

## **Update on Impacts of House of Representatives 1 (H.R. 1) Federal Budget Reconciliation Act**

### **Background:**

H.R. 1 was signed into law on July 4, 2025. The Act includes a number of provisions that have significant impacts to County provided social safety net programs and services including CalFresh (federally known as the Supplemental Nutrition Assistance Program - SNAP) and Medi-Cal (federally known as Medicaid). In addition to H.R. 1, the FY2025/26 California State Budget implemented changes to Medi-Cal impacting eligibility, and services and costs for some enrollees.

While some impacts are seen in the FY2026/27 Recommended Budget, more significant impacts will be felt in FY2027/28 and beyond.

### **CalFresh and Food Impacts**

The County administers the CalFresh food assistance program, known federally as the Supplemental Nutrition Assistance Program (SNAP). As of May 2026, 52,572 low-income County residents in 32,778 unique households receive monthly electronic benefits that can be used to buy most foods at grocery and retail stores. Last fiscal year, Health and Social Services (H&SS) issued \$125 million in federally funded CalFresh food assistance to County residents.

Pursuant to H.R. 1, beginning June 1, 2026, CalFresh recipients who are able-bodied adults without dependent children under 14 years of age will be required to engage in 80 hours per month of work, training, education, or community engagement activities to continue to receive CalFresh benefits. This change is anticipated to disqualify a portion of income-eligible adults from continued CalFresh eligibility.

The California Health and Human Services Agency (CalHHS) estimates that up to 578,000 households could lose benefits statewide. Approximately one percent of CalFresh recipients statewide reside in Solano County. Therefore, approximately 5,780 households in the County are expected to lose CalFresh benefits as a result of H.R. 1 policies.

In addition to an increased burden on CalFresh recipients, there is a significant increase in workload associated with processing new cases and reassessments for work requirements. The FY2026/27 Recommended Budget includes \$1.8 million of County General Fund to fund new eligibility staff related to increased administrative work. The Governor's May Revise includes a modest one-time \$30 million in statewide funding for counties to support the increased workload; however, the State budget is not yet finalized and if allocated by population, the current funding recommended is only approximately 17% of need identified in Solano County. In addition, the May Revise assumes that federal eligibility changes and expanded work requirements will reduce CalFresh enrollment and reduce case-based administration funding.

In addition to work requirements, new immigrant eligibility restrictions became effective in April 2026. It is estimated that over 350 individuals are at risk of losing benefits based on the new immigrant eligibility restrictions.

In addition to enrollment losses, H.R. 1 reduces federal funding of CalFresh Administration costs from 50% to 25%, increasing the state share to 52.5% and the county share from 15% to 22.5%, effective October 2026. The County will incur approximately \$2 million in additional expenses, absent State action to waive the match requirement.

Currently, 100% of CalFresh benefit costs are federally funded. Beginning October 2027, states will be required to pay a portion of benefit costs if the payment error rate exceeds 6%. Solano County's error rate is extremely low at 1.38%. However, California's statewide error rate is 10.98% for Federal Fiscal Year (FFY) 2024. If that rate holds, the State will be responsible for 15% of benefit costs, or approximately \$2 billion in new costs. Because benefit cost sharing is new, there is no current legislated county share. However, it is likely that the State will pass the cost on to counties. While the cost methodology is unknown, reasonable estimates put Solano County's share of cost between \$2.7 million (if based on local error rate) to a high of \$19.7 million (if based on share of caseload).

Lastly, H.R. 1 eliminated the Supplemental Nutrition Assistance Program Education (SNAP-Ed) program. While the program did not fund food benefits, it funded nutrition education and obesity-prevention programs for SNAP-eligible and other low-income populations. Locally, \$590,000 in direct services was eliminated from the Napa/Solano Area Agency on Aging and \$325,000 was eliminated from Health and Social Services, Public Health.

**Medi-Cal**

As of January 2026, 143,329 County residents were enrolled in Medi-Cal (federally known as Medicaid). Medi-Cal offers no-cost or low-cost health coverage to low-income Californians. Medi-Cal enrollment has grown significantly with expansions under the federal Affordable Care Act and California's full-scope coverage for otherwise ineligible immigrant populations. However, State and federal eligibility changes are expected to decrease enrollment, particularly among able-bodied adults aged 18 to 64 and non-citizens.

The 2025 California Budget Act repealed several State Medi-Cal eligibility expansions. Effective January 2026, Medi-Cal considers assets when determining eligibility for aged and disabled individuals. Also effective January 2026, the expansion of Medi-Cal to all adults regardless of immigration status has been frozen. Only children and federally qualified adult immigrants will be eligible to enroll in full-scope coverage moving forward.

H.R. 1 makes significant changes to federal Medi-Cal eligibility. The legislation amends the definition of qualified non-citizen, and some immigrants will lose eligibility for full-scope Medi-Cal. Effective October 2026, refugees, asylees, and humanitarian parolees, along with survivors of domestic violence and human trafficking, will only be covered by emergency and pregnancy services.

In January 2027, most able-bodied adults will be required to engage in 80 hours per month of work, training, education, or community engagement activities to gain or retain Medi-Cal eligibility, and eligibility determinations will be required twice annually instead of once, increasing the administrative burden for both staff and recipients.

