HEALTH AND HUMAN SERVICES

The Health and Human Services Agency includes departments and state entities that provide health and social services to the most vulnerable and at-risk Californians while providing public health services to Californians. Given recent significant growth in Health and Human Services programs, the Budget includes adjustments and statutory changes to align program expenditures with available revenue to responsibly support California's core programs. The Budget includes $337.7 billion ($93.4 billion General Fund) for 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 $219.7 billion ($46.9 billion General Fund) in 2026-27. Medi-Cal is projected to cover approximately 13.9 million Californians in 2026-27—approximately one-third of the state's population.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Managed Care Organization Tax**—The Budget includes $575 million in 2026-27, $2.3 billion each in 2027-28 and 2028-29, and $1.7 billion in 2029-30 from the renewal

of a House of Representatives (H.R.) 1 compliant Managed Care Organization (MCO) Tax to support the Medi-Cal program and maintain targeted rate increases for primary, maternal, and non-specialty mental health care, effective January 1, 2027. Recent federal changes pursuant to H.R. 1 prohibit taxes that assess higher tax rates on Medi-Cal plans than commercial plans, or otherwise place a disproportionately high tax burden on Medi-Cal plans.

From the existing MCO Tax that expires on December 31, 2026, the Budget reflects MCO Tax revenue of $4.5 billion in 2025-26 and $2.5 billion in 2026-27 to support the Medi-Cal program. The Budget also includes $1.3 billion in 2025-26, $2.4 billion in 2026-27, and $216 million in 2027-28 to support increases in managed care and other payments relative to calendar year 2024, for hospital, community clinic, behavioral health, and other services for provider payments. This includes an increase of $1.9 billion from MCO Tax revenues from calendar years 2025 and 2026, after fulfilling the provider payment increases as required in Proposition 35.

- **Transition of Individuals with Unsatisfactory Immigration Status to Fee-for-Service**—A reduction of $637.1 million ($524.9 million General Fund) in 2026-27 and $1.6 billion ($1.3 billion General Fund) ongoing due to the new federal policy that prohibits states from covering federally eligible emergency Medicaid services for individuals with unsatisfactory immigration status in risk-based managed care delivery systems. To comply with this new federal requirement, Medi-Cal members with unsatisfactory immigration status will receive all covered Medi-Cal services through the fee-for-service delivery system, effective January 1, 2027. The Budget includes $39 million General Fund in 2026-27 to provide care coordination and navigation services to this population.
- **H.R. 1 of 2025**—The Budget reflects costs of approximately $1.3 billion General Fund in 2026-27. The Budget projects total H.R. 1 disenrollment of 44,000 in 2026-27 and 1.3 million by 2029-30.
  - **Work and Community Engagement Requirement**—An estimated reduction of $357.6 million ($90.3 million General Fund) in 2026-27 and $9.6 billion ($2.4 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. Projected disenrollments are 43,000 in 2026-27 and 1.1 million by 2029-30. 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 exception.

- **Medical Assistance Percentage for Emergency Services**—A General Fund cost of approximately $669 million General Fund in 2026-27 and $718 million 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, effective October 1, 2026.
- **Restrictions on Immigrant Eligibility**—A General Fund cost of $364.9 million in 2026-27 and a General Fund reduction of $381.8 million by 2029-30 for a July 1, 2027 transition to restricted-scope Medi-Cal for individuals impacted by the federal eligibility change for qualified non-citizens. This population will also be transitioning to the fee-for-service delivery system effective January 1, 2027. Effective October 1, 2026, federal policy will exclude individuals with certain immigration statuses from being federally funded for full-scope Medi-Cal, which significantly reduces federal funding for this population.
- **Affordable Care Act Adult Expansion Six-Month Redeterminations**—A reduction of $747.3 million ($186.4 million General Fund) in 2027-28 and $2.5 billion ($633 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 beginning in 2027-28. Projected disenrollments are estimated to be zero in 2026-27 and approximately 278,600 in 2029-30.
- **Reduced Retroactive Medi-Cal Timeframes**—A reduction of $34.6 million ($14.7 million General Fund) in 2026-27 and $75.5 million ($32.1 million General Fund) in 2029-30 and 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.
- **Hospital Quality Assurance Fee**—$84.7 million in 2025-26 and $1.7 billion in 2026-27 to support children's coverage. In June 2026, the federal government approved California's tax waiver request, which is expected to provide hospital net-benefit payments of $5.5 billion.
- **County Medi-Cal Administration**—$709 million ($196.8 million General Fund) one-time to support county workload for the implementation of Medi-Cal eligibility changes pursuant to H.R. 1. The Budget includes a total of $3.3 billion ($828.2 million General Fund) for Medi-Cal county administration in 2026-27.

