

# PROVIDER Bulletin



## KERN HEALTH SYSTEMS

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August 5, 2025

### **Subject: Essential Update on Recent Medi-Cal/Medicaid Changes**

Dear Valued Provider and Hospital Partners,

I'm writing to provide you with an update regarding the recent significant changes stemming from the federal Budget Reconciliation Bill H.R. 1 and California's FY 2025-26 budget. Many of you have expressed concerns about how these developments may impact your practices, and I want to address these head on.

In the spirit of transparency and collaboration, I want to highlight some critical changes from both the federal and state levels that present us with opportunities to innovate and enhance our approach to care.

#### **Provider Impacts:**

Recent federal changes are poised to reshape the health financing system in the United States drastically. The reduction of special provider taxes, which fund our Medicaid programs, will be significant. California is expected to experience shifts in funding for Medi-Cal due to these changes, and we are currently analyzing their potential impacts on our healthcare providers.

Additionally, State Directed Payments – including supplemental funding are under review to determine how they may change under new federal guidelines. This will require careful attention as we look to understand the financial dynamics for California hospitals and healthcare facilities.

On a state level, Proposition 56 dental payments are set for elimination by July 1, 2026. Moreover, starting on July 1, 2026, Federal Qualified Health Centers will no longer receive their Prospective Payment System (PPS) rates for members with Unsatisfactory Immigration Status, transitioning instead to the Medi-Cal fee-for-service rate. These shifts present us with a chance to rethink our care delivery methods.

#### **Member Impacts**

The new federal guidelines introduce stricter eligibility criteria, which may affect over 10 million Americans nationwide over 10 years. At the state level, adults with unsatisfactory immigration status will face a freeze on new enrollments by January 1, 2026, will experience cuts in specific benefits, and will be required to pay a monthly premium of \$30 starting July 1, 2027. Additionally, for seniors and individuals with disabilities, asset tests will be reinstated. We must work collectively to support our members through these transitions.

The pharmacy benefits for all Medi-Cal members will see a reduction, including the coverage for GLP-1 weight loss drugs and the implementation of step therapy and prior authorization for certain medications. Furthermore, work requirements of 80 hours per month for able bodied adults without dependents are being introduced no sooner than December 31, 2026, adding more complexity to eligibility management.

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While these changes may pose challenges, they encourage us to find innovative ways to improve efficiency and care quality.

## **Kern Family Health Care Impacts**

As we assess these changes, this is also a valuable moment for reflection on how we can better serve our members. Kern Family Health Care is committed to investing in innovative solutions to control costs, and I encourage all of you to explore efficiencies within your practices. This proactive mindset will not only enhance the quality of care we provide but also ensure our sustainability in this evolving landscape.

We are in this together. By collaborating and sharing best practices, we can face these changes as a united community. Your insights are critical as we navigate this journey, and together, we can rise to meet new challenges.

## **Community Impacts**

Estimates suggest that consumers may face increased costs for care and longer wait times for services. While these changes require adjustments, they also serve as an opportunity for our community to rethink healthcare delivery and find innovative solutions together.

## **Next Steps**

I understand that these updates can feel overwhelming, but please know that Kern Family Health Care is here to support you. We have a unique opportunity to engage in discussions on policy implementation and advocate for clear, practical strategies that reflect the realities of care delivery in our county.

I encourage you to connect with your health care trade associations for resources and advocacy opportunities. Please don't hesitate to reach out to our Provider Relations Department if you require support; you can contact our Chief Operations Officer, Alan Avery, at 661-664-5005 or via email at [alan.avery@khs-net.com](mailto:alan.avery@khs-net.com). We are here to assist you.

Your continued dedication to delivering exceptional care is more important now than ever. Together, we can navigate these challenges and uphold the quality of healthcare our communities rely on.

Thank you for your partnership and commitment.

Best regards,

Emily Duran  
CEO, Kern Family Health Care