

# 2026-27 May Revise Budget:

## Impact on Older Adults and People With Disabilities

### REPORT • MAY 2026

On May 14, Governor Newsom released the 2026-27 [May Revise](#), presenting a balanced budget for this fiscal year (FY) and 2027-28 FY, while cutting essential programs that older adults and people with disabilities rely on. The state is experiencing a structural deficit, meaning spending keeps growing faster than revenue<sup>1</sup>, making future deficits a concern, with shortfalls projected at \$10.3 billion in 2028-29 and \$9.6 billion in 2029-30.<sup>2</sup>

The revised budget accounts for [required changes](#) under the federal 2025-26 Budget Reconciliation Act (H.R. 1) and proposes significant cuts to critical programs, including Medi-Cal, In-Home Supportive Services (IHSS), and CalFresh (California's Supplemental Nutrition Assistance Program (SNAP)). These required changes and proposed cuts will deepen existing barriers to accessing home- and community-based services (HCBS) now and in future years, ultimately resulting in the loss of essential benefits for thousands of Californians at a time when demand for these services has surged.

Additionally, the state must contend with increased federal scrutiny of its Medi-Cal expenditures. The Centers for Medicare and Medicaid Services (CMS) recently issued a [letter](#) warning the federal government will defer \$1.3 billion in Medi-Cal funds,<sup>3</sup> most of which are designated for the IHSS program, which provides personal attendant services for nearly 1 million older adults and people with disabilities.<sup>4</sup> The state has until July 13 to submit documentation requested by CMS.<sup>3</sup>

The following is a breakdown from [The SCAN Foundation](#) of the proposals in the May Revise budget regarding programs that serve older adults and people with disabilities in California.

## MEDI-CAL CUTS WILL REDUCE ACCESS TO CARE

### May Revise Budget Cuts

Millions of Californians rely on Medi-Cal for access to health care and other critical services, such as HCBS. In the FY 2021-22 budget cycle, the state made a historic decision to eliminate the Medi-Cal asset test for enrollees in the Aged, Blind, and Disabled category by 2024, the only Medi-Cal population that was subjected to an asset test.<sup>5</sup> However, last year, the state partially brought back the asset test, capping the amount of assets an individual with a disability or age 65

and older can have at \$130,000 (\$195,000 for couples).<sup>6</sup> This year, the May Revise includes full reinstatement of the asset test (\$2,000 for individuals, \$3,000 for couples).<sup>1</sup> Additional changes to the Medi-Cal program that will reduce access to care, including narrowing the scope and eligibility of Enhanced Care Management (ECM) and certain Community Supports (CS) within CalAIM (see this [fact sheet](#) for more information) and increased premiums for Medi-Cal enrollees with unsatisfactory immigration status (UIS). The following further outlines proposed general fund (GF) cuts to Medi-Cal.

Item	Proposal	Estimated GF Reduction
Transition of Individuals with UIS to Fee-For-Service	Due to a new federal policy prohibiting individuals with UIS from receiving emergency Medicaid services in managed care delivery systems, the state will transition these individuals to Medi-Cal fee-for-service beginning January 1, 2027.	\$471.6 million FY 2026-27 and \$1.2 billion ongoing
Monthly Premiums for Adults with UIS	Increases the monthly premiums from \$30-\$50 for adults (ages 19-59) with UIS, beginning July 1, 2027.	\$427.3 million FY 2027-28 and \$314.3 million annually
Asset Limit	Reinstates asset test limit for Aged, Blind, and Disabled enrollees at \$2,000 for individuals and \$3,000 for couples.	\$278.3 million FY 2026-27 and \$495.6 million ongoing
Enhanced Care Management	Refines eligibility and utilization management criteria, service definitions, and payments for the Medi-Cal ECM benefit, beginning January 1, 2027.	\$41.4 million FY 2026-27 and \$99.2 million ongoing

Community Supports	Refines referral pathways, eligibility and utilization management criteria, and service definitions, for select CS, beginning January 1, 2027.	\$26.9 million FY 2026-27, \$58.8 million FY 2027-28, and \$51 million ongoing
Program of All-Inclusive Care for the Elderly (PACE) Rate Cap	Reduces the rate cap for PACE organizations (except for new entrants in their first two years) from the midpoint rate to the lower bound rate, beginning January 1, 2027.	\$33.7 million FY 2026-27 and \$80.9 million ongoing

### Estimated Medi-Cal Budget Impacts of H.R. 1

The May Revise includes updated projections of the costs associated with implementing required H.R. 1 policy changes. These changes will be implemented over time, with additional impacts anticipated in future years. H.R. 1 requires changes that will impact eligibility and access to the Medi-Cal program. Updated projections show H.R. 1-related Medi-Cal disenrollment of 44,000 in 2026-27 and 1.3 million by 2029-30 (a decrease of 478,000 in 2026-27 and 446,000 by 2029-30 from projections in the governor’s budget, released in January).<sup>1</sup> The following table outlines anticipated Medi-Cal costs to the state and reductions in combined GF and federal funds for specific items in FY 2026-27, reflective of updated disenrollment projections.

