

LEGISLATIVE UPDATE



Week of March 9, 2026

State Issues	
Legislative Update	<p>More than 1800 bills have been introduced, so far, for the 2026 legislative session. Of note, nearly 30% are still spot bills – meaning they have not been amended to include substantive bill language. The deadline to amend spot bills in the Assembly is next Monday, March 16, and in the Senate, it is March 25. Bills are beginning to be set for hearing, and the deadline for fiscal bills to be heard in their respective houses is April 24.</p>
New State Contractor Seeks Efficiencies in Medi-Cal	<p>Earlier this week, the Legislative Analyst’s Office (LAO) released a memo detailing the \$20 million contract the State Department of Finance (DOF) has entered into with a consulting firm “to assist and advise DOF in creating efficiencies through process improvements in state government.” There are three departments where efficiencies will be sought: Department of Health Care Services (DHCS), California Departments of Corrections and Rehabilitation (CDCR), and Department of Social Services (DSS). More than half of the expected savings are designed to come from DHCS in most years.</p> <p>Boston Consulting Group (BCG) is tasked with identifying cost savings and operational improvements across several state programs, including oversight of Medi-Cal Managed Care Plans, Medi-Cal fraud detection programs, and hospital payment policies. Authorized in the 2025 state budget, the original plan was to reduce state costs by \$500 million in 2025-26, growing to \$2 billion in annual savings by 2028-29. However, those estimates have already been reduced to \$245 million General Fund in 2025-26. The Administration also revised downward the anticipated ongoing annual savings to \$810 million by 2028-29.</p> <p>The LAO also estimates that the total amount of anticipated savings will be reduced again in the May Revise. They have developed three “workstreams” for DHCS:</p> <p>Managed Care Organization (MCO) Oversight and Efficiencies. BCG is expected to assist DHCS in developing a centralized mechanism for monitoring MCOs along various performance indicators including timely claims payment and dispute resolution, quality of care, and compliance with legal requirements.</p> <p>Medicaid Program Integrity. BCG is expected to develop and pilot an analytical model that could save money in Medi-Cal by detecting pre-payment fraud, reducing improper claims, and flagging areas of possible waste and abuse.</p> <p>Hospital Financing. BCG is expected to conduct a detailed analysis of financial data for hospitals across the state to identify how different hospital payment models create incentives for hospitals. This work would be expected to serve as a basis for developing recommendations to reduce state costs.</p> <p>Key deliverables — including oversight frameworks, fraud-detection models, and hospital payment policy options — are expected to be completed over roughly a 20- to 28-week timeline during 2026. It is expected that some policy proposals could be implemented administratively, while others may require statutory changes or future budget actions. State officials say the goal is to produce ongoing savings while improving care quality, strengthening accountability for managed care plans, and ensuring long-term financial sustainability for the Medi-Cal program and participating providers. (more)</p>

New State Contractor Seeks Efficiencies in Medi-Cal <i>(continued)</i>	While the current contract only requires updates to the Legislature on an annual basis, the LAO is suggesting the Legislature increase their oversight into this process by requiring quarterly reports. This is likely to be discussed in upcoming budget and budget subcommittee hearings in the coming weeks.
Online Medi-Cal Hospice Program Attestation Form Requirement	<p>Effective March 2, DHCS will require all hospice providers to use the online Medi-Cal Hospice Program Attestation Form to notify DHCS when a Medi-Cal fee-for-service member elects hospice services. Paper or emailed submissions will no longer be accepted.</p> <p>Providers must submit the online form within five calendar days of the member's election, in conjunction with counseling, informed consent, and completion of the Medi-Cal Hospice Program Election Notice form (DHCS 8052), which must be retained in the member's medical record for audits. Submission of the attestation form is mandatory for payment eligibility but does not guarantee reimbursement; claims will be processed only after DHCS validates the information and applies the hospice indicator (900 code).</p> <p>This requirement applies exclusively to Medi-Cal fee-for-service members. For managed care members, providers must follow their assigned managed care plan's submission requirements, including but not limited to, the submission of a Medi-Cal Hospice Program Election Notice as required by All Plan Letter 25-008. Providers should retain DHCS' email confirmation as proof of timely filing. For questions, visit the DHCS Hospice Care webpage or email MCHospiceClerk@dhcs.ca.gov.</p>
Supplemental Budget Hearing on Covered California and DHCS	<p>This week began with a hearing of the Assembly Budget Subcommittee on Health – holding its second part of its hearing earlier this year on “California’s Response to HR 1: Defending Health Care Affordability & Access. Part 2: Federal Impacts on Coverage: Medi-Cal, Covered California, and Immigrant Access to Care.” You can access the agenda and background materials here.</p> <p>The hearing focused on the impacts of 1) HR 1 and other federal actions related to the Covered California insurance Marketplace; 2) Impacts of HR 1 on Medi-Cal Enrollment and the State's Implementation Framework; and 3) Impacts of HR 1 and Federal Actions on Immigrant Access to Care.</p> <p>Testifying at the hearing were representatives of Covered California and the Department of Health Care Services (DHCS), along with the State Department of Finance and Legislative Analyst’s Office. Covered California expects enrollment and coverage losses will occur in two waves. The first wave will be triggered by the expiration of the enhanced federal premium tax credits. The response to the loss of enhanced federal subsidies is expected to unfold over the next few months, as more consumers find the premiums unaffordable and decide to drop coverage. The second wave will result from various provisions of HR 1 and the new federal rules. Implementation of those provisions will be phased in from mid-2025 through 2028, with the largest impacts expected in later years. They predict the enrollment in July 2030 to be around 1.4 million – which would be down from the 1.9 million covered lives from its peak in August 2025.</p> <p>Anticipating the expiration of federal enhanced subsidies, California took proactive action to partially offset the impact on lower-income enrollees. The 2025 Budget Act appropriated \$190 million from the Health Care Affordability Reserve Fund (HCARF) to fund a state premium assistance program for Covered California enrollees in plan year 2026. The 2026-27 Governor’s Budget maintains this \$190 million appropriation.</p> <p>DHCS focused on the anticipated losses of coverage in Medi-Cal and the steps they are taking to mitigate those losses. DHCS estimates that taken together, the new work requirements and the six-month renewals will result in up to 1.8 million Medi-Cal members losing coverage over the next few years. Disenrollment will not happen all at once: DHCS expects coverage losses to occur over the long term.</p> <p style="text-align: right;"><i>(more)</i></p>

Supplemental Budget
Hearing on Covered
California and DHCS
(continued)

Estimated Coverage Losses

Provision	Near-Term Estimates	Long-Term Estimates
Work & Community Engagement Requirements	233,000 by June 2027	1.4 million by June 2028
Six-Month Renewals	289,000 by June 2026	400,000 by 2029-30
Combined	522,000 by June 2027	1.8 million by June 2028

The Committee also covered an upcoming policy change. On October 1, 2026, HR 1 ends federal full scope Medicaid funding for the majority of lawfully present immigrants who currently qualify as "qualified non-citizens" for Medi-Cal. The following groups will lose access to federally funded full-scope Medi-Cal: Refugees and asylees, victims of human trafficking, and individuals paroled into the United States on humanitarian grounds including Afghans who aided U.S. military operations, or people fleeing violence in the Ukrainian war.

DHCS estimates that approximately 200,000 current Medi-Cal members fall into these categories. Under the Governor's proposed 2026-27 budget, these individuals will be transitioned to restricted-scope Medi-Cal, covering emergency services and pregnancy-related care only.

The impact of HR1 on patients and the health care delivery system will continue to be a topic of concern and discussion as the Budget process continues.

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