

LEGISLATIVE UPDATE



Week of March 2, 2026

State Issues

Future of Medi-Cal Commission

The California Health Care Foundation is spearheading the [Future of Medi-Cal Commission](#), which brings together leaders from across California’s health care landscape to develop a 10-year vision and roadmap for a more effective and sustainable Medi-Cal program. Led by former Secretary of the Health and Human Services Agency, Dr. Mark Ghaly, and the former Chief of Staff to Gavin Newsom, Ann O’Leary, the Commission’s work will culminate in a set of concrete recommendations in early 2027. The first meeting of the Commission was held late last month, and they report that it was full of positive signs for this initiative, with active engagement from commissioners and members of the public. Slides from the presentation portion of the meeting can be found [here](#).

“This is a difficult time for Medi-Cal, and every part of this program is under stress,” acknowledged Dr. Mark Ghaly, one of the Commission co-chairs, at the group’s first meeting, while encouraging commissioners to think broadly about what this program needs to be successful over the next 10 years. With discussions ramping up across California, about everything from how to pay for health care services to who should qualify, Ann O’Leary, co-chair of the Commission, urged the group to take a longer view on how best to serve the nearly 15 million Californians who rely on Medi-Cal. Co-Chair O’Leary stated, “... I hope we can take everything that we’re hearing and work together to think about what the next 10 years looks like.”

After listening to public comment, Commissioners spent the day discussing system-level challenges facing Medi-Cal on topics ranging from regional inequities and administrative complexity to the need for fiscal sustainability and preventive services grounded in primary care. Commissioners began exploring opportunities for strengthening the program over the next decade and identified an initial list of potential “accelerants.” This dialogue will continue at the next meeting on March 17 in Riverside County, where Commissioners will begin to narrow their list of priorities. It is interesting to note that the full Commission hearings are in-person only, not live streamed and, to date, none are set for Sacramento.

Medi-Cal Budget Issues and Policy Choices

This week, the Legislative Analyst’s Office released a new report on Medi-Cal and the choices the Legislature will face. In the report, titled “[2026-2027 Budget: Medi-Cal Analysis](#)”, they provide a bit of a background and overview of the current program, before diving into their recommendations for policy consideration. As part of the background they note:

- Medi-Cal Spending Continues to Rise.
- Provider Taxes Are Ramping Down.
- More Information Needed to Fully Assess Drivers of Base Spending Growth.
- Legislature Faces Choices to Implement H.R. 1’s Eligibility Changes.

(more)

Medi-Cal Budget
Issues and Policy
Choices
(continued)

Proposed Solutions. The report then turns to proposed solutions they believe the Legislature should consider. It notes that the Legislature has some discretion over components of Medi-Cal such as eligibility, benefits, utilization management, and provider rates. That said, solutions that would yield larger savings like further altering the scope and benefits offered, potentially reduce access to health care services.

State Could Realize Savings by Restricting Eligibility but Would Need to Consider Access to Care. The state has significantly increased the scope of individuals eligible for comprehensive Medi-Cal coverage. Eligibility is an area where the Legislature has relatively greater discretion to make changes within current federal rules. To find significant savings on the eligibility front, the Legislature likely would need to revisit eligibility for recently expanded optional populations, but absent other actions, those actions would reduce health care access to those populations.

Elimination of Recently-Enacted Optional Benefits May Offer Limited Savings. During previous periods of budget challenges, the state has limited certain optional benefits. However, these optional benefits often cost less compared to mandatory benefits in the Medi-Cal program. Enhanced Care Management and Community Supports are the only recently added benefits with an annual General Fund cost of over \$1 billion. In comparison, the cost of other recently added optional benefits total in the hundreds of millions of dollars. Accordingly, the elimination of optional benefits would probably achieve limited savings. That said, there are longer standing optional benefits (like pharmacy) that would yield much greater savings, but with larger trade-offs. Additionally, certain optional benefits such as Enhanced Care Management and Community Supports are intended to reduce use of other, higher-cost, services over the longer term, potentially reducing the fiscal benefit of this savings option over time.