Item	Federal Policy	Estimated Budget Impact
Work and Community Engagement Requirement	Medi-Cal enrollees, ages 19-64, eligible through ACA expansion, must comply with federal work or community engagement requirements, unless they meet an allowable exemption or short-term exception, beginning January 1, 2027.	Reduction of \$357.6 million FY 2026-27 and \$9.6 billion by FY 2029-30  The May Revise reflects decreased budget cuts due to fewer people projected to lose coverage by meeting exemptions.

<p>Eligibility Redeterminations</p>	<p>Implementation of changes to federally required eligibility redetermination from annually to every six months for enrollees ages 19-64 begins with renewals scheduled on or after December 31, 2026. The May Revise projects a decrease in disenrollments because of six-month eligibility redeterminations.</p>	<p>Reduction of \$747.3 million FY 2027-28 and \$2.5 billion by FY 2029-30</p>
<p>Retroactive Coverage</p>	<p>Changes retroactive Medi-Cal coverage from three months before an individual's application date to one month for enrollees ages 19-64 and two months for all other enrollees, beginning January 1, 2027.</p>	<p>Reduction of \$34.6 million FY 2026-27 and \$75.5 million by FY 2029-30</p>
<p>Immigrant Eligibility</p>	<p>Federal requirements exclude individuals with certain immigration statuses from full-scope Medi-Cal, beginning October 1, 2026. Because of this federal policy, the state is transitioning impacted enrollees to restricted-scope Medi-Cal and delaying the transition until July 1, 2027.</p>	<p>GF cost of \$668.1 million FY 2026-27 and savings of \$294 million FY 2029-30 and ongoing</p>
<p>Medical Assistance Percentage for Emergency Services</p>	<p>The federal match for emergency services provided to enrollees ages 19-64 with UIS will reduce from 90% to 50%, beginning October 1, 2026.</p>	<p>GF cost of \$669 million FY 2026-27 and \$718 million ongoing</p>

## PROPOSED IHSS CUTS THREATEN ACCESS TO IN-HOME CARE

The governor’s proposed budget released in January included several cuts to the IHSS program, including eliminating the Back Up Provider System (BUPS), removing the state’s share of cost for growth in IHSS hours per case, and eliminating the IHSS Residual (IHSS-R) program commonly used as a stopgap when someone temporarily loses Medi-Cal. Compounding these proposed cuts, CMS is also scrutinizing the state’s Medi-Cal expenditures and has deferred \$1.3 billion in funding—\$1.1 billion of it tied to IHSS. The following table outlines these cuts from the proposed budget, which are retained in the May Revise.<sup>7</sup>

Item	Proposal	Estimated GF Reductions
IHSS-R	Aligns termination of IHSS eligibility with termination of Medi-Cal eligibility, beginning in FY 2026-27.	\$86 million FY 2026-27
BUPS	Eliminates the IHSS BUPS, which provides short-term emergency services to IHSS enrollees in urgent need of personal care services, beginning in FY 2026-27.	\$3.5 million FY 2026-27
State Share of Cost for IHSS Hours Per Case Growth	Eliminates the state’s share of cost for IHSS hours per case growth, beginning in FY 2027-28.	\$233.6 million FY 2027-28

In addition to these cuts, the May Revise includes additional cuts associated with aligning IHSS with the reinstatement of the Medi-Cal asset test. The following outlines the May Revise cut to IHSS along with a minor investment.

Item	Proposal	Estimated GF Investment/Reduction
Aligning IHSS Eligibility with Medi-Cal Eligibility for Individuals with UIS	Aligns IHSS eligibility to Medi-Cal eligibility due to the delayed transition of individuals with UIS to restricted-scope Medi-Cal, beginning July 1, 2027.	Investment of \$30.8 million FY 2026-27

Medi-Cal Asset Test	Adjusts budget to reflect reduced IHSS eligibility due to reinstatement of the Medi-Cal asset limit for older adults and people with disabilities (\$2,000 for an individual or \$3,000 for a couple), beginning January 1, 2027.	Reduction of \$62.6 million FY 2026-27
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## CALFRESH INVESTMENTS TO ADDRESS FOOD INSECURITY AND ADMINISTRATIVE STRAIN

### May Revise Budget Investments

Federal policy changes instituted via H.R. 1 (2025-26) have put pressure on California’s nutrition assistance programs. H.R. 1 reduced the federal share of CalFresh (California’s SNAP program) administrative costs from 50% to 25%.<sup>8</sup> Additionally, changes to eligibility and work requirements risk recipients losing access to their benefits, which could lead to increased reliance on already-stretched food banks. The following are investments included in the Revise budget to address some of these pressures.

