FREED ASSOCIATES

EXECUTIVE BRIEF

H.R. 1 Readiness for California Health Systems

H.R. 1 (the One Big Beautiful Bill Act) creates enterprise-wide financial and operational risks for California health systems. Preparing now can help organizations protect patient access and strengthen resilience as implementation unfolds.

What's Changing

H.R. 1 introduces new Medicaid work requirements, more frequent eligibility renewals for expansion adults, and changes to immigration-related eligibility. It also places new limits on Medicaid provider taxes and certain state-directed payments to providers. California's implementation decisions will shape how these changes affect patient coverage, hospital funding, and operational demands.

Why It Matters

- **Uncompensated Care:** Coverage losses may increase uninsured and self-pay encounters and uncompensated care. Safety-net hospitals and health systems serving high Medi-Cal populations may face disproportionate exposure.
- **Revenue and Reimbursement:** Shifts in payer mix, rising uncompensated care, and changes with Medicaid financing may reduce net patient revenue and increase financial pressures. This will require leaders to reassess financial forecasts, service line sustainability, and cost structures.
- **Operational and Workforce Demands:** Coverage disruptions may increase demand for financial counseling and enrollment assistance. Health systems should assess potential effects on emergency department demand, staffing, and throughput while balancing tighter financial resources with timely access to care.

POTENTIAL HEALTH SYSTEM PRESSURES



What Health System Leaders Should Do Now

- **Quantify exposure:** Model potential coverage losses, payer-mix shifts, uncompensated care, and reimbursement changes by facility, service line, and geography; refresh financial scenarios.
- **Strengthen patient coverage support:** Assess financial counseling and enrollment assistance capacity; coordinate with health plans, counties, and community partners to help patients navigate coverage transitions.
- **Validate operational readiness:** Evaluate emergency department capacity, triage, discharge planning, and care transitions; strengthen referral pathways and support for high-risk patients.
- **Protect financial performance:** Strengthen charge capture, denial management, and collections; evaluate contract labor, purchased services, supply chain, and targeted automation opportunities. Assess Medi-Cal Fee-for-Service capabilities and the opportunity to accept patients who transition out of managed care coverage.
- **Mobilize enterprise governance:** Establish coordinated workstreams, executive oversight, and dashboards to track policy developments, financial exposure, patient access, and implementation progress.

PROTECTING ESSENTIAL SERVICES

As leaders respond to financial pressure, readiness planning should connect cost decisions with patient access and community capacity.

- Which essential services are most exposed to financial pressure?
- Where could behavioral health, post-acute, or community based service capacity limit referral and transition options?
- How will leaders evaluate cost actions against their potential effect on access?

How Freed Can Help

Freed partners with health systems to assess exposure, prioritize readiness investments, and implement practical response strategies. We combine analytics and financial modeling with hands-on support in cost containment, workforce planning, safety-net planning and care transitions, emergency department and triage operations, and policy and compliance readiness. Our goal is to help organizations protect patient access, strengthen operational readiness, improve revenue cycle management, and sustain performance.

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Sources:

1. H.R. 1, *Public Law 119-21, §§ 71107, 71109, 71115–71116, and 71119*, July 4, 2025.
2. California Department of Health Care Services, *Implementation Plan for New Federal Eligibility and Enrollment Changes Under H.R. 1*, January 29, 2026.
3. California Health Care Foundation, *How Massive Federal Cuts Will Create Unprecedented Challenges for Medi-Cal Patients and Providers*, October 3, 2025.