



Terra Lawson-Remer

Chair

Supervisor, Third District
San Diego County Board Of Supervisors

Agenda Item

Date: September 1, 2026

16

To: Board of Supervisors

Adopt a Resolution to Oppose Federal Medicaid Cuts and the Trump Administration's Withholding of Medicaid Funding Owed to California (Districts: All)

Overview

The Trump Administration is threatening Medicaid and the health care safety net on two fronts. First, H.R. 1, signed into law by President Trump on July 4, 2025, enacted the largest reductions to Medicaid in the program's history. The law imposes new work-reporting requirements, requires more frequent eligibility checks, restricts eligibility for certain lawfully present immigrants, and makes other significant changes to Medicaid financing. The Congressional Budget Office estimates that the Medicaid provisions alone will defund Medicaid by roughly \$900 billion over ten years and increase the number of uninsured Americans by 7.5 million by 2034. In San Diego County alone, approximately 327,000 Medi-Cal recipients could be subject to the new work requirements beginning in January 2027.

This places greater pressure on counties, health care providers, and the safety-net systems that will be left to absorb the consequences when residents lose coverage or access to care.

On top of these sweeping structural cuts, the Trump Administration is separately withholding more than \$2.1 billion in federal Medicaid funding payments from California, further threatening the health care safety net that serves more than 840,000 San Diegans, including approximately 280,000 children.

On May 13, 2026, the Centers for Medicare and Medicaid Services (CMS) deferred approximately \$1.3 billion in federal payments across several categories of Medi-Cal spending. More than \$1.1 billion of that action involved home- and community-based personal-care services. On July 21, CMS withheld an additional \$867.5 million associated with the In-Home Supportive Services (IHSS) program, which helps seniors and people with disabilities remain safely in their homes rather than enter institutional care.

Adopt a Resolution to Oppose Federal Medicaid Cuts and the Trump Administration's Withholding of Medicaid Funding Owed to California (Districts: All)

In announcing the latest action, CMS Administrator Dr. Mehmet Oz said, "If it smells like fraud, we're not paying for it anymore." That rhetoric is not a substitute for evidence. CMS has pointed to rapid expenditure growth as evidence of fraud.

California Medicaid Director Tyler Sadwith testified before Congress in June of this year that IHSS growth reflects a deliberate state policy strategy to help seniors and people with disabilities stay in their homes instead of being pushed into costly institutional settings. For more than 50,000 San Diegans, that support is what allows them to remain independent, close to family, and connected to their communities. Growth in a program that protects vulnerable residents and delivers care in the setting people overwhelmingly prefer is not evidence of fraud. It is evidence that California is investing in a more humane and responsible system of care.

Together, the Medicaid cuts enacted through H.R. 1 and these prolonged federal withholdings place growing pressure on the workers, providers, and health care systems that hundreds of thousands of San Diegans depend on. The federal cuts threaten to push eligible residents off coverage and reduce resources available to the safety net, while the funding freeze could disrupt payments to the workers and providers who keep seniors and people with disabilities safely cared for in their homes.

The County has a responsibility to defend the regional health care safety net against both of these threats. Today's action opposes the reckless Medicaid cuts enacted through H.R. 1 and demands the immediate release of all federal Medicaid payments being withheld from California. It directs the Chief Administrative Officer to transmit this Resolution to President Donald Trump, U.S. Health and Human Services Secretary Robert F. Kennedy Jr., and CMS Administrator Dr. Mehmet Oz.

San Diego residents should not lose health coverage or essential care because of federal policies that make Medicaid harder to access and harder to sustain. Nor should seniors and people with disabilities face disruptions in the services that allow them to remain safely at home while billions of dollars in federal Medicaid payments owed to California remain frozen.

Recommendation by Chair Terra Lawson-Remer

1. Adopt the resolution entitled:
"A RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF SAN DIEGO OPPOSING FEDERAL MEDICAID CUTS ENACTED THROUGH H.R. 1 AND THE TRUMP ADMINISTRATION'S WITHHOLDING OF FEDERAL MEDICAID FUNDING OWED TO CALIFORNIA"
2. Direct the Chief Administrative Officer to transmit a copy of the resolution to the President of the United States, the Secretary of Health and Human Services, and the Administrator of the Centers for Medicare and Medicaid Services.

Equity Impact Statement

The Medicaid cuts enacted through H.R. 1 and the withholding of federal Medi-Cal funding disproportionately threaten low-income residents, seniors, people with disabilities, children, and

Adopt a Resolution to Oppose Federal Medicaid Cuts and the Trump Administration's Withholding of Medicaid Funding Owed to California (Districts: All)

communities of color who rely on Medi-Cal and IHSS for access to care. The federal funding freeze also places pressure on the IHSS caregiver workforce, which is disproportionately composed of women, immigrants, and people of color. This action supports equitable access to health care and home-based services for residents most dependent on the County's safety net.

Sustainability Impact Statement

Federal Medicaid cuts and disruptions to Medi-Cal funding could increase pressure on the County's health and social services systems as residents lose coverage, delay care, or require more costly services. Disruptions to IHSS are particularly concerning because in-home care can help seniors and people with disabilities avoid more expensive hospitalization or institutional placement. This action supports the long-term sustainability of the regional health care safety net. There is no direct fiscal cost to the County associated with transmitting this resolution.

Fiscal Impact

There is no fiscal impact associated with this action. There will be no change in net General Fund costs and no additional staff years.

