

UC Berkeley Center for Labor Research and Education
April 2025

California Could Lose Up to 217,000 Jobs if Congress Cuts Medicaid

By Laurel Lucia

Republicans are considering major cuts to Medicaid to offset tax cuts. House and Senate Republicans have passed a [budget resolution](#) as an initial step in this process, with the House budget instructions including \$880 billion in cuts over a 10-year period [to be focused](#) on Medicaid.

Depending on the specific mechanisms and timing for cutting Medicaid, which are yet to be proposed, California could expect to see between \$10 billion and \$20 billion fewer federal dollars per year coming to Medi-Cal, the state's Medicaid program. This would be a reduction of between 8.5% and 16.9% in the [\\$118 billion](#) in federal Medi-Cal spending projected for 2025-26. These federal cuts not only threaten health care access for many of the [nearly 15 million](#)—or one out of three—Californians currently enrolled, they would also lead to significant job loss in health care and other sectors.

Health care is a major segment of California's economy, and Medi-Cal is a [key pillar](#) of California's health care system. Medi-Cal is critical to hospitals, clinics, nursing homes, and other health care providers; their suppliers; and to local businesses where health care workers spend their income. Compared to a scenario in which current federal Medicaid funding levels are maintained, the loss of \$10 billion to \$20 billion in federal Medi-Cal funding in 2026 would result in:

- Between 109,000 and 217,000 lost jobs,
- \$18.5 billion to \$37.0 billion in reduced economic output, and
- \$860 million to \$1.7 billion in reduced state and local tax revenue.

These estimates, based on analysis using IMPLAN input-output economic modeling software, incorporate the direct effects of Medicaid cuts on health care jobs, the indirect effects on jobs at health care suppliers, and the ripple effects (or “induced effects”) of reduced consumer spending by affected workers. This analysis accounts for the fact that federal Medi-Cal dollars circulate through the California economy multiple times until the dollars eventually leave the state when consumers purchase goods or services that are produced elsewhere. The continued circulation of dollars through the economy is often referred to as the “economic multiplier effect.” With this analysis we find that every lost federal Medi-Cal dollar means \$1.85 in lost economic output in the state. See the methods section for a table breaking down the lost jobs, economic output, and state and local tax revenue by direct, indirect, and induced effects.

We assume in our analysis that California maintains its current level of state Medi-Cal spending, but, due to the size of the Republicans’ proposed Medicaid cuts, would be unable to backfill the lost federal funds. As context for the significance of a \$10-20 billion federal cut, the state is projected to spend \$13.6 billion on Corrections and Rehabilitation and \$23.3 billion on Higher Education (University of California, California State University, and Community Colleges) according to the [Governor’s January proposal](#) for budget year 2025-26.

Approximately two-thirds (67%) of the lost jobs—72,000 to 145,000—would be in health care sectors, including jobs at hospitals, clinics and doctors’ offices, nursing homes, other health care settings, insurance companies, and in home care. This would be between 3% and 5% of the approximately 2.65 million health care jobs in the state, based on analysis using IMPLAN and including a broad range of health care sectors. The projected loss in jobs reflects the elimination of some jobs that exist today, as well as the creation of fewer new jobs due to slower-than-expected job growth. The loss of health care jobs would primarily be due to the direct effects of the Medicaid cuts, but also includes some jobs that would be lost due to indirect effects at suppliers and induced effects related to reduced consumer spending.

Health care comprises a large share of California employment, accounting for approximately one in seven jobs, based on analysis of 2023 data from the [Quarterly Census of Employment and Wages](#). A number of health care occupations offer [wages](#) and benefits that support middle-class families. Hundreds of thousands of hospital, clinic, nursing home, and home care workers in the state are represented by unions. At the same time, Medi-Cal not only funds much of the care provided by health care workers, but it is also a source of health coverage for health care workers with low income, who would be doubly threatened by federal Medi-Cal cuts. For example, approximately [half](#) of California home care workers have public coverage.

