

Medi-Cal Program Changes: 2025-26 State Budget Impacts

Current as of October 24, 2025



What's happening?

The 2025-26 California state budget designates \$307 billion for health and human services programs. The final budget, which was passed by the state legislature and signed by the governor, will implement changes to the Medi-Cal program between 2025 and 2027, as outlined below.

2025

July



Pharmacy Drug Rebates

Implementation of a rebate aggregator to secure state rebates for individuals with UIS.



Prescription Drug Utilization Management

Implementation of utilization management, step therapy protocols, and prior authorization for prescription drugs.



Medi-Cal Providers Interim Payment Fund Loans

Proposes to utilize \$2.3 billion in 2025-2026 for Medi-Cal Provider Interim Payment cash loans. \$1 billion would be used for a new loan. Repayment beginning in 2027-28.

2026

January



Medi-Cal Asset Test Limits

Reinstatement of Medi-Cal asset limit for seniors and disabled adults at \$130k for an individual and \$65k for each additional household member (no sooner than January 1, 2026).



Medi-Cal Enrollment Freeze

Freeze on new enrollment for full-scope coverage for undocumented adults aged 19 years and older (no sooner than January 1, 2026).



GLP-1 drugs for weight loss

Removal of coverage of GLP-1 drugs for weight loss from Medi-Cal contract drugs list.



Reduction in Clinic Payments

FQHCs and RHCs that provide state-only funded services to individuals with UIS would receive reimbursement at the applicable Medi-Cal FFS rate and Medi-Cal managed care rate.



Dental Benefits

Elimination of dental benefits for individuals with UIS, aged 19 years and older.



Supplemental Payments

Eliminates \$362 million for dental supplemental payments.

2027 July



Medi-Cal Premiums for Adults with UIS

Implementation of Medi-Cal monthly \$30 premium for individuals with UIS, aged 19 to 59 years.

CHBRP: California Health Benefits Review Program

CMS: Centers for Medicare & Medicaid Services

FFS: Fee-for-service

FQHC: Federally qualified health center

MCO: Managed care organization

PPS: Prospective payment system

RHC: Rural health center

UIS: Unsatisfactory immigration status

Note: The 2025-26 final budget also includes \$4.2 billion in 2025-26 in MCO tax revenue to support the Medi-Cal program. However the federal HR-1 restricts how MCO taxes are structured and may impact this revenue. **Source:** ebudget.ca.gov