- **Designated Public Hospitals**—$250 million one-time General Fund in 2026-27 for grants to designated public hospitals to support health care expenditures.
- **Medi-Cal Efficiencies**—A General Fund reduction of $68 million in 2026-27 increasing to approximately $552 million in 2029-30 from implementing various efficiencies in the Medi-Cal program such as establishing utilization management for applied behavioral analysis and transportation services and eliminating the quality withhold incentive component of the quality withhold and incentive program for Medi-Cal managed care. The Administration is continuing to identify efficiencies in select areas of Medi-Cal to achieve these savings in future years.
- **Mobile Crisis Response Services**—$42.2 million one-time General Fund to extend community-based mobile crisis response services through June 30, 2027.
- **Private Duty Nursing**—$30 million one-time General Fund for private duty nursing payment increases.
- **Proposition 36**—$20 million General Fund one-time over three years to provide grants to county behavioral health departments. See the Criminal Justice and Judicial Branch Chapter for more information.
- **Provider Oversight**—$10.4 million ($5.2 million General Fund) one-time to support Medi-Cal provider enrollment, revalidation, and recertification operations.

SOLIDIFYING STRUCTURAL BALANCE

- **Delayed Prospective Payment System Payments to Federally Qualified Health Centers and Rural Health Clinics**—A General Fund cost of $1 billion in 2026-27 to delay the elimination of Prospective Payment System rates to clinics for state-only funded services provided to individuals with unsatisfactory immigration status to July 1, 2027. The Budget includes a General Fund reduction of $1 billion in 2027-28 and annually thereafter for the elimination of these payments. Clinics would receive reimbursement at the applicable Medi-Cal fee-for-service rate.
- **Increase Monthly Premium for Adults with Unsatisfactory Immigration Status (Aged 19–59) from $30 to $50**—A General Fund reduction of approximately $427.3 million in 2027-28, decreasing to approximately $314.3 million annually in 2029-30 to increase monthly premiums for adults with unsatisfactory immigration status to $50, effective July 1, 2027, and subject to a determination in the 2027-28 May Revision.
- **Delayed Elimination of Dental Benefits for Adults with Unsatisfactory Immigration Status, Ages 19 and Older**—A General Fund cost of $360.8 million in 2026-27 to delay

the elimination of full-scope dental coverage for Medi-Cal members with unsatisfactory immigration status to July 1, 2027. The Budget includes a General Fund reduction of $360.8 million in 2027-28 and annually thereafter for the elimination of this benefit. This population will continue to have access to restricted-scope, emergency dental coverage.

- **Delayed Elimination of Dental Supplemental Payments**—A General Fund cost of $258.2 million in 2026-27, and $28.4 million in 2027-28 to delay the elimination of dental supplemental payments to July 1, 2027. The Budget includes a General Fund reduction of $258.2 million in 2027-28 and $289 million ongoing to eliminate these payments.
- **Medi-Cal Asset Test Limits**—A General Fund reduction of $348.5 million in 2027-28 and $407 million ongoing, inclusive of IHSS impacts, to reinstate the Medi-Cal asset limit for seniors and disabled adults to $21,000 for an individual or $31,000 for a couple, effective no sooner than July 1, 2027. The 2025 Budget Act included a partial reinstatement of the Medi-Cal asset limit that went into effect January 1, 2026.
- **Enhanced Care Management**—A General Fund reduction of $41.4 million in 2026-27, and $99.2 million ongoing to refine eligibility criteria, service definitions, utilization management criteria, and payment adjustments for the Medi-Cal enhanced care management benefit, effective January 1, 2027.
- **Community Supports**—A General Fund reduction of $26.9 million in 2026-27, $58.8 million in 2027-28, and $51 million ongoing to refine referral pathways, eligibility criteria, service definitions, and utilization management criteria for select Medi-Cal community supports services, effective January 1, 2027.
- **Medical Loss Ratio Remittances**—A General Fund reduction of $25 million ongoing beginning in 2027-28 to redirect medical loss ratio remittances to the General Fund.