CalHHS estimates that up to 2 million Californians will lose health coverage due to the combined impacts of H.R. 1 provisions, driving uninsured rates and raising costs for hospitals and clinics treating uninsured patients. This is an approximately 20% loss in insurance coverage. Based on the 2024 Medi-Cal average monthly enrollment of 135,500 recipients, this equates to an estimated loss of coverage for over 27,000 Solano County residents. Based on H.R. 1, if these residents lose Medi-Cal coverage, they will also not be eligible for insurance under Covered California, the federal health insurance exchange.

**Indigent Healthcare**

Under Welfare and Institutions Code §17000, the County is responsible to "relieve and support all incompetent, poor, indigent persons, and those incapacitated by age, disease, or accident, lawfully resident therein, when such persons are not supported and relieved by their relatives or friends, by their own means, or by state hospitals or other private institutions." This responsibility was shifted to counties under 1991 Realignment, when the State transferred funding responsibility for health, mental health, and social services costs from the State to the counties in exchange for dedicated sales tax and vehicle license fee funding sources. Realigned health programs included county public health services and indigent care provided at public hospitals or clinics or through contracts with private providers.

To address indigent care needs, the Solano County is a member of the County Medical Services Program (CMSP), which provides health coverage for low-income, indigent adults aged 21 to 64 who are not otherwise eligible for other publicly funded health care programs. Since the Affordable Care Act implementation in 2014, CMSP has covered a very small number of individuals that fall in a coverage-gap population who are not eligible for Medi-Cal or other Covered California pathways. As reliance on CMSP was extremely low statewide, funding at the State-level was redirected for other purposes. As residents fall off Medi-Cal, CMSP eligibility and funding will need to be revisited to provide indigent care.

In the meantime, while the full effects of this significant loss of Medi-Cal coverage remain uncertain, Solano County's indigent health care system is expected to experience substantial impacts. Conservative estimates indicate that the County's Federally Qualified Health Centers (FQHCs) could experience a combined fiscal impact of between \$3.2 million and \$5.5 million, including \$2.2 million to \$3.5 million in additional costs to provide care for uninsured and indigent patients and \$1 million to \$2 million in lost revenue resulting from reduced Medi-Cal enrollment and reimbursement. In addition, the County could incur \$5.5 million to \$8.4 million in community-based indigent care costs. Taken together, these impacts could result in an estimated annual fiscal effect of \$8.7 million to \$13.9 million on Solano County's health care safety net system.

In addition to the strain on primary care, clients currently served in the County's Behavioral Health system of care who currently receive Medi-Cal benefits will also be impacted. Just under 5% of the overall Medi-Cal population in Solano County are engaged in County Behavioral Health services. While a significant number of these clients may be able to maintain Medi-Cal coverage under a disability or other exemption, it is expected that some clients will not qualify for an

exemption or will lose coverage due to the increased administrative burden. Based on current costs, if just 25% of Behavioral Health clients who receive Medi-Cal lose coverage, the County will sustain over \$1.7 million in uncovered costs.

### **CalAIM Waiver**

Currently, California has a federal Medicaid Waiver known as CalAIM which allows California to fund additional services under Medi-Cal including:

- Enhanced Care Management (ECM)
- Community Supports (housing, recuperative care, etc.)
- Behavioral health initiatives
- Justice-involved reentry services

The current CalAIM waiver expires December 31, 2026. H.R. 1 does not terminate the CalAIM waiver, but it codifies federal law regarding the necessity of waivers to be "budget neutral" and limits certain requests for waivers, such as limiting waivers for work requirements. In addition, federal policy signals suggest that future renewals or expansions involving health-related social needs (housing, nutrition, and other social supports) may face greater scrutiny than under previous administrations. Therefore, CalAIM waiver expansions could be revised or face greater scrutiny through the renewal process.

### **Summary**

While the full extent of the consequences of H.R. 1 and the State budget are still unknown, counties face long-term significant fiscal risks. While not all risks can be quantified, initial estimates based on loss of Medi-Cal and provision of indigent care, along with increased administrative workload and financial burden for both CalFresh and Medi-Cal, place the future fiscal burden for Solano County between \$17.2 million and \$39.9 million annually.

Solano County has taken proactive steps to mitigate the anticipated initial impacts of H.R. 1. These efforts include conducting outreach to potentially affected CalFresh and Medi-Cal recipients, partnering with the Workforce Investment Board of Solano County to identify and implement opportunities for clients to meet required work or community service hours, and hosting town hall meetings to inform community members and partners about upcoming changes. Additionally, the FY2026/27 Recommended Budget includes additional appropriations for increased Cal Fresh Administration costs and 10.0 FTE new positions in Employment and Eligibility to address the increased workload associated with CalFresh and Medi-Cal eligibility determinations. Additionally, a new Committed Reserve is being established for H.R. 1 Implementation, with up to \$5 million being transferred to this reserve based on the close of FY2025/26.

The County continues to closely monitor the State budget and is working with the California State Association of Counties (CSAC) to advocate for fiscal relief for counties. While the Governor's May Revision included some additional funding support, the relief provided was modest compared to Solano County's identified budgetary pressure. The County will continue to take a proactive approach to understanding and mitigating impacts, however, it is anticipated that there will be significant fiscal burden over the coming years.