

FAST FACTS

CALIFORNIA CENTER FOR
JOBS & THE ECONOMY



Re-examining the Medi-Cal Employer Tax

Under SB 177, California lawmakers directed state budget officials to develop options for a monthly charge on employers with 250 or more workers for each employee enrolled in Medi-Cal and not offered employer coverage. A new analysis from the Center for Jobs and the Economy finds the proposal would fall short of its revenue target while raising costs for families, discouraging hiring, and putting some workers' health coverage at risk.

THE NUMBERS DON'T ADD UP



\$2.3 BILLION

Annual revenue proposal is intended to generate.



\$1.1B - \$2.02B

What a \$285-per-month tax would actually generate, depending on which employers are taxed.

Jobs will have to be taxed at a significantly higher rate to achieve the intended revenue.

**\$324 - \$636 PER EMPLOYEE
PER MONTH**

Actual tax per affected worker needed to reach the \$2.3 billion target.

THE TAX TARGETS PART-TIME AND ENTRY-LEVEL JOBS



97 - 100%

of large California employers already offer health benefits.

The workers who trigger the tax generally aren't full-time employees being denied insurance. They are mostly part-time, seasonal and other non-traditional workers:



80% part-time or seasonal

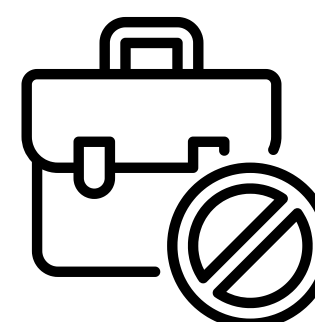


9% in a waiting period before coverage



9% temporary or contract workers

WORKERS PAY THE PRICE



62% | 447,000

of the affected workforce is Latino – compared with 41% of California's overall private-sector workforce.



3,300 JOBS

lost from higher prices (tax alone).



12,000 - 14,000 JOBS

lost with other additional 2027 business costs (cumulative case).



24,000 JOBS

lost as employers restructure, cut part-time and seasonal positions, or automate.

AN “EVERYONE TAX” THROUGH HIGHER PRICES



**\$700 MILLION
\$53 PER HOUSEHOLD**

Higher annual household costs from the Medi-Cal employer tax alone.

**\$5.4 BILLION
\$408 PER HOUSEHOLD**

Higher annual household costs when combined with other scheduled 2027 business costs.

The biggest tax exposure falls on retail, food and accommodation, transportation, warehousing and logistics – meaning higher operating costs flow directly into public health and social goods, shipping and other everyday necessities.

A TAX THAT COULD COST WORKERS THEIR HEALTH COVERAGE



53%

of workers triggering the tax fall within the population potentially subject to new federal Medicaid work/community-engagement requirements.

THE 249-WORKER CLIFF



**ONE NEW HIRE = \$165,000
IN NEW TAX LIABILITY**

A company with 240 employees – including 50 affected workers – that hires its 25th employee would owe the tax on all of those affected workers.

AND THE STATE DOESN'T KEEP ALL THE REVENUE



UP TO 1/3 NEW REVENUE LOST

Revenue gains could be offset by higher government costs and lost tax revenue as unemployment rises and workers rely more heavily on safety-net programs.



BOTTOM LINE

The proposed Medi-Cal employer tax doesn't meet its own revenue target at the proposed rate. Instead, it creates a new tax on jobs that raises costs for California families and creates incentives to eliminate the part-time, seasonal and entry-level positions many workers rely on.

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