Title

The Importance of Comprehensive Health Benefits for All Low-Income Californians

Authors

Lucia, Laurel
Dietz, Miranda
Manzanilla, Alexis

Publication Date

2025-05-21

UC BERKELEY LABOR CENTER

Policy Brief

UC Berkeley Center for Labor Research and Education
May 2025

The Importance of Comprehensive Health Benefits for All Low-Income Californians

By Laurel Lucia, Miranda Dietz, and Alexis Manzanilla

Over the last decade, California has expanded access to Medi-Cal to all low-income Californians, beginning by removing immigration-based exclusions for children in 2016 and then by gradually expanding coverage to adults of all ages by 2024. As a result, immigrants who were previously eligible only for costly emergency care are now eligible for comprehensive health benefits including primary and preventive care, and care for chronic conditions. Today, 1.6 million undocumented Californians, including many low-wage workers who are not offered affordable coverage by their employers, are enrolled in full Medi-Cal benefits using state funds.

This inclusive policy recognizes that undocumented Californians are integral to our communities, families, and the health of our state's economy. Undocumented immigrants in California contribute approximately $8.5 billion in state and local taxes each year, and are commonly long-term members of our communities with nearly two-thirds having lived in the U.S. for at least a decade. Undocumented workers make up 7% of the state's workforce, with approximately half working in retail, agriculture, or construction industries. Additionally, one in ten children in the state has an undocumented parent.

California's historic expansion of coverage to undocumented individuals has not only brought the state closer to universal coverage, but has also reduced racial disparities in health coverage. However, this progress is at risk due to a new state budget proposal that would curtail Medi-Cal benefits for certain immigrants, ahead of additional severe federal cuts to Medicaid being considered.

Over time, premiums and an enrollment freeze could result in more than 1 million fewer immigrants with Medi-Cal

Despite current Medi-Cal enrollees generally paying no premiums, state policymakers are considering a May Revise budget proposal that would impose new $100 monthly premiums (beginning in 2027) on adults ages 19+ with "unsatisfactory immigration status" (UIS). UIS is a federal term referring to immigrants with specific statuses that make them ineligible for federally-funded Medicaid benefits. In California, approximately 2 million immigrants who receive Medi-Cal coverage using state funds have UIS and thus would be subject to the new premiums. While undocumented enrollees make up the majority of this group, there are also lawfully present immigrants who are included. For example, lawful permanent resident adults who have held "green cards" for less than five years are ineligible for federal Medicaid benefits unless they are pregnant, but they have been eligible for state-funded Medi-Cal benefits for decades.[1]

The income limit for Medi-Cal eligibility for single adults is less than $1,800 per month; many people at this income level in this high-cost state would not be able to pay $100 monthly premiums. A two-parent family of four with income at the poverty level (less than $2,700 per month) would pay $200 a month in combined premiums for both parents, which is 7.5% of their income. For families living on very tight budgets, these premium costs could mean forgoing the equivalent of almost an entire week's worth of minimal groceries every month.

Federal Medicaid policy generally prohibits premiums for enrollees earning less than 1.5 times the federal poverty level. In Covered California, enrollees in the lowest income range currently pay no premiums for a benchmark plan. While federal Medicaid and Marketplace policies do not apply to this state-funded program, they are helpful indicators of minimum standards for premium affordability for low-income populations. In states that have received federal waivers to charge Medicaid enrollees premiums, research has found that these premiums are associated with coverage loss, reduced access to care, and negative health outcomes.

In addition to introducing premiums, the budget proposal also seeks to freeze new Medi-Cal enrollment for undocumented adults ages 19 and up, beginning in 2026. The combination of these two policies means that if enrollees cannot afford to pay their premiums, they will lose their Medi-Cal coverage and be unable to re-enroll. These provisions would spur a major erosion of the program that would leave hundreds of thousands of Californians, and potentially over 1 million over the longer-term, without access to health care.

---

1 Other subgroups considered to have "unsatisfactory immigration status" for purposes of federal Medicaid benefits (in addition to undocumented immigrants and lawful permanent resident adults who have held "green cards" for less than five years) include immigrants with Temporary Protected Status, those granted Deferred Enforced Departure, spouses and children of U.S. citizens whose visa protection has been approved, immigrants permanently residing in the U.S. under color of law, those with a pending application for adjustment of status, and applicants for asylum.

Projected Enrollment Impacts

According to Department of Health Care Services testimony, the enrollment freeze alone is projected to result in more than 200,000 fewer people enrolled in coverage each year starting in the 2026-27 budget year (the first full year of implementation), with a cumulative reduction in enrollment of nearly 700,000 by the 2028-29 budget year. The budget proposal also assumes a 20% reduction in enrollment due to the premiums imposed, though other states that have implemented or increased premiums for Medicaid enrollees have seen even greater disenrollment rates. Over the long term, these two policies in combination could result in over 1 million fewer immigrants, including some lawfully present immigrants, enrolled in Medi-Cal.

Dental care, long-term care, and In-Home Supportive Services would also be eliminated

The current proposal would also eliminate dental and long-term care benefits for all immigrants with "unsatisfactory immigration status" and In-Home Supportive Services (IHSS) benefits for undocumented enrollees beginning in 2026. Currently, all Medi-Cal enrollees can qualify for these critical services.

Past cuts to Medicaid dental benefits have resulted in delayed dental care, increased use of emergency room services, and financial strain for individuals paying out-of-pocket. Poor oral health can also lead to worse productivity at work. Eliminating long-term care would reverse a benefit that has been available to undocumented individuals for decades due to a court order. Eliminating IHSS for undocumented enrollees would leave older adults and individuals with disabilities without the care they need to live at home, and would place an additional burden on family caregivers who may have to leave their jobs to provide care.

