $1.9 billion investment for the BH-CONNECT Behavioral Health Workforce Initiative administered by the Department of Health Care Access and Information.
- **Incompetent to Stand Trial Waitlist**—The state has invested approximately $2 billion General Fund since the 2021 Budget Act to reduce the waitlist of Incompetent to Stand Trial patients awaiting placement in Department of State Hospitals' facilities from almost 2,000 individuals to less than 300 and to expand the number of state and community-based treatment beds from approximately 1,400 to over 2,300.
- **Master Plan for Aging**—The state developed and continues to make progress on its 10-year blueprint to advance the longevity, well-being, and inclusion of people of all ages and abilities and build age-friendly communities statewide, backed up with historic investments, groundbreaking new initiatives, and collaborative public-private partnerships.
- **Master Plan for Developmental Services**—This March 2025 Master Plan is a community-driven blueprint for a more consumer-friendly and effective experience for individuals and families receiving developmental services. It specifically focused on making recommendations that support person-centered, equitable, data-driven, and coordinated lifelong services from a stable workforce that emphasize quality, equity, and outcomes, while improving regional center accountability, performance, and service provider quality.
- **Office of Health Care Affordability**—The Office of Health Care Affordability addresses the rising cost of health care by analyzing the health care market for cost trends and drivers of spending and setting and enforcing spending cost targets.
- **CalRx**—The state developed a generic drug program, making California the first state with its own generic drug label, to make medications more affordable. Since its inception, CalRx has developed low-cost biosimilar insulin and naloxone nasal

spray products, with the prices of CalRx insulin and naloxone expected to be more than 50 percent lower than the original market prices.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Federal Rural Health Transformation Program**—$233.6 million federal funds in federal fiscal year 2026 to expand access to care, strengthen the workforce, and enhance infrastructure in rural and frontier communities at the Department of Health Care Access and Information.
- **Behavioral Health Funding**—A placeholder of $150 million Behavioral Health Services Fund in lieu of General Fund for workforce and prevention programming at the Department of Health Care Access and Information and the California Department of Public Health with the specific proposal to be updated at the May Revision.
- **Reproductive Health Grant Program**—$60 million one-time General Fund in 2025-26 for the Department of Health Care Access and Information to provide grants to reproductive health care providers. This is in addition to $90 million MCO Tax funds and $56 million Abortion Access Fund in 2025-26 to support reproductive health care providers.
- **Menopause Services**—$3.4 million (up to $3 million General Fund) in 2026-27 and $391,000 Managed Care Fund ongoing, to support health care coverage for perimenopause and menopause, including enrollee access to care, provider education, and a statewide public awareness campaign.
- **Vocational Rehabilitation Program Capacity**—$60 million ongoing in federal funds to support increased demand for Department of Rehabilitation services provided to individuals with disabilities pursuing opportunities for employment.