Office of Senate Floor Analyses
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THIRD READING

Bill No: AB 2161
Author: Bonta (D), et al.
Amended: 8/13/26 in Senate
Vote: 21

SENATE HEALTH COMMITTEE: 8-2, 7/1/26
AYES: Weber Pierson, Caballero, Durazo, Gonzalez, Menjivar, Padilla, Pérez, Smallwood-Cuevas
NOES: Valladares, Grove
NO VOTE RECORDED: Rubio

SENATE APPROPRIATIONS COMMITTEE: 5-2, 8/13/26
AYES: Cervantes, Cabaldon, Grayson, Richardson, Wahab
NOES: Seyarto, Dahle

ASSEMBLY FLOOR: 58-12, 5/26/26 - See last page for vote

SUBJECT: Medi-Cal: redeterminations and work or community engagement

SOURCE: Health Access California
Justice in Aging
National Health Law Program
Western Center on Law & Poverty

DIGEST: This bill makes technical changes to the state's implementation of new federal Medicaid work or community engagement requirements: clarifying the exclusion of very low-income parents from the requirements, clarifying what income counts when determining whether a person is working for purposes of the requirements, and specifying the steps that counties must take when they are unable to verify whether an individual meets the work or community engagement requirements.

ANALYSIS:

Existing federal law:

1) Establishes the Medicaid program to enable each state to furnish medical assistance on behalf of individuals whose income and resources are insufficient to meet the costs of necessary medical services. [42 USC §1396, et seq.]

2) Establishes an income counting methodology for purposes of the Medicaid program based on Modified Adjusted Gross Income. [42 USC section1396a]

3) Requires, Starting January 1, 2027, as enacted by H.R. 1(Public Law No. 119-21), individuals with incomes below 138% of the federal poverty level who are under age 65, and not otherwise Medicaid eligible as pregnant individuals, parents, caretakers, or persons with disabilities, (known as "the Affordable Care Act (ACA) expansion adults") to demonstrate community engagement through at least 80 hours of work, community service, or participation in a work program, as defined, or at least half-time participation in an educational program, as defined, or have a monthly income not less than 80 times the federal minimum wage in a specified month, or an average monthly income over the preceding six months not less than 80 times the federal minimum wage. This is referred to as the "work or community engagement" requirements. [42 USC §1396a]

4) Excludes individuals from the work or community engagement requirement who are foster or former foster youth under 26 years of age; an Indian, Urban Indian, California Indian, or otherwise eligible for Indian Health Services; a parent, guardian or caretaker relative of a dependent child under 13 or an individual with a disability or chronic health condition; a veteran with a disability; an individual who is medically frail, is blind or disabled, has a substance use disorder, disabling mental disorder; has a physical, intellectual or developmental disability that impairs one or more activities of daily living; an individual with a serious or complex medical condition; an individual in compliance with the work requirements under Temporary Assistance for Needy Families or the Supplemental Nutrition Assistance Program; an individual participating in a drug addiction or alcohol rehabilitation program; an inmate of a public institution; or a pregnant or postpartum individual. [42 USC §1396a]

5) Exempts individuals experiencing short-term hardships, including those who are receiving inpatient hospital services, nursing facility services, services in an intermediate care facility for individuals with intellectual disabilities, inpatient psychiatric hospital services, including services of similar acuity; the individual

resides in a county where these is a national emergency or disaster or the unemployment rate is over 8% or 1.5 times the national unemployment rate; or, the individual must travel outside their community for an extended period of time to receive medical care for a complex medical condition that is not available in their community of residence. [42 USC §1396a]

6) Specifies procedures for determining compliance, including the use of *ex parte* verifications; specifies procedures for noncompliant individuals including noticing and termination requirements; and precludes individuals who are terminated for noncompliance with the work or community engagement requirements from utilizing premium subsidies on the state Exchange program. [42 USC §1396a]

7) Requires states to provide individuals who are subject to the work or community engagement requirements information on how to comply, the consequences for noncompliance, and how to identify themselves as qualifying for an exception to the requirement in at least two different formats (e.g. mail, text, telephone, website, or other commonly available electronic means). [42 USC §1396a]

Existing state law:

8) Establishes the Medi-Cal program, which is administered by the Department of Health Care Services (DHCS), and under which qualified low-income individuals receive health care services. [Welfare and Institutions Code (WIC) §14000, et seq.]