Uncertain if Additional Utilization Management Would Result in Significant Savings. There are limited opportunities for the state to realize significant savings through utilization management under the current system. In addition to the traditional work of managed care plans, the state also enacted pharmacy utilization controls in the 2025-26 budget. The Legislature could work with DHCS to structure copays to promote high-value care, such as adopting higher charges for less medically necessary services.

State is Limited by Federal Rules from Reducing Certain Provider Rates. Historically, the state has looked to reducing provider rates to address budget challenges without affecting eligibility or benefits, although recent federal rules now require states to demonstrate that any proposed changes to provider rates will not negatively impact enrollees' access to care. The Legislature could work with the administration to identify whether there are any relatively higher rates that could be reduced without a significant risk of access-related challenges, as well as the associated fiscal impact.

Limited Capacity of Existing Alternative Fund Sources to Support Nonfederal Share of Medi-Cal Costs. The state has utilized non-General Fund funding sources (provider taxes, tobacco taxes, and local government contributions) to cover the nonfederal share of costs in the Medi-Cal program. However, these sources do not have additional capacity. Given the limits on alternative financing sources it has used in the past, the Legislature will likely need to consider new and creative funding sources.

(more)

<p>Medi-Cal Budget Issues and Policy Choices <i>(continued)</i></p>	<p><i>Efforts to Address Underlying Cost Growth in Medi-Cal are Warranted, but Savings Highly Uncertain.</i> In recent years, the state has initiated efforts to address major health care cost drivers that contribute to the cost of the Medi-Cal program (for example, the creation of the Office of Health Care Affordability or CalRx’s efforts to create biosimilar versions of more costly drugs). There may be opportunities for the Legislature to work with state departments to find more efficiencies. However, given the size and complexity of the Medi-Cal program, identifying these options would require significant analysis and time to see savings. The Legislature likely will want to continue focusing on addressing underlying cost growth in Medi-Cal in the long term alongside any potential budget solutions.</p>
<p>Research Bill and Bond</p>	<p>Senator Weiner has introduced SB 895, a measure that creates the California Foundation for Science and Health Research to ensure that lifesaving and economically vital scientific research continues, even if the federal government cuts or withholds federal funds. The bill additionally authorizes up to \$23 billion in General Obligation Bonds to fund research grants, loans, and facilities. It is intended to aid research in critical areas including cancer, Alzheimer’s, Parkinson’s, heart disease, diabetes, climate change, wildfire prevention and renewable energy.</p> <p>The author contends the measure is needed to protect research in California. Federal cuts and suspensions have threatened billions of dollars in scientific research funding, especially targeting California institutions. For example, in 2025, the federal government froze or suspended \$584 million in grants to UCLA and demanded \$1 billion in fines — jeopardizing thousands of life-saving projects.</p> <p>Scientific research and innovation are the engines that have driven California’s economic success for decades. The breakthroughs produced here have sparked new industries and powered the success of the state’s biotech, medical, agricultural, and software industries. The measure does include some more controversial elements. It would seek to retain for the State’s purposes some of the value and benefit of any of the research conducted with the funding. Specifically, the measure notes that a portion of any licensing or royalties would be recouped by the State. In addition, it specifically notes that any drugs developed through this research will be made available to the State at a discount, which would have to be negotiated as part of the grant award contracts. The Senator has stated he hopes this component will help with the voters if it makes it on to the ballot.</p> <p>The bill is sponsored by the United Auto Workers and the Union of American Physicians and Dentists – unions that represent thousands of researchers across the State. The bill is widely supported by academic and research institutions, including the UC Office of the President, Stanford, and the Michael J. Fox Foundation.</p> <p>But it is not necessarily smooth sailing. It will require a 2/3rds vote in the Legislature, and there is likely to be a great deal of opposition. It will then need to be signed by the Governor and placed on the ballot for statewide vote. It will also be in serious competition for other bonds, including one for \$10 billion to support affordable housing. At a time when the many are concerned about the State taking on more debt, and Legislators needing to do more to make California more affordable, this research bond will have a tough road ahead.</p>

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