The remaining one-third of jobs—36,000 to 72,000—lost due to federal cuts to Medi-Cal would be in sectors other than health care. Job loss would be most likely to occur at businesses that supply the health care industry, such as food, laundry, and building services, medical supply companies, employment agencies, and accounting firms, and at local businesses at which health care workers spend their income, such as restaurants and retail stores.

These economic losses would come at a time when economists are watching for a [potential recession due to changes in federal policy](#) proposed by the Trump Administration. Statewide,

the projected job losses due to these Medicaid cuts would be equivalent to a 0.6 to 1.2 percentage point decrease in [employment](#), relative to a [5.3%](#) California unemployment rate in March 2025. These estimates do not include potential employment impacts from other proposed and enacted federal actions such as [cuts to SNAP food assistance, tariffs](#), and increased [deportations](#). Nor do these estimates include the impacts of other federal health care and public health cuts already made, such as [millions of dollars](#) in canceled CDC grants supporting community health in the Central Valley.

Drastic federal Medicaid cuts would not only eliminate or limit health care access for millions of Californians, it would also throw hundreds of thousands of Californians out of work and hurt local economies.

The tables below show projected job losses in 2026 for California’s medium and large counties and all California congressional districts. See page 7 for the description of methods.

Estimated job loss by county if federal Medi-Cal spending is cut by \$10-20 billion per year, 2026

Shows medium and large counties in California estimated to lose at least 200 jobs

County	Job loss (\$10 billion in cuts)	Job loss (\$20 billion in cuts)
Alameda	4,000	7,900
Butte	700	1,400
Contra Costa	2,400	4,800
El Dorado	300	700
Fresno	3,700	7,300
Humboldt	500	900
Imperial	800	1,600
Kern	3,200	6,500
Kings	400	900
Lake	300	600
Los Angeles	31,900	63,800
Madera	500	1,000
Marin	400	800
Mendocino	300	600
Merced	1,000	2,000
Monterey	1,200	2,500

County	Job loss (\$10 billion in cuts)	Job loss (\$20 billion in cuts)
Napa	300	600
Nevada	200	500
Orange	7,400	14,700
Placer	600	1,300
Riverside	6,800	13,700
Sacramento	4,700	9,400
San Bernardino	6,800	13,500
San Diego	7,600	15,200
San Francisco	2,300	4,700
San Joaquin	2,300	4,600
San Luis Obispo	500	900
San Mateo	1,300	2,600
Santa Barbara	1,100	2,300
Santa Clara	3,800	7,500
Santa Cruz	600	1,200
Shasta	600	1,100
Solano	1,100	2,200
Sonoma	1,000	2,000
Stanislaus	1,800	3,600
Sutter	300	700
Tehama	200	500
Tulare	1,900	3,800
Ventura	1,900	3,700
Yolo	400	900
Yuba	300	600

Source: UC Berkeley Labor Center statewide analysis using IMPLAN with job loss distributed by county based on [estimates of total Medi-Cal spending](#).

Note: Job impacts are rounded to the nearest 100 jobs.

Estimated job loss by congressional district if federal Medi-Cal spending is cut by \$10-20 billion per year, 2026

Congressional District	Job loss (\$10 billion in cuts)	Job loss (\$20 billion in cuts)
1	2,500	5,100
2	1,800	3,600
3	1,300	2,700
4	1,700	3,400
5	1,700	3,400
6	2,300	4,700
7	2,400	4,800
8	2,200	4,400
9	2,200	4,400
10	1,200	2,400
11	1,900	3,700
12	2,100	4,200
13	2,900	5,800
14	1,600	3,200
15	1,600	3,300
16	1,300	2,600
17	1,300	2,500
18	2,400	4,700
19	1,400	2,700
20	2,000	3,900
21	3,300	6,500
22	3,400	6,900
23	2,500	5,000
24	1,800	3,500
25	3,000	6,000
26	1,600	3,300
27	2,200	4,300
28	1,800	3,700
29	2,900	5,800
30	2,400	4,800
31	2,400	4,800
32	1,800	3,500

