Impact of H.R. 1 on the Health and Wellbeing of Older Adults and People with Disabilities in California

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The federal reconciliation act, H.R.1, that was passed and signed into law by President Trump in July will have significant impact on many vital programs serving Californians. Programs such as Medicaid (Medi-Cal in California), Medicare, Affordable Care Act (ACA) premium tax credits, and the Supplemental Nutrition Assistance Program (SNAP) are all affected by this law. This resource outlines key provisions from the law and their implications for California's older adults, people with disabilities, and caregivers.

MEDI-CAL ACCESS

Medi-Cal is a critical health care program that approximately 2.4 million low-income older adults and people with disabilities depend on.[1] The new law includes several items that will affect Medi-Cal eligibility and access, including introducing cost-sharing requirements, adding bureaucratic hurdles, and limiting retroactive coverage.

Medicaid Eligibility Redeterminations (Section 71107)[2]

Implementation Date: December 31, 2026

Change: Paperwork requirements will increase, with states required to verify eligibility at least every 6 months, rather than every 12 months, for Medicaid expansion adults ages 19 to 64.

> **Impact:** If a Medi-Cal enrollee is unable to complete the increased paperwork requirements, they will lose coverage. It is estimated that approximately 400,000 Medi-Cal enrollees, including older adults and people with disabilities ages 50-64, may lose coverage because of this mandate.[3]

Home Equity Limit Exclusion (Section 71108)[2]

Implementation Date: January 1, 2028

Change: The maximum allowable home equity limit for Medicaid eligibility is reduced and frozen at $1 million. This change does not account for inflation. (It does allow exemption for agricultural land).

> **Impact:** This change limits those who qualify for Medi-Cal long-term care. With California's high property values, it will be harder for low to middle-income older adults and people with disabilities to keep their home and will lead to unnecessary institutionalization to access needed services.

Medicaid Eligibility (Section 71109)[2]

Implementation Date: October 1, 2026

Change: Limits eligibility for Medicaid to legal permanent residents, Cubans and Haitians who entered via family reunification program, residents under a Compact of Free Association, and lawfully present children and pregnant people.

> **Impact:** Some lawfully present immigrants will lose eligibility for Medi-Cal. Older immigrants without green cards may become ineligible for Medi-Cal. California may pull back coverage for undocumented immigrants. This puts 1.6 million[4] immigrants currently enrolled in Medi-Cal at risk of losing coverage, including more than 448,827 immigrants aged 50 and older.[5]

Limiting Retroactive Coverage (Section 71112)[2]

Implementation Date: January 1, 2027

Change: Medicaid coverage of medical expenses and nursing home stays are limited:

- For Medicaid expansion enrollees: 1 month before application
- For all other Medicaid beneficiaries: 2 months before application

> **Impact:** Each year, an estimated 86,000 Medi-Cal enrollees, including older adults and people with disabilities, will end up with reduced coverage.[3] As a result, they may see more medical debt and may avoid seeking care at the sudden onset of an illness or condition.

Work Requirements (Section 71119)[2]

Implementation Date: December 31, 2026

Change: Medicaid expansion adults ages 19 to 64 must meet work requirements. Enrollees without an exemption will need to prove they have 80 hours of work, education, or community service per month for 1 to 3 months prior to enrolling in Medicaid and they will need to submit documentation of work at least once every 6 months to maintain eligibility.

> **Impact:** Approximately 3 million[3] of the 5 million[6] Californians ages 19-64 that make up the Medicaid Expansion Adult population will be at risk of losing Medi-Cal because of these new requirements.

Cost Sharing for Medicaid Expansion Adult Population (Section 71120)[2]

Implementation Date: October 1, 2028

Change: States must impose cost sharing for certain health services (up to $35 per service) for Medicaid expansion enrollees with incomes above 100% of the federal poverty level. Primary care, emergency, mental health care and substance use disorder services, as well as services provided by federally qualified health centers, behavioral health clinics, and rural health clinics are excluded from cost sharing.

> **Impact:** Approximately 433,000 Californians age 60 and older and 348,000 people with disabilities[7] have incomes between 100% and 138% of the federal poverty level (income level to be eligible for Medi-Cal) and may be at risk for significant additional health care costs if they are eligible for Medi-Cal as part of the expansion population.

