

LEGISLATIVE UPDATE



Week of September 28, 2026

State Issues

End of 2026 Legislative Session	We have reached the end of the 2026 legislative session. Governor Newsom completed his work signing and vetoing bills prior to the deadline of September 30. The Alliance championed SB 1088 (Blakespear), which updated and strengthened important health care decision making tools. Catholic health care has long supported policies that ensure persons at the end of life receive care consistent with their wishes when they are no longer able to express them. The Alliance was an original co-sponsor of the POLST legislation and remains a strong advocate for this important decision-making tool, along with advanced health care directives and pre-hospital DNR orders. SB 1088 improves alignment among these tools by recognizing the role of nurse practitioners and physician assistants in end-of-life decision-making and authorizing them to sign stand-alone DNR orders. This year the Alliance also worked in coalition with our members and others to stop several pieces of legislation that would have hindered the ability of hospitals to provide high-quality care. Specifically, we opposed AB 225 (Bonta) that would have reduced access to facility fees supporting outpatient care and telehealth services, and AB 1922 (Lowenthal) that would have limited our ability to keep our patients and staff safe. The Alliance's budget advocacy focused on mitigating the effects of HR 1 on hospitals, patients, and under-resourced communities. During the state budget process, the Alliance advocated to delay proposed health care cuts and access barriers, including reductions to Medi-Cal, cuts affecting Proposition 56 provider reimbursement rates; elimination of care for asylees; and funding cuts to community health clinics. Next year will inevitably bring additional budget and policy challenges, including additional work on the implementation of HR 1, but there will also be new opportunities to pursue with a new Governor and many new Legislators in the new year.
Two New Health Care Lawsuits To Watch	This week, two new health care lawsuits were filed in California. One related to the state's controversial Managed Care Organization (MCO) tax and one targeting alleged abuses of the ballot initiative process. MCO Lawsuit. The newest suit was filed by the California Medical Association and the California Association of Health Plans against the State regarding Proposition 35 and the state's MCO Tax. The suit was filed directly with the California Supreme Court challenging the state's attempt to circumvent Proposition 35 by diverting dedicated Medi-Cal funding while increasing taxes on commercial health coverage beyond voter-approved limits.

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Two New Health Care Lawsuits To Watch <i>(continued)</i>	If you recall Prop. 35 passed on the November 2024 statewide ballot and made California’s managed care organization (MCO) tax permanent under state law, subject to federal approval, and directed revenue toward strengthening Medi-Cal and improving access to care. The newly filed lawsuit seeks to protect the funding framework voters approved and challenges the state’s use of MCO tax revenue to backfill the state budget, taking money away from Medi-Cal rather than funding improvements in access to care as required by Prop. 35. “California voters passed Proposition 35 and made it law. The state does not get to ignore that law simply because following the law is inconvenient,” said CMA CEO Dustin Corcoran. If you recall, Governor Newsom proposed, and the Legislature approved, a new MCO structure included in SB 125, which the lawsuit says violates three key protections in Prop. 35: ▪ Dedicated health care funding: Prop. 35 requires revenue to be used for specified Medi-Cal purposes rather than using it to backfill the General Fund and diverting resources away from patients who need access to care. ▪ Limits on taxing commercial coverage: SB 125 sets the tax on commercial enrollment at \$8.85 per member per month, substantially exceeding the \$2.50 limit established by Prop. 35. Although the measure allows limited increases for federal compliance, CMA argues that SB 125 exceeds those allowances and will increase premiums paid by patients and employers. ▪ Requirements for changing the law: To amend Prop. 35, the Legislature must secure a three-fourths vote in both the Assembly and Senate. Any changes must also support the goals of voter-approved Prop 35. SB 125 did not receive such a vote. The lawsuit asks the court to invalidate SB 125, require the state to pursue a tax structure that complies with both state and federal law by December 31, 2026, and ensure revenues are used as Prop. 35 requires. According to CMA, “The goal is to preserve a sustainable source of Medi-Cal funding while protecting the safeguards voters enacted to improve access to care.” For more information about the lawsuit, visit mcotaxlawsuitfacts.com. Clinics Sue Union. The California Primary Care Association, which represents the State’s Community Health Clinics, filed a RICO case against SEIU-UHW President Dave Regan. The lawsuit alleges the union used ballot measures, legislation and other political tactics to pressure health care providers into accepting its demands. The complaint specifically points to Proposition 44 on the State’s November Ballot sponsored by SEIU-UHW and targeting the use of funds by clinics. The suit alleges that SEIU-UHW offered to withdraw the measure in exchange for an agreement that would allow union elections in community clinics with the support of the clinic leadership – securing more than 25,000 new union members. The suit also alleges SEIU-UHW has spent more than \$200 million on ballot initiatives over the years targeting health care providers, and references initiatives against nonprofit hospitals and dialysis clinics. You can access CPCA’s press release on the lawsuit here.
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