Congressional District	Job loss (\$10 billion in cuts)	Job loss (\$20 billion in cuts)
33	2,500	5,100
34	3,300	6,600
35	2,300	4,600
36	1,000	2,100
37	3,000	6,000
38	2,000	3,900
39	2,500	4,900
40	1,100	2,300
41	1,700	3,500
42	2,500	4,900
43	3,000	6,000
44	2,600	5,200
45	2,200	4,400
46	2,800	5,600
47	1,100	2,200
48	1,500	3,100
49	1,100	2,300
50	1,200	2,400
51	1,800	3,500
52	2,600	5,200

Source: UC Berkeley Labor Center statewide analysis using IMPLAN with job loss distributed by congressional district based on [estimates of total Medi-Cal spending](#).

Note: Job impacts are rounded to the nearest 100 jobs.

Methods

This analysis is conducted using IMPLAN, an industry-standard input-output economic modeling software package. We use IMPLAN data from 2023 and results are shown in 2026 dollars.

Estimates of statewide economic impacts are shown in the tables below. Estimates of job loss by county and congressional district are estimated by distributing the statewide job loss using the UC Berkeley Labor Center's [estimates of total Medi-Cal spending](#) by county and congressional district.

Statewide economic impact estimates

The tables below show the breakdown of the lost jobs, reduced economic output, and reduced state and local tax revenue due to the direct, indirect, and induced effects.

Estimated economic impacts in California if federal Medi-Cal spending is cut by \$10 billion per year, 2026

Type of effect	Lost Jobs	Reduced Economic Output	Reduced State and Local Tax Revenue
Direct	67,200	\$9,348,445,000	\$310,950,000
Indirect	16,700	\$3,770,257,000	\$156,665,000
Induced	24,800	\$5,371,110,000	\$392,609,000
Total	108,700	\$18,489,812,000	\$860,224,000

Source: UC Berkeley Labor Center analysis using IMPLAN

Estimated economic impacts in California if federal Medi-Cal spending is cut by \$20 billion per year, 2026

Type of effect	Lost Jobs	Reduced Economic Output	Reduced State and Local Tax Revenue
Direct	134,400	\$18,696,890,000	\$621,900,000
Indirect	33,400	\$7,540,514,000	\$313,330,000
Induced	49,600	\$10,742,220,000	\$785,218,000
Total	217,400	\$36,979,624,000	\$1,720,448,000

Source: UC Berkeley Labor Center analysis using IMPLAN

Our job loss estimates are relatively proportional to California estimates from a 50-state analysis by Leighton Ku and colleagues, [published by the Commonwealth Fund](#). That analysis estimated that \$10.9 billion in lost federal Medicaid funding in California would translate to 121,800 lost jobs.

Our estimate of the number of lost health care jobs includes the direct, indirect, and induced effects on employment in a wide range of health care sectors including offices of physicians; offices of dentists; offices of health practitioners; outpatient care centers; medical and diagnostic laboratories; home health care services; other ambulatory health care services; hospitals; nursing and residential care facilities; residential mental health, substance abuse, and other residential care facilities; individual and family services; and insurance carriers. The estimated current number of health care jobs in the state—2.65 million—includes all of the sectors listed in this paragraph except for insurance carriers (which provide multiple types of insurance in addition to health insurance).

Key assumptions

This analysis focuses on the economic impact of the change in federal spending because these dollars are coming from outside the state's economy. However, this analysis does not include other potential effects on the economy, either positive or negative, that are more difficult to predict and model. This analysis does not include:

- the potential economic harm from [reduced productivity](#) among workers who would become uninsured if Medicaid is cut; or
- the economic effects of any increases in medical debt, medical bankruptcy, [increased poverty](#), or other [financial insecurity](#) among households that would lose coverage under the proposals.