DEPARTMENT OF SOCIAL SERVICES

The Department of Social Services (DSS) serves, protects, and supports the people of California experiencing need in ways that empower wellbeing and disrupt systemic inequities. 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 (SSI/SSP), Child Welfare and Adult Protective Services, Community Care

Licensing, Disability Determination Services, and Child Care. The Budget includes $60.1 billion ($26.9 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 $7.7 billion ($5.2 billion General Fund) for DSS administered child care and development programs.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Child Care Slots**—An increase of $269.2 million ongoing General Fund in 2026-27 to restore 3,430 and expand 22,770 additional subsidized child care slots.
- **Child Care Cost-of-Living Adjustment**—An increase of $112 million ongoing General Fund to provide a 2.01 percent cost-of-living adjustment for DSS administered child care programs.
- **Infrastructure**—An increase of $36.4 million in one-time federal and Proposition 64 funds for child care facilities affected by the 2023, 2024, and 2025 natural disasters.

CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS

The CalWORKs program, California's version of the federal Temporary Assistance for Needy Families (TANF) program, provides temporary cash assistance to low-income families with children to meet basic needs. It also provides welfare-to-work services to support economic mobility. Eligibility requirements and benefit levels are established by the state. Counties have flexibility in program design, services, and funding to meet local needs. The Budget includes $3.8 billion ($1.3 billion General Fund) for CalWORKs program expenditures, excluding Stage One child care.

SIGNIFICANT BUDGET ADJUSTMENT

- **Maximum Aid Payment**—An increase of $59.5 million in 2026-27 for a 1.8-percent increase to CalWORKs Maximum Aid Payment levels, effective October 1, 2026. These increased grant costs are funded entirely by the Child Poverty and Family Supplemental Support Subaccount of the Local Revenue Fund.

SOLIDIFYING STRUCTURAL BALANCE

- **Mental Health Services**—A reduction of $26 million one-time General Fund in 2026-27 to align CalWORKs mental health services funds to the projected services levels.

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 $4.6 billion ($1.9 billion General Fund) in total CalFresh and nutrition expenditures. In addition, $11.6 billion in food benefits is provided directly to recipients by the federal government.

SIGNIFICANT BUDGET ADJUSTMENTS

- **County Administration**—An increase of $223 million one-time General Fund to assist counties with the CalFresh workload for the impacts of H.R. 1 on able-bodied adults without dependents.
- **CalFood**—An increase of $100 million one-time General Fund for food banks in 2025-26. The one-time appropriation augments $8 million ongoing General Fund for this purpose.
- **Fruit and Vegetable Program**—An increase of $20 million one-time General Fund for the CalFresh Fruit and Vegetable Electronic Benefit Transfer Pilot.
- **CalFresh Outreach**—An increase of $14 million one-time General Fund for the CalFresh Outreach Program.

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 institutionalization.

The Budget includes $33.9 billion ($12.9 billion General Fund) for the IHSS program in 2026-27.

SOLIDIFYING STRUCTURAL BALANCE

- **Medi-Cal Asset Test Limits**—A reduction of $112.9 million General Fund in 2027-28 to conform IHSS eligibility with the reinstatement of the Medi-Cal asset limit of $21,000 for individuals and $31,000 for couples.

CHILDREN'S PROGRAMS

Child Welfare Services include family support and maltreatment prevention services, child protective services, foster care services, and adoptions. California's child welfare system provides a continuum of services to children who are either at risk of, or have suffered, abuse and neglect. Program success is measured in terms of improving the safety, permanence, and well-being of children and families served.

The Budget includes $1.1 billion General Fund in 2026-27 for services to children and families in these programs. When federal and 1991 and 2011 Realignment funds are included, total funding for children's programs is in excess of $10.6 billion in 2026-27.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Child Welfare Services – California Automated Response and Engagement System**—An increase of $357.3 million ($179.8 million General Fund) in 2026-27 for the continued development and implementation of the Child Welfare Services – California Automated Response and Engagement System.
- **Child Protective Services Emergency Response**—An increase of $20 million one-time General Fund to maintain and increase the number of child welfare social workers in emergency response services.