Home and Community Based Services (HCBS) 1915(c) Waiver Authority Changes (Section 71121)[2]

Implementation Date: Approval of waivers could begin July 1, 2028

Change: Authorizes limited state demonstrations to provide HCBS to people who do not meet nursing facility level of care. If states decide to implement this waiver, access to HCBS may improve for a small number of older adults and people with disabilities.

> **Impact:** While the waiver offers an opportunity for expanding HCBS coverage, because of other changes authorized by H.R. 1, California will be facing substantial Medi-Cal funding reductions, making it difficult to comply with the requirements of the waiver.

Rural Health Transformation Program (Section 71401)[2]

Implementation Date: State applications are due no later than November 5, 2025 and awardees will be announced by December 31, 2025 for grant awards beginning in 2026.

Change: $50 billion in funding for state grants to be used to improve rural health care in a variety of ways, including promoting evidence-based interventions, payments to providers, technology solutions, and expanding the health workforce in rural areas.

> **Impact:** Though the funding amount is small, it offers a chance for California to address some gaps in care that rural areas experience, especially for the one in four rural Californians that are age 65 or older.[8] However, it will not offset the magnitude of federal funding cuts to Medi-Cal, which rural hospitals and providers depend on.

MEDI-CAL FUNDING MECHANISMS

In addition to specific changes to the Medi-Cal program, H.R. 1 introduces restrictions on how states can draw down additional funding for Medi-Cal. These restrictions could lead to reductions in revenue and loss of providers participating in Medi-Cal, therefore restricting access to care.

Provider Taxes (Section 71115)[2] and Uniform Taxes (Section 71117)[2]

Implementation Date: Bar on new taxes in effect immediately, cap reduction begins fiscal year 2028 and MCO tax elimination in effect now, with potential for 3-year transition period

Change: States are barred from establishing new or increased provider taxes used to fund state share of Medicaid costs. In addition, caps on existing provider taxes and local government taxes are reduced in states that expanded Medicaid by 0.5% per year beginning in fiscal year 2028 up to 3.5% by 2031. States cannot implement higher taxes on health plan Medicaid revenue (e.g., managed care organization (MCO) tax loophole) than non-Medicaid revenue. Taxes are also prevented from targeting specific provider groups based on volume of Medicaid services they provide.

> **Impact:** Currently, California's MCO tax generates about $8 billion to spend on Medi-Cal services.[9] This tax is based on a health plan's monthly Medi-Cal enrollment, with a higher tax rate for Medi-Cal plans than for commercial plans.[9] These new restrictions will result in reduced revenue and may force California to consider cuts to optional benefits such as HCBS, adult dental, vision, and hearing services, to address budget shortfalls. Nearly 1 million older adults and people with disabilities in California are receiving Medi-Cal HCBS and would not be able to afford it if services are cut.[10]

State Directed Payments (SDPs) (Section 71116)[2]

Implementation Date: Immediately for new SDPs and a phase down of existing SDPs by 10% each year beginning 2028

Change: Restricts SDPs in Medicaid managed care to 100% of the Medicare rate in states that have expanded Medicaid and 110% of the Medicare rate for states that have not expanded Medicaid. Reduces current SDPs by 10% per year until they reach the Medicare cap.

> **Impact:** California uses SDPs to direct Medi-Cal managed care plans to enhance provider payment rates to increase value or quality of care. These restrictions may prevent health care providers from participating in Medi-Cal. Currently, California implements a Long-Term Care Fee-for-Service Directed Payment to support the inclusion of long-term care services into managed care.[11]

MEDICARE

Medicare provides health care coverage for millions of older adults and people with disabilities in California. H.R. 1 implements changes to Medicare that will decrease access to the program.

Medicare Eligibility (Section 71201)[2]

Implementation Date: Changes in eligibility implemented immediately, coverage elimination begins January 2027 for newly ineligible populations that are currently enrolled

Change: Limits Medicare eligibility for lawfully present immigrants to legal permanent residents, Cubans and Haitians who entered via family reunification program, and Compacts of Free Association immigrants.

