April 3, 2026

The Honorable Jesse Gabriel
Chair, Assembly Budget Committee
1021 O Street, Suite 8230
Sacramento, CA 95814

The Honorable Dawn Addis
Chair, Assembly Budget Subcommittee No. 1
1021 O Street, Room 4120
Sacramento, CA 95814

Re: Request for State Investment to Restore and Sustain County Indigent Care Programs

Dear Assembly Member Gabriel and Assembly Member Addis,

The California State Association of Counties (CSAC), Urban Counties of California (UCC), Rural County Representatives of California (RCRC), County Medical Services Program (CMSP), California Association of Public Hospitals and Health Systems (CAPH), and County Health Executives Association of California (CHEAC) write to request state investment so that counties can expand and restart indigent care services as California's health care safety net provider of last resort.

The budget request related to indigent care services is part of the comprehensive budget request from counties for funding to implement H.R. 1, which can be found at https://www.counties.org/hr1/.

Historical Context and the State–County Partnership

Understanding counties' indigent care responsibilities requires recognizing the complex funding relationship between the state and counties.

In 1978, Proposition 13 fundamentally altered the state–local fiscal relationship by sharply reducing county property tax revenues. In 1982, the state transferred responsibility for the medically indigent adult program to counties and provided state funding to support that obligation.

In 1991, facing additional state budget pressures, California enacted realignment, shifting fiscal and programmatic responsibility for specified health, public health, mental health, and social services programs to counties, along with ongoing funding—primarily from a half cent sales tax and vehicle license fee revenues. These revenues flow into separate subaccounts: health, social services, and mental health. The health subaccount historically funded both county indigent care and county public health activities.

Indigent Care

Counties provide basic subsistence medical care, often time limited and intended as a care of last resort, as part of the indigent care mandate. State law gives counties discretion to set standards of aid and care, including eligibility requirements, covered services, and duration of participation.

Counties are not obligated to provide services to undocumented individuals, and behavioral health services are not part of the indigent care mandate. Eligibility requirements, benefit levels, and cost sharing vary widely by county.

Counties operated indigent care programs through three distinct models:

- **County Medical Services Program (CMSP):** 35 rural and semi-rural counties jointly contract with clinics and hospitals.
- **Article 13 Counties:** 11 counties that do not participate in CMSP or provide indigent care directly, through contracted providers, or hybrid models.
- **Provider Counties:** 12 counties rely primarily on their public hospital and health care systems.

ACA, AB 85, and the Erosion of Indigent Care Support

The Affordable Care Act (ACA) dramatically expanded access to health coverage through Medi-Cal and Covered California, allowing millions of Californians to gain coverage – many of whom were the childless adults that counties served through their indigent programs.

However, with this expansion, the state enacted AB 85 (Chapter 24, Statutes of 2013), which substantially altered health realignment funding. AB 85 slowed the rate of growth of health realignment revenues and redirected significant portions of those funds annually to offset state General Fund costs for CalWORKs grants.

Under AB 85:

- Non-CMSP counties were required to redirect either a flat 60 percent of health realignment revenues annually, or a formula-based share tied to revenues and costs post the ACA expansion and compared to historical realignment amounts spent on indigent care.
- CMSP collectively contributed 60 percent of board revenues annually, in addition to a portion of the redirected share from CMSP counties. Note, in 2019, the state passed SB 1371 (2019), which resulted in CMSP no longer receiving any realignment revenues.

As a result, what remains in the health subaccount for counties primarily supports public health and limited indigent care eligibility beyond Medi-Cal. As fewer individuals relied on indigent care, much of the program infrastructure—clinical capacity, staffing, administrative systems, and information technology—was diminished or eliminated.

Renewed Demand and the Impact of H.R. 1

Looking ahead, counties now face renewed and significant pressure to revive and/or expand county indigent care programs. H.R. 1 and upcoming Medi-Cal community engagement requirements, beginning in January 2027, are expected to drive a substantial increase in the uninsured population. Individuals subject to these requirements will begin losing coverage at their annual—and then semiannual—redetermination dates, with counties anticipating an initial surge in demand during the final quarter of the 2026-27 fiscal year.

To develop a responsible and realistic funding request, counties made conservative assumptions:

- Only individuals projected by the Department of Health Care Services to lose Medi-Cal due to community engagement requirements, and who have a legal immigration status, were included.
- Counties assumed only one-third of that population will seek and qualify for indigent care, reflecting state and county efforts to keep people in coverage and assist with Medi-Cal reenrollment.

Because indigent care programs were scaled down after the ACA, counties must now rebuild infrastructure to meet increased demand. For the 23 non-CMSP counties, this includes investments in clinical delivery systems, information technology, fiscal and legal infrastructure, workforce capacity, and administrative operations. Counties may also look to build processes to establish documentation to support medical frailty and disability determinations, which can exempt eligible individuals from community engagement requirements and allow a return to full scope Medi-Cal coverage.

Counties do not have the resources to undertake this rebuilding effort without sustained, dedicated state funding.

Requested State Investment for Indigent Care

To protect California's health care safety net and uphold the longstanding state–county partnership, counties respectfully request the following multiyear investment for indigent care:

- $761 million in 2026-27
    - $200 million for infrastructure rebuilding, to be used over three years.
    - $511 million for direct indigent care services, including administrative costs.
    - $50 million for increased public health costs.
- $2.4 billion in 2027-28 and ongoing to support indigent care medical services across all 58 counties, including $50 million to support public health.

For decades, counties have served as California's health care safety net of last resort, adapting to shifting policy, funding, and coverage landscapes. The convergence of diminished realignment support, infrastructure erosion, and impending coverage losses now places that safety net at risk.

We urge the Legislature to reinvest in county indigent care programs – the last resort safety net for health care services – and ensure counties have the tools and resources necessary to meet their statutory obligations, protect public health, and protect other critical county services, including public safety.

Thank you for your leadership and partnership. We look forward to working with you to secure a stable and sustainable future for California's county health care safety net.

Sincerely,

As signed by

Brendan McCarthy, Senior Legislative Advocate
California State Association of Counties (CSAC)

As signed by

Kelly Brooks-Lindsey, Legislative Advocate
Urban Counties of California (UCC)

As signed by

Sarah Dukett, Policy Advocate
Rural County Representatives of California (RCRC)

As signed by

Katie Rodriguez, Interim President & CEO
California Association of Public Hospitals and Health Systems (CAPH)

As signed by

Kari Brownstein, Executive Director
County Medical Services Program (CMSP)

As signed by

Michelle Gibbons, Executive Director
County Health Executives Association of California (CHEAC)

cc: Honorable Members, Assembly Budget Committee
Joe Stephenshaw, Director, California Department of Finance
Kim Johnson, Secretary, California Health and Human Services Agency
Erica Pan, Director and State Public Health Officer, California Department of Public Health
Michelle Baass, Director, California Department of Health Care Services
Richard Figueroa, Office of Governor Gavin Newsom
Paula Villescaz, Office of Governor Gavin Newsom
Rosielyn Pulmano, Office of the Assembly Speaker Robert Rivas
Christian Griffith, Assembly Budget Committee

Patrick Le, Assembly Budget Committee
Joe Shinstock, Assembly Republican Caucus
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