

# LEGISLATIVE UPDATE



Week of May 11, 2026

State Issues	
<p>Revise Budget Update</p>	<p>Governor Newsom announced his May Revise Budget on May 14. California tax revenues are above estimates due to a robust stock market. However, the State’s structural deficit remains for the out years. The May Revise proposes \$3.6 in new corporate taxes and is anticipating a renewal of the MCO tax to bring in more than \$2 billion each year, beginning in 2027. The MCO plan would need to receive federal approval and meet HR 1 rules.</p> <p>The 2025 HQAF program is estimated to provide private hospital net-benefit payments of \$5.2 billion, with an additional \$500 million in MCO tax funding paid through directed payments, which is in keeping with the plan pending approval and what our technical experts were expecting.</p> <p>For Medi-Cal, the May Revision includes a total of \$194.4 billion in 2025-26 and \$216.7 billion in 2026-27. Medi-Cal is projected to cover approximately 14.4 million Californians in 2025-26 and 13.9 million in 2026-27—more than one-third of the state’s population.</p> <p>The Governor is also proposing to cut more access to Medi-Cal, including instituting an additional premium for undocumented Californians and reset the Asset Limit for participation. He is seeking to create new utilization management rules for Applied Behavioral Analysis, Transportation and eliminating the quality withhold incentive component of managed care. Cuts to enhanced care management and community supports is also proposed, as well as setting rate caps on PACE programs.</p> <p>The Governor does include some new funds for health care, with \$30 million for Sickel Cell Centers of Excellence; \$50 million for hospitals in immediate financial distress; \$2.9 billion in funding for county administration of health and human services; and, \$3 million for a menopause campaign. Budget Subcommittee on Health hearings in both the Senate and Assembly are set for every day next week.</p> <p><i>Attached is a more detailed summary of the health-related proposals in the May Revise.</i> The Department of Health Care Services has also released their overview of the health portion of the May Revise, and it includes some additional details. You can access it online <a href="#">here</a>.</p>
<p>Appropriations Suspense Hearing</p>	<p>Today, May 15, is the last day for Fiscal Committees to hear and report bills to the Floor. Any bill that fails to make this deadline is dead for the year. Nearly 1,000 bills were voted on in both the Senate and Assembly Appropriations Committees in their inimitable quick-fire pace. Both houses held about 27% of their bills. <i>Attached is the outcome of some of the Alliance’s key bills for the year.</i> You can access the result of every bill in <a href="#">Assembly Appropriations</a> and <a href="#">Senate Appropriations</a> via their respective links. Amendments made to bills in this committee will likely be in print over the weekend.</p>

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# May Revision 2026 Health Care Summary

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On Thursday, May 15, Governor Newsom released his May Revise Budget proposal. In his press conference, the Governor noted that General Fund revenues from the Big Three sources (Personal Income, Corporate, and Sales and Use Taxes) are \$16.5 billion higher than projected in January over the three-year budget window. General Fund spending at the May Revision is estimated at \$246.6 billion in 2026-27. This is approximately \$1.8 billion lower than estimated at the Governor's Budget. Building on the Governor's Budget, the May Revision proposes \$3.6 billion in 2026-27 new revenues, including Permanently Limit Business Credit Use to \$5 million or 50 Percent of Tax Liability, Taxation of Digital Prewritten Software, and he is counting on a robust 2027 Managed Care Organization Tax to help cover the shortfall. He is also proposing spending reductions, most notably by reducing access to Medi-Cal services. This includes expanding the Medi-Cal Asset Test Limits and increasing monthly premiums for adults with Unsatisfactory Immigration Status.

As the details are analyzed, more will be learned in the coming weeks. Budget Subcommittee on Health hearings are set for every day the week of May 18. Following are some of the specifics from the Governor's May Revise Budget plan:

## Medi-Cal Overview

- For Medi-Cal, the May Revision includes a total of \$194.4 billion in 2025-26 and \$216.7 billion in 2026-27.
- Medi-Cal is projected to cover approximately 14.4 million Californians in 2025-26 and 13.9 million in 2026-27—more than one-third of the state's population.
- The Medi-Cal shortfall in 2025-26 at the May Revision is estimated to be \$4.2 billion General Fund.

