LEGISLATIVE UPDATE

Alliance of Catholic Health Care

Week of August 31, 2026

State Issues

End of Session Update: State Budget	The California Legislature concluded its 2025–26 session on Tuesday, September 1—one day later than the scheduled August 31 adjournment. After extended negotiations and several procedural maneuvers, lawmakers secured additional time to consider a small number of key measures, including the August budget bill, AB 113, and wildfire- and insurance-related legislation. **Budget "Clean-Up" Bill.** AB 113 is a late-session "Budget Bill Junior" that amends California's 2026–27 state budget. It allocates funding for a range of priorities, including climate projects, security details, regional infrastructure, and several health care programs. The measure does not include any major new programs, taxes, or initiatives. **Health Budget Trailer Bill:** AB 173 is the health budget trailer bill. The Senate's summary of all trailer bills is available here; a detailed overview of the health policy provisions begins on page 10. The bill focuses on Medi-Cal fraud prevention and enforcement; support for the state's 988 mental health crisis hotline and broader behavioral health programs; and expanded coverage for medically necessary dialysis services. **Medi-Cal Fraud Prevention and Enforcement.** In response to heightened federal scrutiny of waste, fraud, and abuse in Medicaid, AB 173 gives the Department of Health Care Services (DHCS) additional authority to investigate suspected fraud and protect the Medi-Cal program. The bill allows DHCS to: • Freeze new provider enrollments for up to 180 days at specified clinics and health facilities when fraud is suspected; • Immediately suspend or deactivate a health care provider when a local, state, or federal investigation begins; • Conduct unannounced site-verification visits and physical inspections of provider businesses; and • Clarify that participation in "legally protected health care activity" cannot, by itself, justify excluding or terminating a provider from Medi-Cal. **Expanded Dialysis Coverage.** Beginning October 1, 2026, the state must cover medically necessary maintenance dialysis and end-stage renal disease treatment for people enrolled in restricted-scope Medi-Cal. Coverage will apply regardless of whether the treatment meets the narrower federal definition of an "emergency medical condition." If federal matching funds are unavailable, the state will assume the full cost. **Behavioral Health and Crisis Response**. AB 173 also expands behavioral health service delivery and provides administrative funding to strengthen California's emergency mental health response, including support for the 988-crisis hotline. In addition, it appropriates federal mental health grant funding, including multimillion-dollar operating awards from the Substance Abuse and Mental Health Services Administration (SAMHSA). *(more)*

End of Session Update: State Budget *(continued)*	**Next Steps and Signing Deadlines**. AB 113 and AB 173 are proceeding through enrollment and engrossment, the administrative review that occurs before legislation reaches the Governor. Once the bills arrive, the Governor will have 30 days to act on the health trailer bill. Because of the end-of-session timing, however, he will have only 12 days to sign the budget bill.
End of Session Update: Legislation	The principal health care policy dispute at the end of the legislative session centered on AB 2575 (Ortega). The bill would limit a health care provider's accountability for an adverse outcome when the provider either follows or overrides the recommendation of an automated clinical decision-making tool. The bill is sponsored by the California Nurses Association who lead a coalition including Health Access, Cal Labor Fed, Teamsters, and the National Union of Health Care Workers. They believe the bill is necessary because "California law currently lacks guardrails governing the use of AI in health care settings to ensure transparency, protect professional judgment, or establish accountability when these technologies contribute to harmful patient outcomes." The bill is opposed by nearly every health care organization in the State, including the California Medical Association, California Hospital Association, Biocom, California Life Sciences, California Association of Health Plans, and organizations representing health care clinics, along with dozens of others. Those in opposition argue that this bill would restrict the beneficial use of AI in health care while also creating significant liability and patient safety issues. The coalition contends that this bill gives a health care worker unrestrained authority to override a CDSS output without review or supervision, which could lead to patient harm, and allows health care workers to subjectively determine whether to incorporate potentially life-saving CDSS data into the care plan of patients. While the oppose coalition was successful in killing the bill Friday night, the author received rule waivers to make last minute amendments to the bill and have it brought back for a vote on Monday. While the amendments did not remove any of the opposition, it was enough of a play to provide cover for those feeling the pressure from the proponents and those in leadership. The bill ended up passing the legislature on the last night of session by just one vote. The Coalition of health care advocates continues to oppose the bill, urging the Governor to veto the measure.
Serious Decline in Medi-Cal Enrollment	The California Health Care Foundation is reporting on the ongoing declines in Medi-Cal enrollment. California has seen 730,000 people leaving the program between June 2025 (when 14.78 million people were enrolled) and March 2026 (when enrollment fell to 14.05 million). A new CHCF article discusses what's behind these trends, which follow the expiration of COVID-era flexibilities that allowed many people to stay on Medi-Cal — and which precede the even larger wave of departures from the program that are expected once H.R.1 goes into effect. CHCF's Medi-Cal Enrollment Tracker shows that roughly a third of the current decline has been due to the disenrollment of undocumented Californians, who were impacted by a state-imposed enrollment freeze last year and who may also be leaving the program due to growing fears about federal immigration enforcement. Undocumented adults who were on Medi-Cal prior to 2026 can stay enrolled, although they will have to pay a monthly premium beginning next year. On a percentage basis, CHCF finds undocumented children and young adults have experienced the steepest enrollment declines — falling over 20% in the last year. *(more)*

Serious Decline in Medi-Cal Enrollment *(continued)*	You can read CHCF's full article here: What the data tell us about the 730,000 Californians who have left Medi-Cal. And find CHCF's interactive Medi-Cal Enrollment Tracker also allows users to further explore enrollment trends.

For more information, please contact Lori Dangberg at 1215 K Street, Suite 2040 ▪ Sacramento, CA 95814
916.591.3991 or e-mail: ldangberg@thealliance.net