The projected reduction of between \$10 billion and \$20 billion in federal health care spending in California modeled in this analysis reflects the uncertainty in the type and timing of Medicaid cuts that Republicans will propose, which will drive the exact impacts on California.

- If the \$880 billion in cuts overseen by the House Energy and Commerce Committee were spread evenly over a 10-year period and the reduction in California was proportional to California's share of U.S. Medicaid expenditures (14% according to [Medicaid and CHIP Payment and Access Commission](#) data and [KFF analysis](#) of Center for Medicare and Medicaid Services data), then the average annual reduction in federal Medicaid spending in California would be approximately \$12 billion.
- However, the reduction in federal Medicaid funding in California could be significantly more or less depending on how front-loaded the cuts would be and the specific nature of the cuts. For example, if Republicans proposed to eliminate the enhanced federal Medicaid match for the ACA Medicaid Expansion, a disproportionate share of the cuts—approximately 21% of the total reduction in U.S. spending—would be in California, according to [KFF estimates](#). If California accounted for 21% of the total federal Medicaid cuts (whether through cuts to ACA Medicaid Expansion or other provisions), and those cuts were spread evenly over nine years (given that the first federal year of the budget proposal ends September 30, 2025), that would be equivalent to over \$20 billion in annual cuts to California.

Allocation of federal spending cuts to health care sectors

In our analysis, 15% of the lost federal Medi-Cal spending was allocated to IMPLAN Sector 475 “Individual and Family Services.” This is a proxy for the lost federal spending on California’s In-Home Supportive Services (IHSS) program: we assume that the cut to IHSS is proportional to federal IHSS dollars ([\\$16.3 billion](#)) as a percentage of all federal Medi-Cal spending ([\\$107.5 billion](#) in FY 2024-25), including IHSS federal spending. Home health and personal care aides, and nursing assistants, orderlies, and psychiatric aides made up nearly two-thirds of California wage and salary employment (65%) in the Individual and Family Services sector in 2023, according to IMPLAN.

We allocated 10% of the remaining lost federal Medi-Cal spending to IMPLAN Sector 426 “Insurance Carriers, Except Direct Life” to reflect the average percentage of Medi-Cal managed care premiums [spent on non-medical claims in 2021 and 2022](#).

We removed from the analysis 6% of the remaining Medicaid spending that is not for IHSS or insurer administration to reflect Medicaid spending on drugs and durable and non-durable medical equipment; these types of health care spending are likely to have a smaller economic impact locally compared to other health care spending, which tends to be more local and pays for services that are more labor-intensive. This California-specific assumption, based on Center for Medicare and Medicaid Services [State Health Accounts data](#) from 2019, is conservative given that these types of health care spending have some impact on all local economies (supporting pharmacist and pharmacy technician jobs, for example) and that a number of drug companies are based in California.

The remaining health care spending is distributed across the following six major health care IMPLAN sectors based on the proportion of Medicaid spending in California that went to similar sectors in 2019, according to [State Health Accounts data](#) from the Center for Medicare and Medicaid Services.

- IMPLAN Sector 465 - Offices of physicians
- IMPLAN Sector 466 - Offices of dentists
- IMPLAN Sector 467 - Offices of other health practitioners
- IMPLAN Sector 468 - Outpatient care centers
- IMPLAN Sector 472 - Hospitals
- IMPLAN Sector 473 - Nursing and community care facilities

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UC Berkeley Labor Center

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Acknowledgments

I would like to thank Nari Rhee and Cary Sanders for their review of this publication and Jenifer MacGillvary for her help in preparation of this publication.

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Suggested citation

Lucia, Laurel. "California Could Lose Up to 217,000 Jobs if Congress Cuts Medicaid." UC Berkeley Labor Center. April 2025. <https://laborcenter.berkeley.edu/california-could-lose-up-to-217000-jobs-if-congress-cuts-medicaid/>.

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