



Speaker Johnson's Budget Proposal Would Gut Mental Health and Drug Treatment and Worsen Homelessness

WHAT'S AT RISK

House Speaker Johnson has proposed to cut over \$800 billion that currently funds Medicaid to pay for tax cuts for Elon Musk and his billionaire friends. Medicaid is the single largest payer of mental health and drug treatment services in both the country and the state. This proposal would eliminate many mental health and addiction treatment programs and worsen the mental health and opioid crises, as well as the crisis of homelessness in California. Any reduction in funding for the adult expansion population would have particularly severe consequences for people living with behavioral health conditions and their loved ones. Medicaid work requirements would also place a disproportionate burden on this population.



DID YOU KNOW?

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MENTAL HEALTH

1 in 3 California adults who experienced mental illness in the past year are enrolled in Medi-Cal, California's Medicaid program.¹ The rates of mental health challenges are highest in Northern California and the Sierras, the San Joaquin Valley, and the Inland Empire.²

The Medicaid expansion, a 2014 federal policy change that allowed California to include more low-income adults in the program, resulted in improved mental health outcomes, including fewer poor mental health days and fewer depression diagnoses, among newly eligible Medicaid members. It also increased the likelihood that individuals would seek outpatient mental health care, rather than delaying treatment until a crisis necessitates a costly emergency department visit or hospitalization.³ Cuts to Medicaid would result in more people experiencing more acute mental health needs with far fewer resources to serve them.

In California, Medicaid funds:



Outpatient and inpatient mental health treatment, including psychiatric medications, for all 15 million Medi-Cal members.



24/7 mobile mental health crisis response in each county to provide more appropriate care for individuals with mental illness and relieve local law enforcement of this responsibility.



\$8 billion for the expansion of inpatient and residential psychiatric facilities, as well as associated community-based services like Assertive Community Treatment.



Jail in-reach services to provide a smooth transition to the community for incarcerated individuals experiencing mental health and substance use disorders.



Short-term rental assistance and other housing supports for people experiencing mental illness and homelessness.

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ADDICTION TREATMENT

1 in 20 California Medi-Cal members have a substance use disorder that has been diagnosed by a clinician. While this is lower than the national average, some regions of California have much higher rates of drug and alcohol addiction. Opioid overdose deaths in 2019 were highest in the far Northern region of the state and counties including Kern, followed by counties including Riverside, Orange, Stanislaus.⁴ Medicaid spending for members with a substance use disorder is approximately double that for members without a substance use disorder.⁵

Any cuts to Medicaid are likely to disproportionately harm people with substance use disorders and to impact drug treatment providers in regions of the state with high Medi-Cal enrollment like the San Joaquin Valley.

California provides expanded substance use disorder treatment through the Drug Medi-Cal Organized Delivery System (DMC-ODS), which provides both outpatient and inpatient and residential addiction treatment. 75% of funding for the DMC-ODS is provided by the federal government's financing of Medicaid.⁶

Medicaid also funds:



Naloxone distribution, which saves the lives of at least 700 Medi-Cal members annually.⁷



Medication assisted treatment for opioid use disorder at over 500 access points in California serving over 200,000 individuals since 2018.⁸



Culturally appropriate, integrated substance use treatment for Native American communities.



Outpatient treatment including counseling



Inpatient and residential treatment

Cuts to Medicaid would mean more drug overdose deaths, more Californians struggling with addiction and unable to find treatment, and fewer substance use disorder providers in business.



CALIFORNIA'S RESPONSE TO HOMELESSNESS

California is continuing to experience a homelessness crisis, with an estimated nearly 200,000 individuals sleeping on the street or in a shelter on any given night. Of this number, over 25,000 are individuals in families with children and nearly 10,000 are veterans. San Joaquin and Kern counties saw the largest increases in homelessness, including unsheltered homelessness, between 2022 and 2024. In Kern County, overall homelessness grew by 67% and the number of unsheltered homeless individuals grew by 128% over this 2-year period.

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Medicaid plays an essential role in providing services that prevent and address homelessness. The state's CalAIM initiative, designed in partnership with the federal government to address the health and social needs of people experiencing homelessness and other vulnerable populations, provided housing support services to over 100,000 Medi-Cal members in 2024. Providing these services not only helps individuals stabilize and move into permanent housing, it also reduces how much money the state and federal governments have to spend on health care for this population. Research has shown that being housed can reduce health care costs by approximately \$10,000 per person per year.

Cutting Medicaid will worsen California's homelessness crisis and increase health care costs. Medicaid is critical for curbing this crisis, particularly in the areas of the state that have rising numbers of homeless individuals.

82% of people experiencing homelessness report having lived with a serious mental health condition at some point in their life. Over a quarter have been hospitalized for a mental health issue, and most of these hospitalizations occurred prior to becoming homeless. This means that homelessness can be prevented through appropriate behavioral health and housing interventions. Yet, fewer than one in five people experiencing both homelessness and a mental health issue have received non-emergent treatment.

1. Substance Abuse and Mental Health Services Administration (SAMHSA), Center for Behavioral Health Statistics and Quality, National Survey on Drug Use and Health (NSDUH), 2-Year Restrictive-Use Data (2021-2022)
2. <https://www.chcf.org/wp-content/uploads/2022/07/MentalHealthAlmanac2022.pdf>
3. <https://www.cbpp.org/research/health/to-improve-behavioral-health-start-by-closing-the-medicare-coverage-gap>
4. <https://www.chcf.org/wp-content/uploads/2022/01/SubstanceUseDisorderAlmanac2022.pdf>
5. <https://www.kff.org/mental-health/issue-brief/sud-treatment-in-medicare-variation-by-service-type-demographics-states-and-spending/>
6. Ibid
7. <https://www.commonwealthfund.org/blog/2017/medicaid-expands-access-lifesaving-naloxone>
8. <https://californiaopioidresponse.org/outcomes/dhcs-opioid-response-data/>

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