9) Authorizes the DHCS director to contract, on a bid or nonbid basis, with any qualified individual, organization, or entity to provide services to, arrange for, or case manage the care of Medi-Cal beneficiaries and establishes managed care models that DHCS contracts within each county. [WIC §14087.3, §14089, §14087.98, §14087.967, and §14087.5]

10) Delegates, to the county of residence, the responsibility for Medi-Cal eligibility determinations and ongoing case management. [WIC §14015.5]

11) Codifies the provisions of H.R. 1 requiring ACA expansion adults to participate in work or community engagement unless excluded or exempted under federal law as described above. [WIC §14005.69]

12) States the intent of the Legislature to implement the law so that all eligible applicants and recipients maintain coverage and in ways that are the least administratively burdensome to applicants and beneficiaries. [WIC §14005.69]

This bill:

1) Makes the following technical changes to the state codification of the federal work or community engagement requirements:

2) Deletes a portion of the description of individuals required to comply with the work or community engagement requirement that inadvertently included additional individuals, i.e, parents with very low incomes that are not ACA expansion adults.

3) Includes high school and high school equivalence certificate programs as additional educational programs allowed under federal rules to meet the work or community engagement requirements, as well as any other work program that complies with federal regulation or directive.

4) Clarifies that the income calculation to meet the work requirement is based on the existing Modified Adjusted Gross Income methodology.

5) Authorizes counties to contact a Medi-Cal recipient's managed care plan if the county cannot show the recipient has met the work or community engagement requirement to determine if the Medi-Cal plan has information that would verify that the recipient is exempt or meets the requirement.

6) Requires a county to request that a Medi-Cal applicant or recipient confirm information before taking adverse action on an application or renewal if conflicting information in reliable data sources would adversely impact the eligibility of the applicant or beneficiary.

7) Specifies that notices of noncompliance with the work or community engagement requirement are deemed received five days after the date on the notice unless the intended recipient attests that it was not received, and such non-receipt constitutes good cause for not providing a showing of compliance within 30 days.

8) Requires a county to reissue a notice an maintain or reactivate Medi-Cal eligibility without a gap in coverage for 30 days when an individual shows good cause for not providing a showing of compliance with the work or community engagement requirement.

9) Requires DHCS to provide a semiannual status report on the implementation of the work or community engagement requirements until regulations are adopted.

10) Authorizes DHCS to defer implementation of this bill if funding already appropriated is insufficient to implement these changes. Requires DHCS to notify the appropriate fiscal and policy committees and publish the notification on its website should this be the case.

Background

According to the author of this bill:

> In 2025, the Trump administration championed H.R.1, which enacted new, stringent Medicaid eligibility rules that will remove low-income people from the Medicaid rolls to offset the cost of tax cuts for the wealthiest Americans. These new rules include "work or community engagement" requirements for adults who are not raising young children, requiring beneficiaries to jump through hoops to prove they are working or are otherwise exempt to maintain their coverage. They also subject these individuals to eligibility re-checks every six months. These rules are designed not to help people find jobs or stay covered, but to bury them in paperwork until they lose coverage. Through the Health budget trailer bill in June, California adopted a framework for implementation of the new federal requirements. This bill makes modest but important adjustments to the current framework, making a needed technical adjustment to ensure very low-income parents can maintain their coverage, expanding the types of programs that count for compliance, and requiring robust notification and cure processes to help people keep covered when verifying compliance.

H.R. 1. H.R. 1, the federal budget reconciliation bill passed in July 2025, makes a number of changes primarily to lower taxes, increase funding for immigration control and national defense, and restrict access to and funding for SNAP and Medicaid. Medicaid payments were reduced by defunding family planning providers that provide abortions, prohibiting new or increased provider taxes to fund Medicaid and requiring a gradual reduction of existing provider taxes, capping the rate the state may set for certain services, reducing the federal share of payment for emergency services to adults with unqualified immigration status, and making changes in allowable payments under federal waiver programs.