## Managed Care Organization Tax

- The May Revision reflects MCO Tax revenue of \$4.5 billion in 2025-26 and \$2.5 billion in 2026-27 to support the Medi-Cal program. This budget summary is not clear on how much MCO funding is going to be directed to the State General Fund.
- The May Revision also includes \$1.3 billion in 2025-26, \$2.4 billion in 2026-27, and \$150 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.
- May Revise continues to provide MCO Tax funds of \$500 million in total funds allocated for hospitals as additional directed payments through the QAF program in CY 2025. It is unclear if similar amount will be allocated in CY 2026, but we know the Administration is set to have talks with stakeholders on this issue in the coming weeks.
- The existing MCO Tax expires on December 31, 2026. Proposition 35 requires that the state seek federal approval to continue an MCO Tax. The May Revision projects \$575 million in 2026-27, \$2.3 billion each in 2027-28 and 2028-29, and \$1.7 billion in 2029-30 from this anticipated new tax to support the Medi-Cal program. It is important to note that these are just estimated figures and will be conditioned on the approval of the federal government and compliance with HR 1.

## Significant Health Proposals

- Hospital Quality Assurance Fee—The May Revision assumes \$84.7 million in 2025-26 and \$1.7 billion in 2026-27 to support children’s coverage. Because the state’s original HQAF waiver request did not comply with HR1, the Administration submitted a modified waiver request in March 2026 that is currently pending approval. The 2025 HQAF program is estimated to provide hospital net-benefit payments of \$5.5 billion.
- County Medi-Cal Administration— To support county workload for the implementation of Medi-Cal eligibility changes pursuant to H.R. 1, the May Revision reflects a one-time augmentation of \$262 million in 2026-27, \$33 million in each of 2027-28 and 2028-29. The May Revision includes a total of \$2.8 billion for Medi-Cal County administration in 2026-27.
- Hospitals in Immediate Financial Distress—The May Revision allows for an augmentation of up to \$50 million General Fund in 2026-27 for HCAI to provide short-term support for hospitals in immediate and significant financial distress. The Administration will continue to work with the Legislature on this issue. It appears this funding is tied to AB 108 approved in early May, but more clarification is needed.
- Sickle Cell Centers of Excellence—\$30 million General Fund, over five years, for the Department of Public health to support Sickle Cell Centers of Excellence to provide treatment and health care for individuals with sickle cell disease.
- AIDS Drug Assistance Program Investments—\$60 million one-time AIDS Drug Assistance Program Rebate Fund in 2026-27, including \$50 million AIDS Drug Assistance Program Rebate Fund for the Department of Public Health to support services for those living with and at risk of HIV, especially services impacted by loss of federal funds, and \$10 million AIDS Drug Assistance Program Rebate Fund for LGBTQ+ community centers experiencing a loss of federal funds.
- Statewide Menopause Campaign—\$3 million one-time General Fund at the Department of Public Health for a statewide public awareness campaign to support greater understanding of perimenopause and menopause.

## Proposed Cuts to Medi-Cal Program

- Increasing monthly premium for adults with unsatisfactory immigration status aged 19-59 from \$30 to \$50 effective July 1, 2027. The 2025 Budget Act included \$30 premiums for this group of adults effective July 1, 2027. This proposal would yield General Fund reduction of approximately \$427.3 million in 2027-28, decreasing to approximately \$314.3 million annually in 2029-30.
- Medi-Cal Efficiencies—The May Revision includes a General Fund reduction of \$68 million in 2026-27 increasing to \$552 million in 2029-30 to establish utilization management for applied behavioral analysis and transportation and eliminating the quality withhold incentive component for Medi-Cal managed care.
- 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.
- Program of All-Inclusive Care for the Elderly Rate Cap—The Revision proposes a rate cap for Program of All-Inclusive Care for the Elderly (PACE) organizations, except for new entrants in their first two years effective January 1, 2027. A General Fund reduction of \$33.7 million in 2026-27 and \$80.9 million ongoing.
- Eliminate Optional Adult Acupuncture Benefit—A General Fund reduction of approximately \$5.4 million in 2026-27 and \$13.1 million ongoing, effective January 1, 2027.

