

Congressional Republican efforts in early 2025 are expected to focus on extending the 2017 Trump tax cuts, giving more and bigger handouts to billionaires and corporations. To pay for these tax cuts, Congress has proposed major cuts to federal programs, including Medicaid (Medi-Cal in California) and Affordable Care Act (ACA) marketplaces like Covered California. Republicans have narrow majorities in both the Senate and the House, with 53 Republicans in the Senate and 220 (or fewer with potential Cabinet appointees) in the House. Republicans have said they will seek to pass budget cuts through what's known as "the reconciliation process" which can be done without bipartisan support. Under current congressional rules, other changes such as repealing the ACA consumer protections (like coverage of pre-existing conditions) requires bipartisan support and 60 votes in the U.S. Senate.

### The Reconciliation Process

Reconciliation provides a route to budget changes with only a simple majority (51) in the U.S. Senate, but it is limited to budget cuts, spending, and narrow related changes that can meet strict requirements. The reconciliation process has been used to pass significant legislation such as the Inflation Reduction Act (2022) as well as some adjustments to funding the Affordable Care Act in 2010.

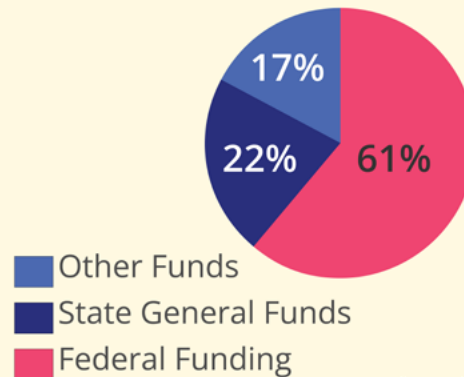
In May of 2024, the Congressional Budget Office projected that extending the major provisions of the 2017 Tax Cuts and Jobs Act would cost \$4.6 trillion over 10 years.<sup>i</sup> Often—but not always—Congress will aim to balance the costs of reducing taxes with cuts in federal spending. Depending on reconciliation "instructions," federal funding for both Covered California and Medi-Cal in California are at risk. To protect these vital programs, the "reconciliation instructions" must not include cuts to Medi-Cal and Covered California.

### What's at Stake in California

Almost 17 million Californians receive health coverage through public programs that rely on federal funding and rules, including Medi-Cal and Covered California.<sup>ii</sup>

#### Medi-Cal: Federal Funding Makes up More than Half of Spending

Enacted 2024–25 Medi-Cal Expenditures



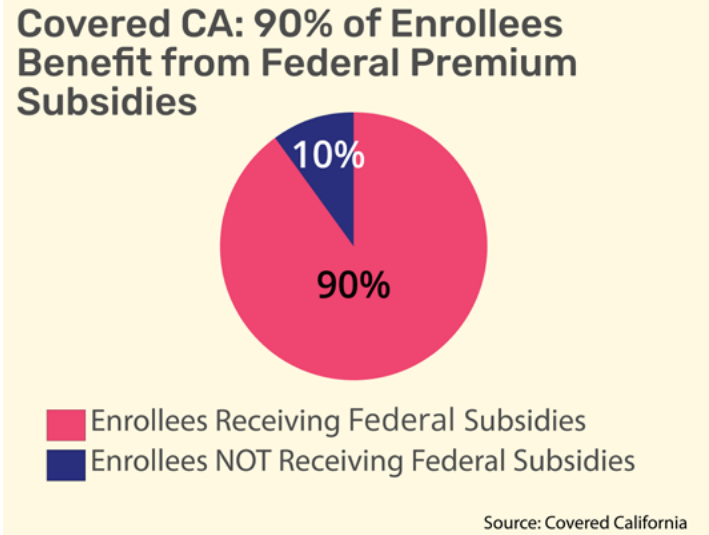
Source: Legislative Analyst's Office

- Medi-Cal provides quality, comprehensive health coverage to about 15 million California children, working families, adults without children at home, seniors, and people with disabilities. Through Medi-Cal, low-income Californians receive preventive care, doctors' visits, hospital stays, medications and other vital services. The Affordable Care Act allowed states to expand Medi-Cal to people with incomes up to 138% of the Federal Poverty Level (those earning \$20,783/year for an individual, and \$43,056/year for a family of four).<sup>iii</sup>
- Covered California provides health insurance for another 1.8 million Californians who make too much for Medi-Cal and do not get health insurance from their employer.

In the 2024-25 California budget, federal funding accounts for \$98 billion of the total \$161 billion in Medi-Cal spending.<sup>iv</sup> If Republicans include Medi-Cal cuts in the reconciliation package, we could see annual cuts of a third or even half of federal funding to Medi-Cal, depending on the proposal. This would leave a massive hole in the California budget and result in devastating cuts not only for health care but other parts of the state budget as well.

Of the 1.8 million people who receive their coverage through Covered California, almost 90% receive federal financial assistance to make their health care premiums more affordable.<sup>v</sup> Some or all of the \$9 billion in federal premium subsidies that Californians receive could be at risk in the reconciliation package. This would devastate affordable and accessible health coverage for California families, returning us to a pre-ACA world where millions of Californians went without health insurance.

Under the current rules in Congress, the many consumer protections of the Affordable Care Act and Medicaid would remain in place. **But without funding to provide affordable coverage, those protections could be a hollow promise not backed up by the federal dollars to make access to care a reality.**



**Federal funding for Medi-Cal and Covered California is at risk through the reconciliation process. Action is needed now to protect health care for millions of Californians.**

i. "Budgetary Outcomes Under Alternative Assumptions About Spending and Revenues" Congressional Budget Office, May 2024  
 ii. "California Health Care Almanac: California Health Insurers Edition: 2024 Edition", California Health Care Foundation  
 iii. Covered California, "Program Eligibility by Federal Poverty Level 2024"  
 iv. "The 2024-25 California Spending Plan: Health" Legislative Analyst's Office  
 v. "2024 June Profile: Active Member Profiles", Covered California Web Site