Budget Reconciliation
Summary of Medicaid Provisions

Budget Reconciliation: Overview of H.R. 1

Text of the legislation and memo to the Energy & Commerce Committee with a full breakdown of the text.

Subtitle D of the legislation relates to health care. Part 1 covers Medicaid and Part 2 covers the Affordable Care Act. The Congressional Budget Office expects the provisions in Subtitle D would enact cuts of **at least $715 billion** over the 2025 – 2034 period and lead to 13.7 million more uninsured by 2034.

The Managers Amendment, which amended the Energy and Commerce Committee language, which was passed by the full House on 5/22, is here.

Proposals that Impact I/DD Services:

- **Reducing expansion FMAP for certain states providing payments for health care furnished to certain individuals:** This section reduces the Federal Medical Assistance Percentage (FMAP) from 90% to 80% for Medicaid Expansion States that use state funds to provide health care coverage for undocumented immigrants under Medicaid or another state-based program. The reduction in federal funding could squeeze state budgets, forcing cuts to optional services like community-based services. States impacted by this include: California, Colorado, Illinois, Minnesota, New York, Oregon, and Washington.

- **Moratorium on new or increased provider taxes:** This section freezes, at current rates, states' provider taxes in effect as of the date of enactment of this legislation and prohibits states from establishing new provider taxes. While not rolling back existing provider taxes, there will be an impact on how states finance their Medicaid programs, limiting the ability of states to add new taxes or increase rates.

- **Limits to state directed payments:** This section will revise the payment limit for state directed payments (SDPs), requiring states to cap the total payment rate at 100 percent of the specified total published Medicare payment rate for expansion states and 110 percent of the specified total published Medicare payment rate for non-expansion states. SDPs allow

states to provide additional funding to Managed Care Organizations (MCOs) for specific services (including HCBS). Capping the SDP at the Medicare payment rate could result in lower reimbursement rates for those services and decreased access.

- **Requirement for states to establish Medicaid work or volunteering requirements for certain individuals:** This section requires states to establish work or community engagement requirements for able-bodied adults without dependents. An individual can meet the work or volunteer requirements during a month by working, engaging in community service or an education program, or a combination of these activities for at least 80 hours per month. While this section would exempt individuals with disabilities and family caregivers, these individuals could inadvertently lose coverage by missing administrative requirements to prove their exemption. Direct care workers—who often work part-time or with inconsistent schedules—are also likely to be impacted. **Note: The manager's amendment changed the implementation of this requirement from January 1, 2029 to ''not later than December 31, 2026, or, at the option of the State, such earlier date as the State may specify.''*

- **Modifying cost sharing requirements for certain expansion individuals under the Medicaid program:** This section requires states to impose cost sharing on Medicaid Expansion adults with incomes over 100 percent of the federal poverty level (FPL). This will make it more onerous for certain individuals, like caregivers or direct care workers, to participate in Medicaid, and could force them to lose coverage.

- **Moratorium on implementation of rules relating to eligibility and enrollment in Medicaid:** These provisions would prevent the implementation of two rules promulgated by the Department of Health and Human Services, the "Streamlining Medicaid; Medicare Savings Program Eligibility Determination and Enrollment" and the "Medicaid Program; Streamlining the Medicaid, Children's Health Insurance Program, and Basic Health Program Application, Eligibility Determination, Enrollment, and Renewal Processes" until January 1, 2035. These rules contained provisions to prevent coverage loss through the enrollment and redetermination process, such as the prohibition of requiring in-person interviews for individuals who qualify for Medicaid coverage because of a disability. The pause in implementation could make Medicaid benefits more difficult for beneficiaries to access.

- **Moratorium on implementation of rule relating to staffing standards for long-term care facilities under the Medicare and Medicaid programs:** This section requires HHS to delay implementation, administration, or enforcement of the final rule titled "Medicare and Medicaid Programs; Minimum Staffing Standards for Long-Term Care Facilities and Medicaid Institutional Payment Transparency Reporting" until January 1, 2035. This rule also contains a payment transparency provision that requires new administrative burdens for ICF/IIDs without addressing the root cause of the direct support workforce crisis.