## HR 1 Implementation Proposals

- The May Revision reflects a \$2.2 billion General Fund increase for Medi-Cal expenditures in 2025-26 compared to the Governor's Budget. This increase is driven primarily by a delay in federal approval for the 2025 Hospital Quality Assurance Fee program, federal funds repayment and deferrals for state-only populations, and increased health care costs for managed care, fee-for-service, and Medicare.
- Transition of Individuals with Unsatisfactory Immigration Status to Fee-for-Service— 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 May Revision reflects a reduction of \$583.8 million in 2026-27 and \$1.5 billion ongoing.
- Work and Community Engagement Requirement—A reduction of \$357.6 million and \$9.6 billion by 2029-30, resulting from the new work and community engagement requirements effective January 1, 2027.
- Projected disenrollments are 43,000 in 2026-27 and 1.1 million by 2029-30. The May Revision reflects an increase in the number of individuals projected to retain Medi-Cal coverage by meeting specified exemption criteria, primarily for medical frailty and the CalFresh Able-bodied Adults Without Dependents requirements, which exempts these adults from Medi-Cal work requirements.
- Affordable Care Act Adult Expansion Six-Month Redeterminations— May Revision assumes the impacts of the required federal eligibility redetermination frequency from once per year to every six months. The May Revision includes a reduction of \$747.3 million in 2027-28 and \$2.5 billion by 2029-30. Disenrollments have decreased to zero in 2026-27 and are estimated to be approximately 278,600 in 2029-30.

**Senate and Assembly Appropriations Committees**  
**Alliance of Catholic Health Care Key Bills**  
**Suspense File Actions | May 14, 2026**

<b>Measure</b>	<b>Summary</b>	<b>Status</b>
<b>SB 915 (Menjivar): Patients accompanied by immigration enforcement officers</b>	Sets new requirements for hospital engagement with ICE	Dead for the year
<b>AB 2353 (Pacheco): Health Care Affordability</b>	CHA-sponsored bill that would require an annual independent fiscal review for bills that impact hospitals to help policy makers understand the cost and impact	Passed Assembly Appropriations; awaiting action the Assembly Floor
<b>SB 1422 (Durazo): Medi-Cal eligibility</b>	Would reinstate Medi-Cal eligibility to undocumented Californiad	Passed Senate Appropriations as amended
<b>AB 1930 (Zbur)</b> <b>AB 1854 (Krell)</b>	Sponsored by the Attorney General these bills seek to set parameters for hospitals responding to information requests from the federal government to give an opportunity for the AG to engage	Passed Assembly Appropriations
<b>AB 1900 (Kalra): Single Payer</b>	Would create Cal Care, a single payer health care system	Dead for the year
<b>AB 2598 (Krell): Remains</b>	Requires additional notification requirements regarding deceased patients	Passed Assembly Appropriations
<b>AB 2131 (Rubio): Seismic</b>	Would exempt acute care rehabilitation facilities from the 2030 seismic standards	Dead for the year
<b>SB 895 (Weiner): Research Bond</b>	The \$23 billion state bond would fund scientific research.	Passed Senate Appropriations; awaiting action on the Senate Floor

<b>SB 987 (Weber Pierson): State only fund</b>	Creates a fund to pay for health care coverage and services for Californians who lose access as a result of HR 1 and other policy changes	Dead for the year
<b>AB 2311 (Schiavo): Health Care Districts: Physicians</b>	Would allow health care districts to employ physicians	Passed Assembly Appropriations; awaiting action on the Assembly Floor
<b>AB 2231 (Aherns): CEQA</b>	Exempt hospitals from CEQA requirements; has been amended to only apply to hospitals in Santa Clara and Emeryville	Passed the Assembly; awaiting action in the Senate
<b>AB 2131 (Rubio): Seismic</b>	Would exempt acute care rehabilitation facilities from the 2030 seismic standards	Dead for the year