

Medicaid & HR 1

An Overview of Medicaid Impacts from the Reconciliation Bill (OBBA)

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Introduction to Medicaid



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What is Medicaid?

- Health coverage for people with low incomes
 - Covers more than 70 million children, older adults, people with disabilities, parents
- Jointly funded by the federal and state government
 - Roughly 69% of funding is from the federal government and 31% state governments
- Administered by states and operates within guidelines set by the federal government
 - Wide variability across states, especially eligibility levels and covered benefits

State Response to Major Medicaid Funding Constraints

- Raise revenue or cut other programs
- Reduce eligibility
 - End expansion group
 - Reduce income threshold for CHIP
- Cut optional benefits
- Reduce provider payments
 - Physician, dental, hospital, etc.

Optional Benefits Include:

Case management

Dental services

Home and Community Based Services

Physical and occupational therapy

Prescription drugs

Medicaid Policies in the Adopted Reconciliation Bill



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Mandatory Work Requirements

Provision: Mandatory work reporting requirements for the Medicaid expansion group (ages 19-64) beginning Dec 31, 2026

- 80 hours/month of qualifying activities (work, school, volunteering)
- Exempted: pregnant women, individuals w disabilities, parents w dependent children
- Cannot be modified through 1115 waivers
- Locks people losing coverage due to the work requirement out of marketplace coverage

Impacts:

- Introduces new hurdles for Medicaid enrollees to get and maintain coverage
- Increases cost to administer state Medicaid programs
 - Eligibility and enrollment system upgrades to capture & verify employment information
 - Additional staff to oversee compliance

Delays Enrollment & Eligibility Rules

Provision: Delays implementation of Biden administration rules simplifying and streamlining eligibility and enrollment for non-MAGI populations, CHIP, and other groups

- Implementation delayed until January 1, 2035

Impacts:

- Maintains existing barriers for Medicaid enrollees to get and maintain coverage
 - Makes it more difficult for vulnerable seniors to participate in the Medicare Savings Programs (MSP) to assist with Medicare premiums and cost-sharing (~1M fewer enrollees)
 - Allows waiting periods, annual and lifetime limits and premium lock-outs in CHIP (1.26M fewer enrollees)

Prohibits Some Legal Immigrants from Medicaid

Provision: Changes the definition of qualified immigrants eligible for Medicaid and CHIP starting in October 2026

- Lawful permanent residents
- Certain Cuban and Haitian immigrants
- Citizens of the Freely Associated States lawfully residing in the US
- Lawfully residing children and pregnant adults within the 5-year waiting period, where states opt to waive it

Impacts:

- Reduces affordable coverage options for asylees, refugees, survivors of domestic abuse and trafficking

More Frequent Eligibility Checks for Expansion Group

Provision: Requires states to redetermine eligibility for the Medicaid expansion group every 6 months beginning December 31, 2026

Impacts:

- Introduces new hurdles for Medicaid expansion enrollees to maintain coverage
- Increases cost to administer state Medicaid programs
 - May require additional staff to oversee compliance and process applications when people reenroll



For more on how this policy increases churn and options to reduce churn see: [Reducing Medicaid Churn, Commonwealth Fund, June 2025](#) ⁹

Cost-Sharing Requirement for Expansion Group

Provision: Requires states to impose cost-sharing for the Medicaid expansion group with income above 100% FPL starting October 2028

- Cost-sharing cannot exceed \$35 for any service or 5% of family income
- Providers can deny services for failure to pay

Impacts:

- Introduces new hurdles for Medicaid expansion enrollees to access care
 - May pay more than 5% of income if income varies (e.g., seasonal employment, hours change)
 - Enrollees may avoid care, resulting in increased ED utilization
- Increases cost to administer state Medicaid programs
 - May require additional staff to oversee compliance

Moratorium on Provider Taxes

Provision: States and local government cannot implement new provider taxes (new provider types) or increase the rate of provider taxes already established as of enactment of the bill

- Freezes provider taxes at 2025 levels
- Expansion states must meet a lower safe harbor threshold for provider taxes by 2032

