After Promising Universal Health Care, California Governor Must Reconsider Immigrant Coverage

California's health care costs spiraled out of control due to major Medicaid initiatives he backed.

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Gov. Gavin Newsom didn't expect to be reckoning with another health care crisis.

In March, as President Donald Trump and congressional Republicans escalated a nationwide debate over whether to slash health care for poor and disabled Americans, the Democratic governor had to tell state lawmakers that California's health care costs had spiraled out of control due to major Medicaid initiatives he backed — including the nation's largest expansion of taxpayer-financed health care for immigrants living in the U.S. without legal permission.

His top officials at the state Department of Finance quietly disclosed to California lawmakers in a letter that the state had borrowed $3.4 billion to pay health insurers, doctors, and hospitals caring for patients enrolled in California's Medicaid program, known as Medi-Cal. Facing rising health care costs amid a deepening state budget crisis, Newsom now must contemplate rolling back coverage and benefits.

The second-term governor faces a tough political decision: renege on his promise to achieve universal health care and strip coverage from millions of immigrants who lack legal status or look elsewhere for budget cuts. With nearly 15 million low-income or disabled residents enrolled in Medi-Cal, California has more to lose on health care than any other state. Yet even as Newsom has condemned Trump's approach to tariffs and environmental policies, he has been tight-lipped on health policy.

Complicating his political tightrope: Polling shows that providing health care coverage for immigrants without legal status has tepid support. And any resulting budget trouble could harm his political legacy should he run for president in 2028.

"We all know that the cuts are definitely coming," said Carlos Alarcon, a health and public benefits analyst with the California Immigrant Policy Center, which has helped spearhead a decade-long campaign in California to expand Medicaid to eligible immigrants without legal status. "The governor should keep his commitment — we'll be very disappointed if we see cuts and rollbacks.

When times get hard, it's always our marginalized and underserved communities that lose out."

California allows any low-income adults to enroll in Medi-Cal if they earn 138% of the federal poverty level, or $21,597 a year or less, regardless of immigration status. But the costs have been dramatically higher than expected.

Democratic Gov. Jerry Brown expanded Medi-Cal to people age 19 and younger without legal status, but he expressed reluctance to go further because of potential costs. Newsom signed bills into law adding people age 20 and older. An estimated 1.6 million immigrants without legal status are now covered, and costs have soared to $9.5 billion per year, up from $6.4 billion estimated in November. The federal government chips in roughly $1.1 billion of that total for pregnancy and emergency care.

"We can expand out of the graciousness of our heart to everywhere and anywhere, but the moment these resources run out, now everybody loses. We're hitting that breaking point," said California Assembly member David Tangipa, a Fresno Republican. "Either we get fiscally responsible, or there's not going to be services for anybody — and that includes the Californian and the undocumented immigrant."

Democratic leaders responsible for approving the state budget declined interviews. In a statement, state Sen. María Elena Durazo, a Los Angeles Democrat, who championed the expansion in the legislature, said, "Rolling back this progress would be a harmful and shortsighted decision."

Lawmakers are considering freezing enrollment for immigrants without legal status, imposing cost-sharing measures such as drug copays or premiums, or restricting benefits, according to people familiar with the matter, who asked not to be identified to protect relationships at the state Capitol.

However, it's unlikely Newsom will slash funding in his budget revision set for release on May 14. Instead, cuts would follow if congressional Republicans approve a budget deal with major reductions in federal spending on Medicaid.

"This is going to be very problematic for the governor. Budget cuts will disrupt the lives of millions of immigrants who just got health care, but the governor has got to do something, because this is not sustainable," said Mark Peterson, an expert on health care and national politics at UCLA. "The prospect of cutting other places in order to support immigrants living in the country illegally would be a hard political sale; I don't see that happening."

Should Newsom, along with the Democratic-controlled legislature, be forced to make cuts, he could argue he had no choice. Trump and congressional Republicans have threatened states like California with the latest U.S. House proposal cutting Medicaid funding by 10 percentage points for states that provide coverage for immigrants without legal status.For Newsom, political analysts say, Trump could make an easy scapegoat.

"He can blame Trump — there's only so much money to go around," said Mike Madrid, an anti-

Trump Republican political analyst in California who specializes in Latino issues. “It’s making people look at the health care that they can’t afford and ask, ‘Why the hell are we giving it for free to people who are here illegally?’”

The exorbitant cost has come as somewhat of a surprise.

In Newsom’s first budget proposal as governor — in which he called for expanding Medi-Cal to young adults without legal status — his administration estimated it would cost roughly $2.4 billion annually to extend benefits to all eligible people regardless of status. But the latest figure reported to legislators was nearly four times as much.

Newsom declined to respond to questions from KFF Health News, instead referencing previous comments that leave the door open to scaling back Medi-Cal. The governor noted “sober” discussions with lawmakers and said cutting Medi-Cal is “an open-ended question” that the president will heavily influence.

“What’s the impact of Donald Trump on a lot of these things? What’s the impact of federal vandalism to a lot of these programs?” Newsom asked rhetorically in December, suggesting it’s unclear whether he’ll be able to sustain the expansion to immigrants without legal status in future years.

Newsom expanded Medi-Cal in three phases, starting with immigrants ages 19 to 25, who became eligible in 2020, resisting pressure from health care advocates for one big, costly expansion. He argued doing it incrementally would ultimately save California money.

“It is the right thing morally and ethically,” Newsom said in 2020. “It is also the financially responsible thing to do.”

Record budget surpluses in recent years allowed Democrats to continue. Older adults ages 50 to 64 became eligible in 2022, and Newsom closed the gap the following year, approving coverage starting in 2024 for the biggest group, those ages 26 to 49.

But the costs have grown tremendously while the budget picture has soured, according to a KFF Health News analysis of the most recent 2023 records available from the state Department of Health Care Services, which administers Medi-Cal.

Aside from children, it was more expensive to provide Medicaid coverage to immigrants without legal status than to legal residents. For instance, Medi-Cal paid L.A. Care, a major health insurer in Los Angeles, an average of $495.32 monthly to provide care for a childless adult without legal status and $266.77 for a legal resident without kids.

Not only were immigrants without legal status more expensive, California footed most of the cost. The state paid roughly between 60% and 70% of health care costs for a childless adult immigrant covered by L.A. Care, and about 10% for a legal resident without kids. Those costs don’t encapsulate the entire cost of providing care, which can vary depending on where Medi-Cal

patients live, and grow higher when filling prescriptions, going to the dentist, or seeking mental health care.

These payments also differ by insurer, but the trend holds across the state's Medi-Cal health insurance plans. Patients in most of the state can choose from more than one health plan.

Children without legal status in many cases were cheaper to cover than children who were legal residents. Generally, kids are healthier and require less care.

Mike Genest, who served as finance director under former Republican Gov. Arnold Schwarzenegger, argued that the state should have planned for the immense price tag.

"The idea that we'd be able to afford in the long run paying for health care for all these undocumented people — it's beyond unsustainable," Genest said.

While costs are high now, the expansion of Medi-Cal will result in long-term savings to taxpayers and the health care system, said Anthony Wright, who previously lobbied for the expansion as the head of the nonprofit Health Access and is now fighting Medicaid cuts as the executive director of Families USA, based in Washington, D.C.

"They're going to be showing up in our health care system regardless," Wright said. "Leaving them without health insurance is just going to end in more crowded emergency rooms, and it's going to cost even more. It doesn't make any sense economically for them to be uninsured; that takes critical revenue from clinics and hospitals, just causing more problems."

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