More relevant to this bill are a number of changes to the Medicaid eligibility rules, which were enacted to reduce the number of people receiving assistance through the Medicaid program.. The new "community engagement requirements" (or

"work requirements") require nondisabled adults between the ages of 19 and 65 who gained coverage through the Affordable Care Act ("ACA expansion adults") to demonstrate 80 hours of work, education, or volunteer activities a month to be eligible for Medicaid coverage, unless they qualify for a limited exemption. States are required to verify that an individual meets the community engagement requirements twice a year, starting January 1, 2027. This bill makes technical changes to the implementation of this requirement that occurred in the health trailer bill SB 164 (Committee on Budget and Fiscal Review, Chapter 27, Statutes of 2026).

Impacts of H.R. 1 eligibility barriers. The UC Berkeley Labor Center estimates that 1.87 million adults will lose coverage due to the work requirements, and 270,000 will lose coverage due to the semiannual eligibility redeterminations. An report from DHCS in the "Implementation Plan for New Federal Eligibility and Enrollment Changes Under H.R. 1," released on January 29, 2026, estimates up to 1.8 million will lose coverage due to work requirements, increased renewals, and the normal churn of individuals transitioning from Medi-Cal to Covered California. These numbers are somewhat in flux now that the Centers for Medicare and Medicaid Services has released an interim final rule interpreting the work or community engagement requirements that indicate that certain exemptions will be interpreted more narrowly than expected, so the numbers could be even higher.

According to a 2021 issue brief, *Medicaid Churning and Continuity of Care,* by the U.S. Health and Human Services Department, Medicaid "churn" (recipients moving in and out of coverage caused by frequent redeterminations) results in higher administrative costs, less predictable state expenditures, and higher monthly health care costs due to pent-up demand for health care services. People who experience churn are more likely to delay care, receive less preventive care, refill prescriptions less often, and have more emergency department visits. This bill contains a number of provisions intended to make compliance with the rule easier on recipients by mandating considerable work by DHCS and the counties to determine eligibility without needing documentation from recipients.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

According to the Senate Appropriations Committee, the estimated fiscal impact is as follows:

- Unknown ongoing costs due to increased Medi-Cal caseloads (General Fund and federal funds).

- Unknown ongoing costs, likely minor, for DHCS for state administration (General Fund and federal funds).
- Unknown one-time costs, potentially hundreds of thousands, for automation updates (General Fund and federal funds).
- Unknown costs to counties for administration. Costs would be potentially reimbursable by the state, subject to a determination by the Commission on State Mandates.

SUPPORT: (Verified 8/14/26)

Health Access California (co-source)
Justice in Aging (co-source)
National Health Law Program (co-source)
Western Center on Law & Poverty (co-source)
Access Reproductive Justice
Alliance for a Better Community
Alzheimer's Greater Los Angeles
Alzheimer's Orange County
Alzheimer's San Diego
American Cancer Society Cancer Action Network, Inc.
American College of Obstetricians & Gynecologists - District IX
American Diabetes Association
American Federation of State, County and Municipal Employees
Asian Americans for Community Involvement
Asian Resources, Inc.
Association of Regional Center Agencies
Beverly Hills Synagogue
Biocom California
California Academy of Child and Adolescent Psychiatry
California Academy of Family Physicians
California Advocates for Nursing Home Reform
California Alliance for Retired Americans
California Alliance of Child and Family Services
California Behavioral Health Association
California Behavioral Health Planning Council
California Collaborative for Long-term Services and Supports
California Community Foundation
California Faculty Association
California Family Resource Association
California Immigrant Policy Center
California Kidney Care Alliance

