

California State Assembly



Agenda

Assembly Budget Subcommittee No. 7 on Accountability and Oversight

Assemblymember Gregg Hart, Chair

Wednesday, March 11, 2026

9:00 A.M, State Capitol, Room 126

IMPACT OF FEDERAL WORK RULES FOR ABLE-BODIED ADULTS WITHOUT DEPENDENTS ON CALIFORNIA BEHAVIORAL HEALTH AND CRIMINAL JUSTICE PROGRAMS

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Item To Be Heard

Issue 1: Impact of ABAWD Rules on Behavior Health and Public Safety Programs

This hearing will consider how recent federal changes to eligibility to Medi-Cal and the CalFresh program could impact efforts to improve care to California's hardest-to-serve populations. Over the last decade, the State has reshaped and targeted the Medi-Cal program, courts, the Mental Health Services Act, and homelessness funding towards providing better coordinated care for populations that tend to have complex behavioral health issues. As one of the key barriers that lead to homelessness in California, these efforts are a cornerstone to addressing this persistent challenge.

Panel

- Ryan Woolsey, Legislative Analyst's Office
- Sabrina Adams, Department of Finance
- Natalie Griswold, Department of Finance
- Yingjia Huang, Department of Health Care Services
- Alexis Fernández Garcia, Department of Social Services
- Trent Rhorer, San Francisco Human Services Agency

Background

The State has embarked on a number of initiatives targeting this challenging population that rely on leverage federal funding for these difficult to serve populations:

CalAIM

CalAIM is a 2021 Federal Section 1115 Medicaid Waiver that allows the State to explore a number of innovative programmatic and eligibility changes to improve health care in California. This waiver included several provisions to better manage services for individuals that have high health needs.

These include:

- **Enhanced Care Management.** Enhanced Care Management is person-centered care management provided to the highest-need Medi-Cal beneficiaries, primarily through in-person engagement where beneficiaries live, seek care, and choose to access services.
- **Community Supports (also known as "In Lieu of Services").** Medi-Cal managed care plan partners will begin offering "Community Supports," such as housing supports and medically tailored meals, which will play a fundamental role

in meeting beneficiaries' needs for health and health-related services that address social drivers of health including food insecurity and social support.

- **Behavioral Health Delivery System Transformation DHCS.** This will strengthen the state's behavioral health continuum of care for all Californians and promote better integration with physical health care. CalAIM will streamline policies to improve access to behavioral health services, simplify how these services are funded, and support administrative integration of mental illness and substance use disorders treatment.
- **Services and Supports for Justice-Involved Adults and Youth.** These initiatives help California address poor health outcomes and disproportionate risk of illness and accidental death among justice-involved Medi-Cal eligible adults and youth as they re-enter their communities.

CARE Act

In 2022, SB 1338 established the Community Assistance, Recovery, and Empowerment (CARE) Act. The CARE Act creates a new pathway to deliver mental health and substance use disorder services to a subset of Californians with the most complex behavioral health conditions who too often suffer in homelessness or incarceration without treatment. This requires prioritizing those who need help the most, providing a comprehensive CARE plan that honors self-determination to the greatest extent possible, and holds our public systems accountable to delivering services and housing that are key to long term stability and recovery. The CARE Act is designed as an upstream intervention to divert from and prevent more restrictive conservatorships or incarceration. To be eligible for CARE and individual must have a severe mental illness with a diagnosis of a schizophrenia spectrum disorder or other psychotic disorder.

In California, county behavioral health departments are responsible for delivering Medi-Cal Specialty Mental Health Services, publicly funded substance use disorder treatment, and community mental health services. Most respondents in CARE will be Medi-Cal beneficiaries or eligible for Medi-Cal. For a respondent who has commercial insurance, CARE requires that a health plan reimburse the county for eligible behavioral health care costs.

Existing funding sources that may be used for CARE plan services and supports include nearly \$10 billion annually for behavioral health care and \$1.5 billion in funding through the Behavioral Health Bridge Housing program, as well as various housing and clinical residential placements available to cities and counties including over \$14 billion in state funding to address homelessness made available over the last two years.

In addition, the state will provide CARE funding for technical assistance, data and evaluation, legal representation for the respondent, as well as funding to support court and county administration.

CalFresh Employment and Training (CFET)

California counties may receive federal match for job search and training activities for CalFresh recipients over aged 18 that do not receive CalWORKs. Counties often use this funding in concert with employment requirements or programs in their General Assistance/General Relief programs for individuals without dependents. Low-income families with children typically qualify for CalWORKs and are not eligible for CFET, but this funding stream is one of the few federal matching funds available. At this time, the State does not provide any match for CFET activities.

What is an “ABAWD” and how are they treated under federal law?

The term ABAWD (Able Bodied Adult without Dependents) is often used to differential low-income populations without children and who are not disabled. Beginning in 1996, this population was subject to work requirements in certain circumstances in the Federal SNAP (and previously Food Stamps) program. Last year’s HR 1 imposed this requirement on Medicaid and expanded the requirement for SNAP. These requirements begin on January 1, 2027.