Business Impact Statement

The Medicaid cuts enacted through H.R. 1 and the continued withholding of federal Medi-Cal funding could have significant impacts on San Diego County's health care and caregiving sectors. Medi-Cal supports hospitals, clinics, home-care providers, community-based organizations, and thousands of workers who deliver essential services to seniors, people with disabilities, children, and low-income families.

Reductions in coverage and prolonged payment disruptions could strain provider finances, reduce provider reimbursement and patient utilization of services, disrupt workforce stability, and make it harder for local providers to maintain access to care. Small home-care and community-based providers operating on narrow margins may be especially vulnerable. Protecting Medicaid coverage and the timely flow of federal Medi-Cal funding helps support a stable regional health care workforce and preserve access to services for residents who rely on them.

Advisory Board Statement

N/A

Background

Medi-Cal is California's Medicaid program and the backbone of the health care safety net for nearly 14 million Californians, including more than 840,000 San Diego County residents. It provides health coverage for children, seniors, people with disabilities, and low-income families who often have nowhere else to turn for care.

That safety net is now under unprecedented federal pressure. On July 4, 2025, President Trump signed H.R. 1 into law, enacting the largest reduction in federal Medicaid spending in the program's history. The law reduces federal Medicaid spending by roughly \$990 billion over ten years and makes sweeping changes to Medicaid eligibility and financing. These include new

Adopt a Resolution to Oppose Federal Medicaid Cuts and the Trump Administration's Withholding of Medicaid Funding Owed to California (Districts: All)

work-reporting requirements for certain adults, more frequent eligibility redeterminations, and restrictions on eligibility for certain lawfully present immigrants. The Congressional Budget Office estimates that the Medicaid provisions will increase the number of uninsured Americans by 7.5 million by 2034.

These are not abstract changes for San Diego County. Beginning in January 2027, approximately 327,000 local Medi-Cal recipients could be subject to the new federal work requirements. More frequent eligibility reviews and other restrictions are expected to cause additional residents to lose coverage or experience gaps in care. When that happens, the need for health care does not disappear. It shifts pressure onto hospitals, clinics, emergency rooms, community providers, and County safety-net services.

The Trump Administration is now compounding those structural cuts by withholding billions of dollars already claimed by California for care delivered through Medi-Cal. More than \$2.1 billion in federal Medicaid funding is currently being withheld while the Centers for Medicare and Medicaid Services (CMS) challenges California's expenditures. Federal Medicaid funds generally flow to the state after California reports eligible expenditures to CMS, which reimburses those costs at the applicable federal matching rate. CMS may defer payment and request additional documentation when it questions particular expenditures.

A significant share of the current dispute involves In-Home Supportive Services (IHSS), a Medi-Cal program that provides personal care and homemaker assistance to eligible seniors and people with disabilities so they can remain safely in their homes rather than enter institutional care. More than 50,000 San Diegans rely on IHSS. In San Diego County, County social workers determine eligibility and authorize care hours, while the San Diego County IHSS Public Authority serves as employer of record for providers across the region.

On May 13, 2026, CMS deferred approximately \$1.3 billion in federal Medicaid matching funds across several categories of Medi-Cal spending, including more than \$1.1 billion associated with home- and community-based personal-care services. On July 21, 2026, CMS withheld an additional \$867.5 million associated with IHSS. Together, the two actions total more than \$2.1 billion.

The Administration has justified these actions by invoking suspected fraud, but it has not publicly released an audit, data, or methodology demonstrating that California's spending growth reflects fraud. CMS Administrator Dr. Mehmet Oz summarized the Administration's approach by stating, "If it smells like fraud, we're not paying for it anymore." California Medicaid Director Tyler Sadwith testified before Congress that the growth instead reflects a deliberate state policy strategy to expand home-based care and help seniors and people with disabilities remain in their homes rather than move into more costly institutional settings.

The pattern extends beyond California. CMS has taken similar deferral actions against Minnesota, and the states targeted to date have been led by Democratic governors, raising concerns that these enforcement actions are being selectively directed at states whose health care policies differ from those of the Trump Administration. In litigation brought by Minnesota, a

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federal judge found that the deferral likely complied with federal procedural requirements while acknowledging the state's concerns regarding the underlying dispute. The ruling addressed the process used to defer the funds, not the merits of the federal government's underlying fraud allegations.

San Diego is therefore confronting two federal threats at once: long-term Medicaid cuts that could push residents off coverage and an immediate funding freeze that puts additional pressure on the providers and caregivers serving people who remain enrolled. Federal officials have stated that deferred funds may ultimately be released if states provide documentation sufficient to satisfy CMS, but that process can take months. In the meantime, payment disruptions or coverage losses could increase uncompensated care, strain already vulnerable providers, and shift additional costs onto the County and the regional health care safety net.

Linkage To The County Of San Diego Strategic Plan

Today's action supports the County's Strategic Plan by advancing the Healthy initiative and protecting access to essential health and social services. Opposing federal Medicaid cuts and calling for the release of legitimate Medi-Cal payments helps protect the providers, caregivers, and community-based services that children, seniors, people with disabilities, and low-income residents rely on for care.

This action also supports the County's commitment to Equity by defending coverage and services for residents who are most dependent on the health care safety net and least able to absorb disruptions in coverage, care, or provider access.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Terra Lawson-Remer', with a stylized flourish at the end.

Terra Lawson-Remer
Supervisor, Third District

Attachment(s)

Attachment A – Resolution