



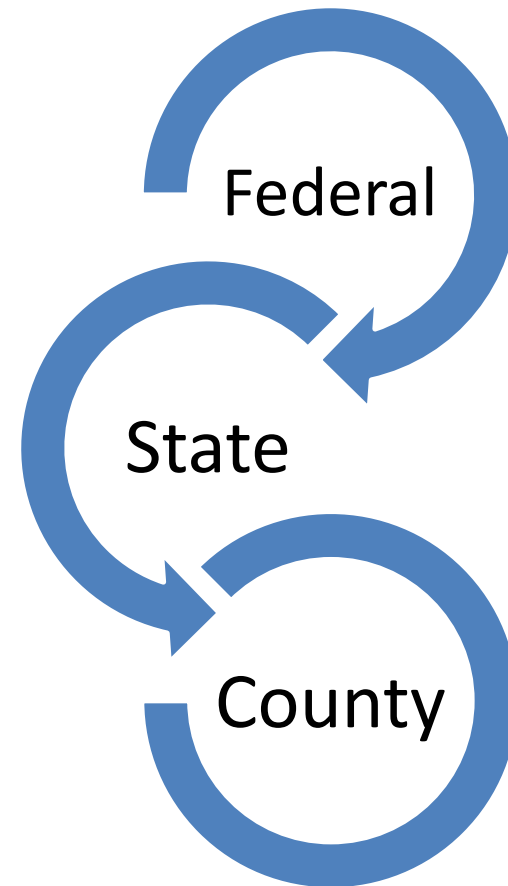
# *Fiscal Policy Updates:* **Medicaid Reforms and Other Emerging Challenges**

Substance Abuse Prevention and Control Bureau  
County of Los Angeles Department of Public Health

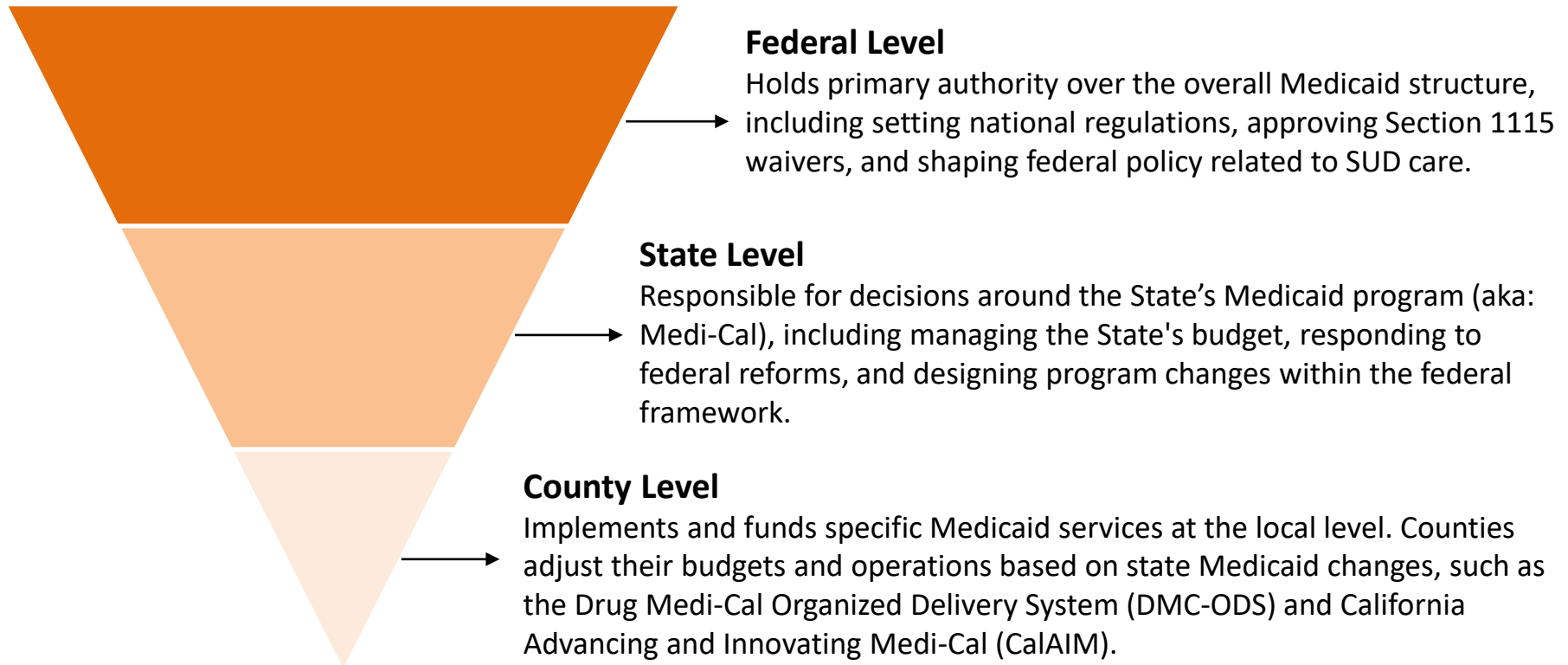
**May 6, 2025**

## DMC-ODS and Interconnected Systems

- SAPC's SUD system of care functions within a **network of collaboration** between different levels of government.
- Successful DMC-ODS and CalAIM implementation depends on a **federal + state + county partnership** and **coordinated authorities**.