The chart below, from the LAO, identifies the current ABAWD requirements in both programs:

Comparing Medi-Cal and CalFresh^a Work Requirements and Affected Populations		
	Medi-Cal	CalFresh
What is the work requirement?	At least 80 hours monthly of work, education, or community service.	At least 20 hours weekly of work, certain work programs (which may include education), or community service.
Who is affected?		
Affected population before exemptions ^b	Adults age 19-64 in the ACA expansion eligibility group	Adults age 18-64
<i>Exemptions</i>		
Substance use disorder	X	X ^{c,d}
Disabling mental health disorder	X	X ^c
Significant physical, intellectual, or developmental disability	X	X ^c
Serious or complex medical condition	X	X ^c
Pregnancy	X ^e	X
Caring for dependent children under age 14	X	X
Caring for a dependent with disabilities	X	X
High unemployment county ^f	X	X
Certain American Indians	X	X
Recently released from incarceration within the past 90 days	X	
Current and former foster youth under age 26	X	
Receiving unemployment insurance benefits		X
Estimated affected individuals after exemptions ^g	About 3.5 million	About 845,000
Individuals estimated to be disenrolled	Between 1 million and 2 million	About 665,500
<p>a. CalFresh work requirement refers to the ABAWD work requirement, not the general work requirement (which is unaffected by H.R. 1).</p> <p>b. Affected populations in Medi-Cal and CalFresh overlap significantly.</p> <p>c. CalFresh does not have separate exemptions for these specific conditions. However, these conditions may fall under an exemption for those medically certified as physically or mentally unfit for employment.</p> <p>d. Separate exemption for receiving substance abuse treatment.</p> <p>e. Includes those receiving postpartum care.</p> <p>f. For an exemption in Medi-Cal, a county’s unemployment rate must be at least 8 percent of 1.5 times the national unemployment rate. In CalFresh, a county’s unemployment rate must be above 10 percent.</p> <p>g. An estimated 90 percent of CalFresh enrollees are also enrolled in Medi-Cal. The share of individuals affected by the CalFresh work requirement that is also affected by the Medi-Cal work requirement is unknown, but likely significant.</p> <p>ACA = Affordable Care Act and ABAWD = able-bodied adult without dependents.</p>		

ABAWD Requirements Reduce Program Enrollment

Historically imposing ABAWD requirements has resulted in declines in program enrollment. For example, the HR 1 ABAWD requirement for Medicaid were modeled after Georgia’s “Pathways to Coverage” pilot program that imposed work requirements on this population. In that program, an estimated 345,000 ABAWDs were estimated to meet the financial and asset eligibility requirements for Medicaid, but only 4,231 individuals were able to able to meet the ABAWD enrollment requirements. This was in part due to the complexity applicants faced in demonstrating and reporting their work activities.

As the State begins implementing these new requirements, the table below indicates the estimated caseload impact on the two programs:

Program	Total Program Enrollment	Estimated ABAWDs	Possible ABAWD disenrollment	Percent of Total Disenrolled
Medi-Cal	14,531,438	3,500,000	- 1,400,000	- 9.6
CalFresh	5,240,393	845,000	- 665,000	- 12.7

The numbers above reflect the assumption that excluded populations would not be subject to ABAWD requirements.

Targeted CalAIM and CARE Populations Should Be Exempt from ABAWD Requirements

As noted by the LAO, the target population for the CalAIM and CARE program are assumed be excluded from the new requirements. However, if this population cannot navigate the exemption process, it is very unlikely they be able to retain their federal eligibility.

Both the Department of Health Care Services and Department of Social Services will have to apply these new requirements for both new applicants and existing enrollees upon redetermination. Both departments have issued guidance to counties to begin the process of implementing the new ABAWD requirements next year. This guidance is preliminary, as some of the specifics and direction from the federal government are still pending.

Both departments have articulated a process to apply exemptions to existing recipients in recent guidance to Counties.

The Department of Health Care Services is implementing ABAWD requirements for the first time in the Medi-Cal program. It has articulated a four-step process to screen for exemptions and compliance. First, counties will use information in the existing casefile to screen for exemptions. Second, the county will use information in the case file to look for qualifying work or community engagement activities. Third, the counties will request additional information from the enrolled individual to determine compliance. Finally, the county will issue a negative action to deny or

discontinue eligibility when non-compliance is determined. The Department has indicated it plans to continue to work on streamlining the process to report work activities or exemptions and will launch an extensive communication outreach campaign.

The Department of Social Services will build on existing ABAWD requirements to apply the new requirements from HR 1. If a county determines that verification from a participant is necessary, it must first use all available internal resources, including case record data and information shared from other public assistance programs.

Counties Have Expressed the Need for Additional Eligibility Resources

The County Welfare Directors Association anticipated additional resource needs for both programs to implement HR 1. For Medi-Cal CWDA expected the need for \$270 million in additional state funds for 2,000 new eligibility workers to provide 3.5 hours per client, in part, screen for exemptions. For CalFresh, they are requesting \$103 million for 400 new workers to devote 4 additional hours per recipient.

Staff Comments

The implementation of ABAWD requirements will reduce caseload in both Medi-Cal and CalFresh and cause disruption and additional requirements for adults without dependents. While the CalAIM and CARE Act populations should be exempt from new work requirements, previous efforts to implement ABAWD requirements in Medicaid in other states resulted in bureaucratic mazes that blocked access across populations.

The State has 296 days from the date of this hearing before the new requirements are imposed. This hearing is to call attention to the hardest to serve populations that are targeted by state efforts and focus on the state can navigate these individuals through the new requirements without disrupting their care plans.

The Subcommittee may wish to consider the following questions:

1. How do the departments intend to streamline determining ABAWD exemptions?
2. Will at-risk exempted populations receive special priority, outreach, or process to follow?
3. How do individuals demonstrate a “disabling” mental health disorder or a substance abuse issue?
4. Will the CalAIM and CARE program monitor the impact of eligibility of existing and future populations?
5. What steps can the state take to reduce the risk of disenrollment or denial from individuals served by CalAIM?

This agenda and other publications are available on the Assembly Budget Committee’s website at: [Sub 7 Hearing Agendas | California State Assembly](#). You may contact the Committee at (916) 319-2099. This agenda was prepared by Christian Griffith.