



February 12, 2026

The Honorable John Harabedian
Chair, Joint Legislative Audit Committee
1020 N Street, Room 107
Sacramento, CA 95814

Received 2/12/2026

Re: Request for Audit on Medi-Cal Cost Increases

Dear Chairman Harabedian:

We are writing to request an audit of the Medi-Cal program, administered by the Department of Health Care Services (DHCS), to determine the causes and impacts of recent cost increases – and whether the program is at risk of non-compliance with federal statutes and regulations governing Medicaid cost reimbursement.

Medi-Cal is the state’s Medicaid program that provides health care services for low-income individuals and some of our most vulnerable populations, such as foster youth, minor children, the elderly, veterans, college students, and those with developmental disabilities.

Over the past six years, General Fund spending on Medi-Cal has nearly doubled to \$42.1 billion, and total spending on Medi-Cal has grown by 84.2 percent totaling to \$188.1 billion.

The Governor’s Administration admits that nearly one-half of the growth in General Fund Medi-Cal spending results from California’s expansion of full-scope Medi-Cal to undocumented immigrants. The January 2025–26 Governor’s Budget reflected an unanticipated \$2.8 billion increase in the cost of providing full-scope Medi-Cal to undocumented immigrants, bringing total costs to \$9.5 billion in the current year.

On March 12, 2025, the Governor informed the legislature that Medi-Cal was insolvent –and could not continue to pay all of its obligations to healthcare providers. This resulted in the Governor authorizing an emergency loan of a \$3.44 billion loan from the General Fund to cover the funding shortfall. Just a few days later – on March 17, 2025 – the Governor authorized an additional emergency loan of \$2.8 billion – bringing the total bailout of Medi-Cal from the General Fund to \$6.2 billion.

Despite the alarming nature of this problem, the Governor has failed to provide an explanation for why Medi-Cal costs are far greater than what was budgeted. Many are concerned that continued growth in the cost of Medi-Cal benefits for undocumented immigrants is a major driver of the cost overruns.

To provide for greater transparency on the problems facing Medi-Cal, we request an audit be conducted to address the following questions:

- 1) What were the primary cost drivers of the Medi-Cal cost overruns?
- 2) Why did the Governor's Administration fail to properly forecast the financial shortfall in Medi-Cal? Are there any flaws in the Administration's financial management practices and budget forecasting methodology?
- 3) What are the future estimates for enrollment of undocumented immigrants in Medi-Cal and the projected future cost impacts of this program expansion?
- 4) What steps has DHCS taken to protect Medi-Cal's fiscal health, and what additional actions should be implemented to ensure the viability of the program?
- 5) How has the expansion of full-scope Medi-Cal to undocumented immigrants impacted access to providers and the availability of appointments for Medi-Cal beneficiaries?
- 6) What cost containment strategies are being considered to stabilize the program's budget, and how would these strategies impact access to care?
- 7) Has the state of California properly submitted and justified expenses for Medicaid reimbursement in an appropriate manner – or is there a risk that some reimbursed expenses would be ineligible for federal reimbursement? Did California request and/or receive reimbursement of general overhead expenses for managing Medi-Cal coverage for undocumented individuals?

Thank you for your consideration of this request. Should you have any questions or would like additional information, please contact Zach Kerkhoff at Zachary.Kerkhoff@asm.ca.gov or 916-319-2075.

Sincerely,



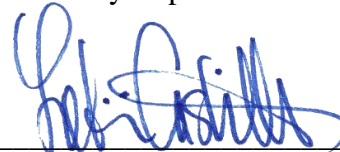
Carl DeMaio
Assemblyman, District 75



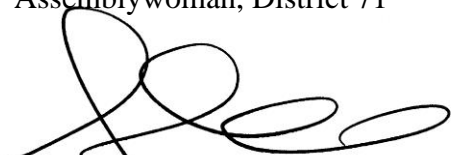
Heath Flora
Assembly Republican Leader



Kate Sanchez
Assemblywoman, District 71



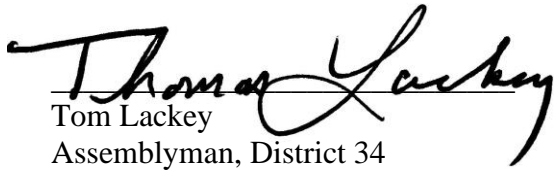
Leticia Castillo
Assemblywoman, District 58

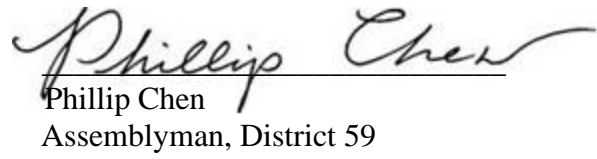


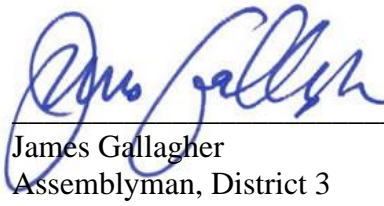
Stan Ellis
Assemblyman, District 32

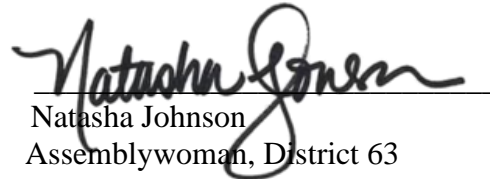


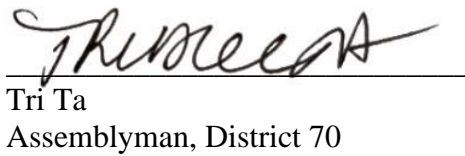
David Tangipa
Assemblyman, District 8

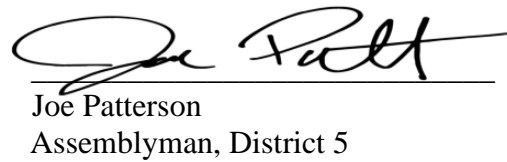

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Tri Ta
Assemblyman, District 70


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