San Francisco Department of Public Health

San Francisco Human Services Agency

City and County of San Francisco
Daniel Lurie
Mayor

Memorandum

Re: Fiscal and Workload Impacts from Federal and State Legislative Changes in Medi-Cal and CalFresh

Overview

Federal HR 1 (One Big Beautiful Bill Act) and State (FY 2025-26 Budget) legislative changes passed in 2025 make qualifying for CalFresh and Medi-Cal benefits more difficult for clients, make administering these programs significantly more costly for states/counties, and intensify pressure on uncompensated health care systems.

SFDPH projects reimbursement and direct funding losses of up to $315M annually by FY2027-28, increasing up to **$400M when fully implemented by 2038.** SFHSA projects **revenue losses and workload impacts totaling as much as $81M annually.** In addition, **between 25,000 and 50,000 San Franciscans are projected to lose Medi-Cal coverage** and almost **20,000 could lose CalFresh benefits** by end of 2027. Individuals may be able to maintain their benefits by participating in work activities and/or complying with recertification requirements. San Francisco will do **everything possible to help San Franciscans** maintain health coverage.

Under HR 1, more people will be uninsured, threatening their access to services including primary care, prenatal services, and chronic disease management. This will place additional pressure on San Francisco's safety-net hospitals and clinics. Many clients will lose access to food assistance and be forced to make difficult tradeoffs between basic needs such as rent and healthcare. Local businesses will be hit too by a projected $6 million monthly drop in federal SNAP spending due to reduced caseloads; broadly, CalFresh spending supports over 300 local grocery jobs and nearly 600 related jobs, according to the National Grocers' Association. A robust response is needed to help as many clients as possible maintain eligibility, first and foremost for the nutrition/health of the clients themselves, but also to mitigate the revenue losses and prevent further strain on the city's food distribution and healthcare systems.

Summary of Key Federal and State Changes

- **Federal and State budgets introduce $460M in annual funding cuts.**
  - Federal and state funding for Medi-Cal payment rates, uncompensated care, community support, and emergency health care is drastically cut.
  - Medi-Cal reimbursements decrease due to expanded restrictions on eligibility.
  - Federal financial participation for CalFresh administration is cut from 50% of fully allocated costs to 25%.

- Cost-sharing for CalFresh benefit allotments (previously almost 100% federally funded) will be required, and will be calculated to penalize high error rates.

- **Expanded restrictions on eligibility in Medi-Cal and CalFresh.**
  - To become/remain eligible for benefits, many clients will need to demonstrate compliance with new or expanded work requirements.
  - Undocumented adults will soon be barred from enrolling in full-scope Medi-Cal, and current enrollees will permanently lose coverage if they fail renewal requirements.
  - New reporting requirements and more frequent redeterminations create compliance barriers for clients and increase workload to administer Medi-Cal.

Client Impacts - Loss of Medi-Cal and CalFresh Eligibility

Almost 216,000 San Franciscans rely on Medi-Cal coverage through SFHSA, and the State manages Medi-Cal for around 45,000 additional county residents.[1] State and federal policy changes will limit eligibility and add procedural barriers to coverage, **leading to a loss of Medi-Cal coverage for an anticipated net 25,400 – 50,500 San Franciscans by the end of 2027. This represents a Medi-Cal caseload decrease of 12% – 23%.** Of those losing coverage, an estimated 8,400 – 16,800 receive services from SFDPH. Impacts will be concentrated among working-age adults without disabilities who qualify for coverage under the Affordable Care Act (ACA) Expansion,[2] and adults age 19+ with unsatisfactory immigration status (UIS).

CalFresh provides food assistance to 111,700 San Franciscans. The program includes work requirements for working-age adults (Able-Bodied Adults Without Dependents, or ABAWDs), though these have been largely waived statewide for the past two decades. This waiver will expire in November 2025. HR 1 also expands the population of CalFresh recipients subject to work requirements. SFHSA anticipates that effective screening can identify exemptions for 60% of CalFresh clients subject to the rules, leaving **21,080 (almost 20% of the CalFresh population) at risk of losing benefits if they do not work.**

While multiple State and federal policy changes related to Medi-Cal and CalFresh will take effect over the next several years, we anticipate three major drivers[3] of coverage loss:

- **New Work Requirements.** Starting in FY 2026, CalFresh ABAWD clients will again be subject to work requirements. Beginning in January 2027, Medi-Cal recipients in the ACA expansion group must also meet new federal work rules. While many CalFresh and Medi-Cal clients will be auto-exempt or verified through existing data, others risk losing coverage if they don't submit documentation or are not currently engaged in work-related activities.