OTHER DEPARTMENT OF SOCIAL SERVICES PROGRAMS

- **Immigration Services**—An increase of $111.5 million one-time General Fund for the various immigration service efforts.
- **Housing Support Programs**—An increase of $100 million one-time General Fund for the Bringing Families Home ($15 million), Housing Support Program ($10 million), Home Safe ($50 million), and Housing and Disability Advocacy Programs ($25 million).
- **Stop the Hate**—An increase of $30 million one-time General Fund for the Stop the Hate program.
- **Diaper Bank**—An increase of $16.5 million one-time General Fund for various organizations to provide diaper and wipe distributions to low-income families with infants or toddlers.
- **Holocaust Survivors Assistance Program**—An increase of $12 million one-time General Fund for assistance to Holocaust survivors.

DEPARTMENT OF HEALTH CARE ACCESS AND INFORMATION

The Department of Health Care Access and Information is committed to expanding equitable access to health care for all Californians—supporting the health workforce, promoting safe and reliable health care facilities, and providing health information that can help make care more effective and affordable. The Budget includes $1.3 billion ($457.4 million General Fund) for the Department of Health Care Access and Information.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Distressed Hospitals**—$90 million one-time General Fund for grants to distressed hospitals, and authority to allow for an augmentation of $50 million General Fund for this purpose. The Budget also includes $10 million one-time General Fund to evaluate hospital services by region, assist distressed hospitals to plan for maintaining critical services, and provide technical assistance for distressed hospitals to return to fiscal sustainability.
- **Uncompensated Care Program**—$30 million one-time General Fund, over three years, to support reproductive health services and gender-affirming care services.

- **CalRx**—$15.5 million one-time General Fund for CalRx to support low-cost options for epinephrine and tuberculosis drugs.
- **Workforce Training**—$15 million one-time General Fund to support workforce training and expansion for community health care workers.
- **Gender-Affirming Care Provider Network and Capacity**—$10 million General Fund in 2026-27 and $8 million General Fund each in 2027-28 and 2028-29 to provide capacity grants to gender-affirming care services providers.
- **Abortion Practical Support Program**—$10 million one-time General Fund, over three years, for grants to non-profit organizations and reproductive health care providers to improve access to reproductive care.

OTHER HEALTH AND HUMAN SERVICES

SIGNIFICANT BUDGET ADJUSTMENTS

- **AIDS Drug Assistance Program Investments**—An increase of $526 million AIDS Drug Assistance Program Rebate Fund, over four years, for services for those living with and at risk of HIV, including screening, prevention, resource distribution, and harm reduction initiatives. The Budget also includes $50 million one-time AIDS Drug Assistance Program Rebate Fund for the Department of Public Health to support services for those living with or at risk of HIV impacted by loss or delay of federal funds.
- **Covered California State Subsidy Program**—$300 million ongoing Health Care Affordability Reserve Fund to support the state premium subsidy program for enrollees up to 200 percent of the Federal Poverty Level.
- **Proposition 1 Behavioral Health Investments**—$174.8 million Behavioral Health Services Fund for the Department of Public Health, $131.1 million Behavioral Health Services Fund for the Department of Health Care Access and Information, and $20 million Behavioral Health Services Fund for the Commission for Behavioral Health in 2026-27 for the allocations for these purposes in Proposition 1. Of these amounts, $107.6 million is for the Department of Public Health and $79.5 million for the Department of Health Care Access and Information to implement new behavioral health population-based prevention and workforce programs in 2026-27 and continue the BH-CONNECT Workforce Initiative. The Budget includes $212.2 million

Behavioral Health Services Fund in lieu of General Fund in 2026-27 and $163.8 million in 2027-28 increasing to $226.4 million in 2029-30.

- **LQBTQ+ Community Centers**—$10 million one-time General Fund in 2026-27 for grants to LGBTQ+ community centers to sustain existing programs and expand services.
- **Sickle Cell Centers of Excellence**—$30 million General Fund available over five years, for Sickle Cell Centers of Excellence to provide treatment and health care for individuals with sickle cell disease.