## DMC-ODS and Interconnected Systems



## Federal

- SUD and overdose prevention remain stated priorities across government.
- However, **challenges and uncertainty at the federal level risk destabilizing the SUD system.**

Overall Medicaid Funding

Medicaid Waivers (1115, 1915b)

Federal SUD Policy and Budget

## Federal - Overall Medicaid Program

- The future of the Medicaid program hangs in the balance.
  - Active discussions around who the program covers and how the program is financed are at the heart of this uncertainty.
- **Proposals to reduce Medicaid spending include:**
  - Decreasing federal spending (e.g., FMAP reductions, state spending cap)
  - Limiting coverage (e.g., focusing Medicaid services on children, older adults, and people with disabilities)
  - Adding contingencies (e.g., work requirements)

## Federal - Overall Medicaid Program

### Federal Medical Assistance Percentage (FMAP)

- The FMAP is the percentage of Medicaid costs that the federal government pays.
- California has a standard 50% FMAP, meaning that the federal government pays 50% of costs while the State + County pay the remaining 50%.
- However, Medicaid enrollees under the Medicaid expansion authorized by the Affordable Care Act (ACA) qualify for a 90% FMAP, meaning that the federal government pays 90% of the costs while the State + County pay the remaining 10%.

## Federal - Overall Medicaid Program

### Federal Medical Assistance Percentage (FMAP)

- Several national-level Medicaid reform proposals are advocating for a reduction in FMAP, particularly for the ACA-covered population.
- **Any reductions in the Medicaid FMAP will require the State and County to reevaluate SUD budgets, determine eligibility for SUD services, and potentially decide which services may need to be changed, reduced, or cut.**
- SAPC is planning for a variety of FMAP scenarios and other fiscal policy shifts.

## Federal - Medicaid Waivers (1115 and 1915b)

- **DMC-ODS operates under the authority of several federal Medicaid waivers.**
  - **1115 waiver:** Enables coverage of inpatient and residential services in facilities with over 16 beds, also called the Institutes for Mental Disease (IMD) waiver.
  - **1915b waiver:** Enables coverage of other ASAM levels of care.
- **Medicaid waivers have expiration dates and must be renewed to continue**

Waiver	Expiration Date
DMC-ODS	12/31/2026
CalAIM (most)	12/31/2026
BH-CONNECT	12/31/2029



## Federal - Medicaid Waivers (1115 and 1915b)

- The Administration has said it does not intend to renew certain 1115 waivers and will evaluate the 1115 waiver approval process.
- Specifically, it is de-prioritizing 1115 waivers related to health-related social needs (HRSN).
  - CalAIM contains several HRSNs, such as Community Supports and Enhanced Care Management, and the State will likely face challenges when seeking renewal.
- The Administration has not yet said anything specific about SUD IMD waivers.

## Federal - Proposed HHS Budget

- A recent Office of Management and Budget (OMB) leaked budget revealed the Administration's plans to **eliminate the Substance Abuse and Mental Health Services Administration (SAMHSA) and the Health Resources and Services Administration (HRSA)** and make significant changes to other departments like the CDC.
- Under the proposed OMB Budget, programs like the **Substance Use Block Grant (SUBG)** would stay.
- While other programs are tagged for elimination, including:

Strategic Prevention  
Framework

Pregnant and Parenting  
Women

Overdose Prevention  
(Naloxone)\*

*\*Excluding State Opioid Response  
[SOR] grants, which are preserved*

Screening, Brief  
Intervention, and  
Referral to Treatment

Certified Community  
Behavioral Health  
Centers

## State and County - Budget Challenges

### State

- The State is facing **budgetary pressures** and anticipates managing deficits for several years.
- Any major federal Medicaid reforms will significantly impact the Medi-Cal program.
- It is highly unlikely that the State will be able to fully cover losses in federal Medicaid funding without making changes to Medi-Cal services and eligibility.

## State and County - Budget Challenges

### County

- LA County is also **experiencing budgetary pressures** related to legal settlements, emergency fire response, and general federal uncertainty.
- The federal government recently rescinded health-related grants that impact a wide range of public health activities and responses.

**Federal and state policy and budget shifts have major implications for SAPC and the provider network, shaping the future of DMC-ODS and the broader SUD system.**

## **Key Takeaways for SAPC's Provider Network**

- **Federal challenges to Medicaid and Medicaid 1115 waivers threaten the stability of the Medicaid program and the critical progress made in SUD care over the last 10 years.**
- **Changes to the Medicaid FMAP will significantly affect funding levels for SUD services.**