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[1] The state of California manages Medi-Cal for recipients of Supplemental Security Income (SSI) and Medicare; this population is less impacted by upcoming policy changes since it consists of older adults and/or people with disabilities who usually have citizenship or permanent residency in the United States.

[2] The main "ACA expansion population" is comprised of adults aged 19 to 64 who do not have dependent children and have incomes at or below 138% of the FPL. It excludes people who previously had access to Medicaid based on disability.

[3] These three policies affect overlapping groups, so the combined caseload impact will be less than the sum of individual impacts.

- **More Frequent Medi-Cal Eligibility Redeterminations.** Beginning in January 2027, SFHSA must reassess eligibility of the ACA Expansion population every six months instead of every 12 months. Clients' increased paperwork and reporting requirements will likely drive coverage down on an ongoing basis.
- **Enrollment Freeze for Undocumented Immigrants 19+.** Adults age 19+ with unsatisfactory immigration status (UIS) will no longer be able to enroll in full scope Medi-Cal after January 1, 2026. In addition to freezing enrollment for new undocumented adult applicants, those who are already enrolled may lose coverage permanently if they do not comply with procedures to maintain eligibility.

Revenue Losses & Workload Impacts

- **SFDPH Fiscal Impacts.** SFDPH estimates that the related revenue reductions from eligibility losses will be between $90M and $180M in FY2027-28, in addition to the funding reductions to Medi-Cal Reimbursement rates and the health safety net. Combined, SFDPH projects **reimbursement losses of up to $315M annually** by FY2027-28 and increase to **$400M when fully implemented by 2038**.

Table 1. Department of Public Health Funding Losses ($ millions)

	FY2026-27	FY2027-28	Full Phase-In (FY2037-38)
Direct Funding Reductions			
Federal			
Medi-Cal payment rates	(7)	(17)	(148)
Uncompensated Care & Community Support Funding	(40)	(91)	(25)
Emergency Health Care Funding	(13)	(17)	(17)
State			
Medi-Cal payment rates	(5)	(10)	(10)
Total Direct Funding Reductions (federal & state)	**(65)**	**(135)**	**(200)**
Increase in uninsured – loss of reimbursement			
Restrictions on Eligibility (work requirements, redeterminations, care for undocumented)	TBD	($90) - ($180)	($100) - ($200)
Total	**($65M)**	**($225M) - ($315M)**	**($300M) - ($400M)**

- **SFHSA Fiscal Impacts.** Under HR1, the federal government shifts more administrative and benefit costs to states and counties. At current spending levels, reducing the federal share of CalFresh administrative costs from 50% to 25% would result in a $26 million annual loss in federal funding for San Francisco. Additionally, states with payment error rates above 6% would be required to cover a portion of CalFresh benefit allotments. Based on San Francisco's current error rate (~12%), this would mean a $36 million annual penalty.
- **Workload Impacts Related to Work Rules.** SFHSA estimates that 29 FTE ($4M) are needed to handle the new twice yearly Medi-Cal redetermination requirements, and 38 FTEs ($4M, after factoring in outside revenue) to process mon thly work participation reports from

the Medi-Cal/CalFresh rule changes. Additional workload is also expected from efforts to reduce payment errors and engage clients in qualifying activities. While staffing needs in this area depend on caseload and service models, preliminary estimates suggest an additional 82 FTE ($11M, after factoring in outside revenue) could be required to support 27,400 at risk clients annually with career exploration, training referrals, and employment-related case management.