> **Impact:** Eliminates Medicare coverage for many lawfully present immigrants, including refugees, asylees and people with Temporary Protected Status and survivors of trafficking or domestic violence.

ACA PREMIUM TAX CREDIT

H.R. 1 implements changes to eligibility for ACA premium tax credits, limiting who can benefit from tax credits to assist with ACA marketplace (Covered California) health insurance premiums.

ACA Premium Tax Credits (Sections 71301 and 71302)[2]

Implementation Date: January 1, 2027

Change: Limits eligibility for ACA premium tax credits to legal permanent residents, Cubans and Haitians who entered via family reunification program, and Compacts of Free Association immigrants.

> **Impact:** Approximately 1.75 million Californians[12] receive premium tax credits, including 475,000 older adults ages 55 to 64.[13] An estimated 112,000 Covered California enrollees, including older adults age 55 to 64, who are lawfully present immigrants could lose premium tax credits as a result of these changes.[14]

FEDERAL RULES

The Centers for Medicare and Medicaid Services had previously finalized two separate federal rules, one meant to streamline Medicaid enrollment processes and another to improve care for nursing facility residents. H.R. 1 delays implementation of these rules until 2034.

Medicaid Streamlining Eligibility and Enrollment Rule (Sections 71101 and 71102)[2]1111)[2]

Implementation Date: Now through September 30, 2034

Change: Delays implementation of certain provisions of the rule that streamlined Medicaid enrollment processes and helped people stay enrolled in the Medicare Savings Program (MSP).

> **Impact:** 1.3 million Californians, including older adults and people with disabilities, are enrolled in an MSP,[15] which helps pay for Medicare premiums and copays, as well as assistance with prescription drug costs. Without this rule, many older adults and people with disabilities will lose access to these supports.

Nursing Home Minimum Staffing Rule (Section 71111)[2]

Implementation Date: Now through September 30, 2034

Change: Delays implementation of the rule which required facilities to have: 1) a minimum amount of nurses and nurse aides per resident and 2) a registered nurse on site 24 hours a day.

> **Impact:** Inadequate staffing can lead to negative outcomes for residents, including injuries, illness, and death.[16] In 2024, 1 in 4 California nursing facilities received a deficiency for actual harm or jeopardy of residents.[17] Nearly 100,000 Californians, including older adults and people with disabilities, reside in certified nursing homes[18] and would be impacted by this change.

CALFRESH

H.R. 1 introduces changes to the SNAP (CalFresh) program that will increase barriers to food assistance. Over 5 million[19] Californians utilize CalFresh benefits to access food, including 1.2 million aged 60 and older.[20] Additionally, 70% of California CalFresh beneficiaries are people of color.[21] Research suggests higher use of CalFresh in rural areas, with Fresno, San Bernadino, and Tulare counties having over 90% participation rates in CalFresh.[21]

SNAP Thrifty Food Plan (Section 10101)[2]

Implementation Date: October 1, 2025

Change: Restricts increases to the Thrifty Food Plan, which is used to determine household monthly benefit amounts.

> **Impact:** Up to 43,000 California CalFresh recipients, including older adults, people with disabilities, and caregivers, in households of 9 or more would see a reduction in their benefits.[3]

SNAP Work Requirements (Section 10102)[2]

Implementation Date: Pending Guidance

Change: Expands SNAP's Abled-Bodied Adults Without Dependents (ABAWD) work requirements to include adults ages 55 to 64 and parents of children ages 14 to 17.

> **Impact:** Older adults within the two new categories of ABAWD may lose benefits if they are unable to comply with the work requirements. This places approximately 303,000 ABAWD Californians, including older adults, people with disabilities, and caregivers, at risk of losing benefits.[3]

SNAP Eligibility (Section 10108)[2]

Implementation Date: Immediately

Change: Limits SNAP eligibility for lawfully present immigrants to legal permanent residents, Cubans and Haitians who entered via family reunification program, and Compacts of Free Association immigrants.

> **Impact:** Eliminates CalFresh eligibility for many lawfully present immigrants, including refugees, asylees and people with Temporary Protected Status and survivors of trafficking or domestic violence. Up to 74,000 beneficiaries, including older adults, people with disabilities, and caregivers, will no longer be eligible for CalFresh and will lose access to benefits.[3]

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