California LGBTQ Health and Human Services Network
California Long Term Care Ombudsman Association
California Opioid Maintenance Providers
California Pan - Ethnic Health Network
California Physicians Alliance
California Podiatric Medical Association
California Primary Care Association Advocates
California Retired Teachers Association
Cardea Health
Caring Across Generations
Celestria Health
Center for Employment Opportunities
Central American Resource Center of California
Child Abuse Prevention Center
Children Now
Choice in Aging
Coalition of California Welfare Rights Organizations
Coalition of Orange County Community Health Centers
Community Clinic Association of Los Angeles County
Community Health Partnership
Community Legal Aid SoCal
Community Legal Services in East Palo Alto
County of Los Angeles
County of San Diego
Courage California
Cystic Fibrosis Foundation
Democrats for Israel Los Angeles
Disability Rights California
Drug Policy Alliance
East Bay Community Law Center
Family Voices of California
Friends Committee on Legislation of California
Gardner Health Services, Inc.
Gender Affirming Professionals
Grace Institute - End Child Poverty in CA
Hadassah, the Women's Zionist of America, INC.
Hillel of San Diego
Hispanas Organized for Political Equality
Indivisible CA: StateStrong
Inland Empire Immigrant Youth Collective

JCC-Federation of San Luis Obispo
Jewish Family and Children's Services (JFCS) of East Bay
JFCS of Long Beach and Orange County
Jewish Community Relations Council (JCRC) Bay Area
JCRC Santa Barbara County
JCRC Jewish Long Beach
Jewish California
Jewish Center for Justice
Jewish Council for Public Affairs
Jewish Democratic Club of Marin
Jewish Family Service of Los Angeles
Jewish Family Service of San Diego
Jewish Family Services of Silicon Valley
Jewish Federation Bay Area
Jewish Federation of Greater Santa Barbara
Jewish Federation of Orange County
Jewish Federation of the Desert
Jewish Federation of the Greater San Gabriel and Pomona Valleys
Jewish Partisan Educational Foundation
Jewish Vocational Services (JVS) Bay Area
JVS SoCal
LA Best Babies Network
Latino Coalition for a Healthy California
LeadingAge California
Los Angeles LGBT Center
Maternal and Child Health Access
Multi-faith Action Coalition
National Council of Jewish Women – San Francisco
National Multiple Sclerosis Society
Neighborhood Legal Services of Los Angeles County
NextGen California
Northeast Valley Health Corporation
Occupational Therapy Association of California
Orange County United Way
Organizing Rooted in Abolition Liberation and Empowerment
PICO California
Planned Parenthood Affiliates of California
Private Essential Access Community Hospitals
Public Counsel
San Francisco AIDS Foundation

San Francisco Senior and Disability Action
Senior Services Coalition of Alameda County
South Asian Network
Southeast Asia Resource Action Center
The Children's Partnership
The EveryLife Foundation for Rare Diseases
The Los Angeles Trust for Children's Health
UnidosUS
United Ways of California
Two individuals

OPPOSITION: (Verified 8/14/26)

None received

ARGUMENTS IN SUPPORT: Co-sponsors Western Center on Law and Poverty, National Health Law Program, Health Access California, and Justice in Aging write that this bill would shield against some of the Medi-Cal coverage cuts by excluding all parents and caretakers with incomes below 109% from work reporting requirements. These parents and caretakers were eligible for Medi-Cal before the Affordable Care Act under Section 1931(b) of the Social Security Act and so should not be included at all, and this bill makes that clarification. The bill would also clarify which income counts in determining whether a person meets work reporting requirement, implement recent federal guidance on what counts as educational and work programs, codify county practice to request information before taking any adverse action when there is conflict in data, and clarify requirements around good cause exceptions.

ASSEMBLY FLOOR: 58-12, 5/26/26
AYES: Addis, Aguiar-Curry, Ahrens, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Connolly, Elhawary, Fong, Gabriel, Garcia, Gipson, Mark González, Haney, Harabedian, Hart, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, McKinnor, Nguyen, Ortega, Pacheco, Papan, Patel, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Valencia, Ward, Wicks, Wilson, Zbur, Rivas
NOES: Davies, DeMaio, Dixon, Ellis, Gallagher, Jeff Gonzalez, Hadwick, Johnson, Macedo, Patterson, Sanchez, Tangipa
NO VOTE RECORDED: Alanis, Castillo, Chen, Flora, Hoover, Lackey, Muratsuchi, Celeste Rodriguez, Ta, Wallis

Prepared by: Jen Flory / HEALTH / (916) 651-4111
8/17/26 10:13:59

****** END ******