Comprehensive Medi-Cal benefits essential for health and efficient health care spending

A large body of research has shown that Medicaid expansion improves access to care, increases utilization of services, and results in improved self-reported health. Studies have even shown that having Medicaid saves lives: a study published this month found that adults who gained coverage under the Affordable Care Act (ACA) Medicaid expansion had a death rate that was 21% lower than similar low-income uninsured adults. This follows several past studies that found that the ACA Medicaid expansion reduced mortality rates overall and specifically for low-income people with certain conditions.

Low-income immigrant adults who disenroll from Medi-Cal due to the proposed policy changes would be limited to insufficient health care benefits: coverage only for emergency or pregnancy-related services. Studies have shown that covering people's comprehensive health needs is a more efficient use of health care dollars as well as being better for people's health. For example, a 2022 study found that Medicaid expansion was associated with reduced overall emergency department use, especially for visits that were not medically emergent and visits that could have been treatable via primary care.

Additionally, UC Irvine research found that undocumented Californians age 50 and above with coverage provided through Los Angeles County generally had lower rates of avoidable emergency department (ED) care than those not enrolled in the program. The results suggested that "stable, continuous coverage for undocumented immigrants improves chronic disease management and reduces costly, preventable hospital use, including avoidable ED visits."

Many health care providers would see reduced revenues and more uncompensated care

The current budget proposal would lead to fewer Medi-Cal patients and more uninsured patients, reducing revenues for many hospitals, clinics, and other providers, and increasing uncompensated care. The health care sector supports 2.65 million jobs throughout the state. A number of national studies have found that the ACA Medicaid expansion has had significant economic benefits for health care providers, according to a literature review by KFF. Many studies have found payer mix improvements, meaning increases in Medicaid patients and decreases in uninsured patients, for "hospitalizations, emergency department visits, and visits to community health centers and other safety-net clinics."

Studies have also found decreases in uncompensated care for hospitals and other providers associated with the coverage gains under the ACA, the largest of which came from the ACA Medicaid expansion. In California, hospital uncompensated costs were cut in half under the ACA, from $3.0 billion in 2013 to $1.4 billion in 2016 due to more patients having insurance. One study even found that the ACA Medicaid expansion was associated with lower probability of hospital closures, especially in rural areas and areas that had high uninsured rates before the ACA.

At community clinics, the percentage of visits covered by Medi-Cal would be likely to decrease, while the percentage of visits from uninsured patients would increase–the opposite of the positive trend experienced under the ACA. Furthermore, the state budget proposes to directly reduce payments by $1.1 billion to Federally Qualified Health Centers and Rural Health Centers in 2026-27, specifically reducing reimbursement for services received by immigrants targeted in the budget proposal who nonetheless remain enrolled in state-funded Medi-Cal programs.

Proposed state cuts compound threats of potential federal reductions

The proposed state reductions in health care coverage for low-income California immigrants add another layer of threat to the severe cuts to health programs for low-income Americans being considered in Congress. Federal proposals to cut health coverage include multiple provisions to curtail health coverage for immigrants, including a proposal to levy large financial penalties to 33 states and DC for expanding health coverage to certain lawfully present or undocumented immigrants using their own state funds. In California, this penalty would reduce federal reimbursement for the ACA Medicaid expansion by $4.4 billion per year, according to estimates cited by the Governor's Office. Additionally, the budget reconciliation bill proposes to reduce federal Medicaid funding for states while they are verifying immigration or citizenship status, eliminate Marketplace coverage for immigrants with DACA and many lawfully present immigrants, and end Medicare eligibility for many lawfully present immigrants.

Conclusion

The state proposal to impose premiums and freeze enrollment could result in 1 million fewer immigrants with Medi-Cal coverage over the long term, and the loss of critical benefits for those who remain enrolled. For many, losing coverage would lead to reduced use of preventive and primary care and increased use of emergency care. Hospitals, clinics, and other providers would have less stable revenues with more uninsured patients. California policymakers have taken pride in the state's progress towards universal coverage and improved health equity, and the cuts being considered at the state level would reverse the state's progress on both goals.

Related resources

California Department of Health Care Services has published data on Medi-Cal enrollment by legislative and congressional district by aid category; the vast majority of those in the "Other" category are those with "unsatisfactory immigration status."

University of California, Berkeley
2521 Channing Way
Berkeley, CA 94720-5555
(510) 642-0323
laborcenter.berkeley.edu

UC Berkeley Labor Center

The Center for Labor Research and Education (Labor Center) is a public service project of the UC Berkeley Institute for Research on Labor and Employment that links academic resources with working people. Since 1964, the Labor Center has produced research, trainings, and curricula that deepen understanding of employment conditions and develop diverse new generations of leaders.

About the authors

Laurel Lucia is the director of the Health Care Program at the UC Berkeley Labor Center. Miranda Dietz is a senior policy researcher in the Health Care Program at the UC Berkeley Labor Center. Alexis Manzanilla is a policy researcher in the Health Care Program at the UC Berkeley Labor Center.

Suggested citation

Lucia, Laurel, Miranda Dietz, and Alexis Manzanilla. "The Importance of Comprehensive Health Benefits for All Low-Income Californians." UC Berkeley Labor Center. May 2025. https://laborcenter.berkeley.edu/comprehensive-health-benefits-for-all-low-income-californians/.