Item	Proposal	Estimated GF Investment
County Program Administration	Support for increased county administration workload due to implementation of Able-bodied Adults Without Dependents (ABAWD) work requirements in H.R. 1.	\$30 million FY 2026-27 (one-time funds)
State Administrative Expense Target	Increased funding for state CalFresh administrative costs that exceed the expense target, which is federally determined.	\$37 million FY 2025-26 and \$30.6 million FY 2026-27
CalFood	Funding to bolster food banks to address increased demand.	\$30 million FY 2026-27 (one-time funds)

## Estimated CalFresh Budget Impacts of H.R. 1

While the state is experiencing administrative costs to implement required H.R. 1 changes, there will be programmatic spending reductions due to people losing eligibility for the program. The following table reflects the projected budget reductions included in the governor’s proposed budget from January 2026.<sup>9</sup>

Item	Proposal	Estimated GF Reductions
Eligibility	<ul style="list-style-type: none"><li>• Restricts eligibility for CalFresh benefits to legal permanent residents, Cubans and Haitians who entered via family reunification program, and Compacts of Free Association immigrants.</li><li>• Updates Able-Bodied Adults Without Dependents work requirements to include adults ages 55-64 and parents of children ages 14-17.</li><li>• Imposes limits to state utility allowance subsidy.</li></ul>	\$66.2 million FY 2026-27

## STATE SUBSIDIES SEEK TO OFFSET RISING PREMIUMS IN COVERED CALIFORNIA

At the end of 2025, temporary expansions of Affordable Care Act (ACA) health care subsidies expired, reverting to benefit levels set when the ACA was first enacted.<sup>10</sup> This resulted in increased premiums for people who receive their health care through Covered California, the state’s health insurance exchange, causing many people to disenroll due to unaffordability.<sup>11</sup> The May Revise proposes \$300 million ongoing from the Health Care Affordability Reserve Fund to fund subsidies for eligible individuals earning up to 200% of the federal poverty level.<sup>1</sup>

## CALIFORNIA’S MANAGED CARE ORGANIZATION TAX REMAINS A KEY SOURCE OF HEALTH CARE FUNDING

The May Revise includes the same revenue projections from the managed care organization (MCO) tax as were in the governor’s proposed budget, at \$4.5 billion in 2025–26 and \$2.5 billion in 2026–27. The MCO tax is not currently in compliance with new H.R. 1 changes, but the state has

until December 31, 2026, to come into compliance. California will be submitting a new MCO tax proposal for approval by CMS that also complies with requirements implemented by [Proposition 35](#). Revenue from the new MCO tax will maintain targeted rate increases for primary care, maternal care, and non-specialty mental health services.<sup>1</sup>

## CONCLUSION

California's ongoing structural deficit creates a fundamental tension between achieving budgetary savings and preserving essential services. While the May Revise seeks to navigate this challenge, it does so in part by drawing savings from Medi-Cal and IHSS, critical programs that older adults and people with disabilities rely on. As a result of the Medi-Cal asset limit reinstatement, over 60,000 Californians<sup>11</sup> will be stripped of critical health care and support needed to remain safely in their homes, leading to increased reliance on emergency departments and higher risk of unnecessary institutionalization. These impacts will be further compounded by uncertainty at the federal level, implementation of H.R. 1, and increasing administrative and financial strain on county service systems and community-based organizations.

While the May Revise includes limited one-time funding intended to offset growing pressure on local systems, those resources are likely to be overshadowed by the increase in the number of uninsured as a result of the Medi-Cal reductions.

At a time when California's older adult population is rapidly increasing, the implications of the May Revise highlight the urgent need for proactive strategies to alleviate harm and protect access to programs that support aging in place and community-based care.

## WHAT'S NEXT?

The legislature must consider the May Revise and negotiate with the governor's office on budget proposals of their own. Policymakers are already receiving outreach from stakeholders and advocates urging them to protect access to essential care for older adults and people with disabilities. The legislature has until June 15, 2026, to pass a balanced budget, which the governor must sign or veto before July 1, 2026, the start of the next FY.

## References

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### **About The SCAN Foundation**

The SCAN Foundation (TSF) envisions a society where all of us can age well with purpose. We pursue this vision by igniting bold and equitable changes in how older adults age in both home and community. Our grants and impact investments prioritize communities that have been historically marginalized with an emphasis on: older people of color, older adults with lower incomes, and older residents in rural communities. Learn more at <https://www.thescanfoundation.org/>.