Table 2. SFHSA Fiscal & Workload Impacts - Annualized Change to Baseline Upon Full Implementation ($ millions)

	Cost-sharing ($M)	Effective Date	Staffing and service impacts
CalFresh Administration Cost-Sharing	26	Oct 1, 2026	-
CalFresh Benefit Cost-Sharing	36	Oct 1, 2027	Error mitigation strategies TBD
Medi-Cal Redeterminations	4	Jan 1, 2027	29 FTE
CalFresh/Medi-Cal Work Requirement	15	Upon Enactment/ Jan 1, 2027	Eligibility 38 FTE + Employment Svs 82 FTE + other investments in workforce services TBD
Total	$81M		149 FTE + Error mitigation strategies TBD + workforce services investments TBD

Mitigation Strategies

Through careful implementation of these changes, the City and State will do everything possible to preserve coverage and mitigate funding impacts from this legislation. Mitigation strategies currently planned include:

- **Keep People Enrolled.** SFDPH & SFHSA have partnered with the Mayor's Office of Innovation to explore technological innovations that simplify client reporting processes and streamline administrative tasks to help clients maintain coverage. To manage the high volume of renewals and reports of work activity, SFHSA will also need to increase staffing for Medi-Cal and CalFresh eligibility functions. Additionally, by partnering with OEWD and expanding SFHSA workforce development staff and contracted services, SFHSA aims to help clients meet work activity requirements necessary to retain Medi-Cal and CalFresh benefits, while supporting their path to self-sufficiency through preparation for and access to qualified employment activities. The actual workforce services that will be provided to clients is still to

be determined and will depend on various factors including service demand, labor market, and clients' job readiness. Depending on the mode of service delivery for instance, serving just 20% of the eligible population could easily cost in the tens of millions of dollars annually—an amount that could grow even more significant, given the potential need to serve as many as 27,400 Medi-Cal and CalFresh clients at risk of noncompliance.

- **Strengthen Partnerships.** SFHSA and SFDPH will collaborate with Medi-Cal managed care health plans and community-based organizations to spread the word and connect clients to supports they need in convenient and culturally appropriate settings. We are committed to creative strategies that keep clients informed, educate community partners about benefits and important changes, and yield high-value outreach and marketing for prospective clients.
- **Explore Alternative Health Care Coverage.** Assess Healthy San Francisco program as an option for those ineligible for Medi-Cal. Healthy San Francisco is SFDPH's health access program which provides health care services for individuals who are ineligible for Medi-Cal and Medicare. As of September 2025, almost 2,900 individuals were enrolled in Healthy SF. Before implementation of the Affordable Care Act which expanded Medi-Cal eligibility and expansion of State-only Medi-Cal to undocumented persons, there were over 51,000 individuals enrolled in Healthy SF. Healthy SF participation will increase due to eligibility restrictions for public insurance and increase the costs of the program. Cost estimates associated with potential Healthy San Francisco enrollment increases will be provided to the City in November 2025. If necessary, SFDPH will provide recommendations about any changes in Healthy San Francisco program eligibility or policy, at the same time.
- **Maximize Medi-Cal Reimbursement.** SFDPH has committed to a variety of initiatives in the FY 2025-26 and FY2026-27 budget to maximize eligible reimbursements ultimately increasing our revenue by $550 million over the two budget years through increases in documentation and billing efficiency among other efforts.
- **Minimize CalFresh Payment Errors and Associated Penalties.** Eliminating cost-sharing due to error rates above 6% will require a comprehensive re-orientation of SFHSA's CalFresh program.[4] SFHSA is developing a long-term strategy to improve payment accuracy by targeting quality assurance reviews, investing in supportive technology, expanding training in high-risk areas, and increasing staffing to allow for more thorough reviews and coaching.

Despite these actions, the City will face difficult financial decisions, and we will need to prioritize programs, services, and staffing. The impacts from the federal changes to these critical programs in San Francisco will be in part determined by what actions California chooses to take. The California Legislature and Governor are not expected to begin taking action to address H.R.1's impacts until the 2026 legislative session and 2026- 27 state budget process. City and County departments will closely monitor any actions taken by the State including actions taken by State agencies such as CA Health and Human Services.

[4] San Francisco's error rate is slightly below the statewide average and other counties are grappling with similar strategies to address this issue, along with support from CDSS.