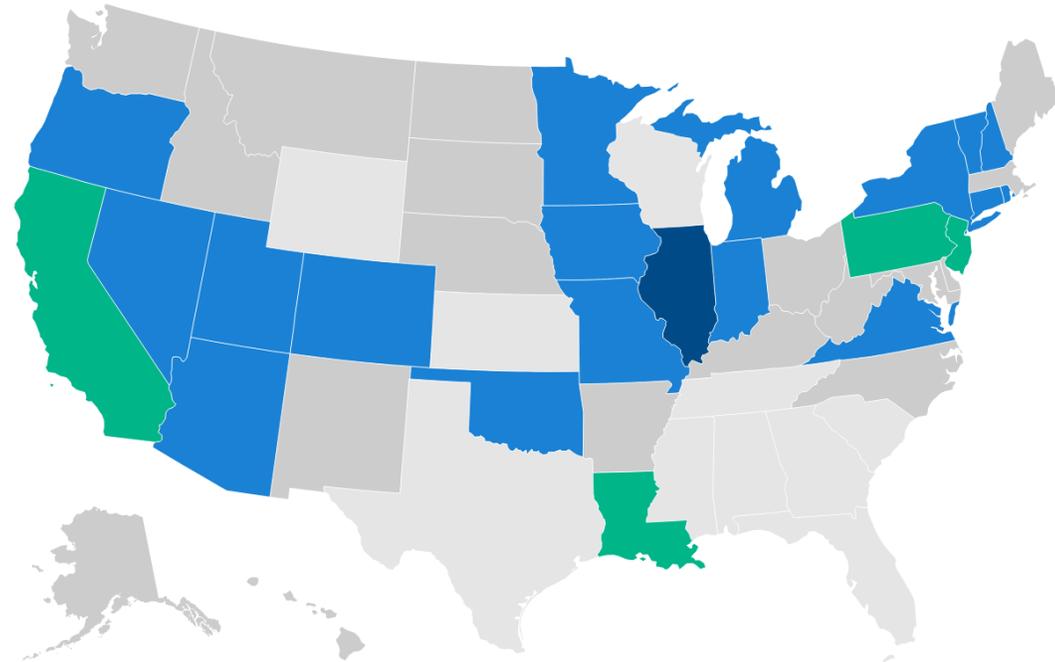
Impacts:

- Restricts sources of funding for state share of Medicaid financing
 - May make it harder for states to raise revenue for their portion of Medicaid costs

Senate Reconciliation Bill Could Decrease Revenues from Provider Taxes on Hospitals or Managed Care Organizations in 22 States

States with hospital or managed care organization (MCO) provider taxes in excess of 3.5% of net patient revenues in SFY 2024 that have also adopted the ACA expansion

- Hospital and MCO taxes > 3.5% net patient revenues, expansion (1 state)
- Hospital tax > 3.5% net patient revenues, expansion state (17 states)
- MCO tax > 3.5% net patient revenues, expansion state (4 states)
- No affected hospital or MCO taxes
- Not an expansion state



Note: ACA = Affordable Care Act. SFY = state fiscal year. Includes Medicaid provider taxes as reported by states. FL did not respond to the 2024 survey. The Senate reconciliation bill would limit provider taxes in ACA expansion states to 3.5% of net patient revenues.

Source: Annual KFF survey of state Medicaid officials conducted by Health Management Associates, October 2024

KFF Source: [KFF, June 2025](#)

Limits Medicaid Managed Care State Directed Payments

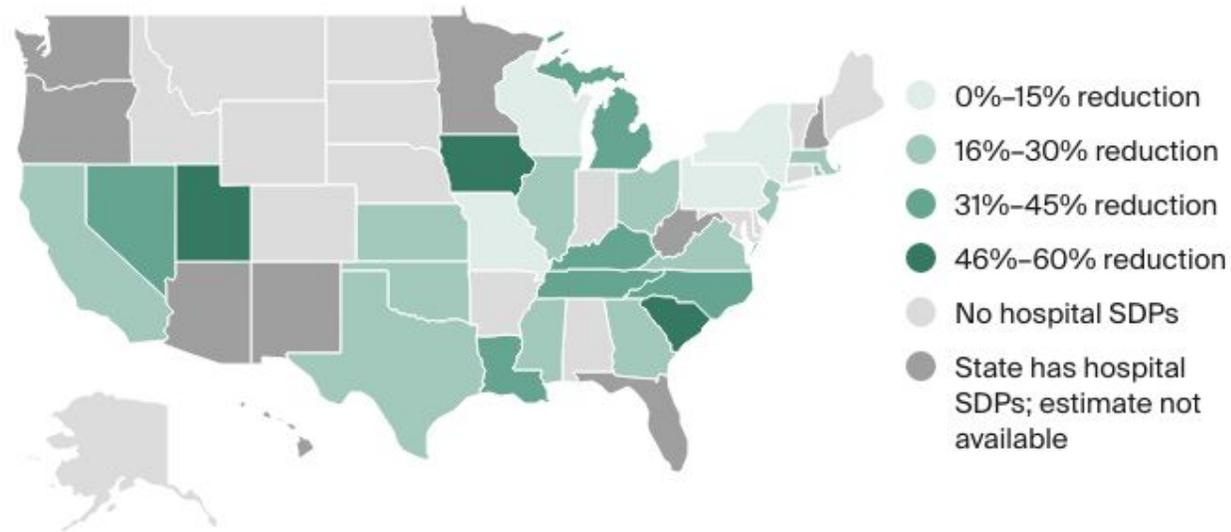
Provision: Reduces a specific supplemental payment rate for Medicaid providers to 100% of Medicare rates in expansion states and 110% of Medicare rates in nonexpansion states

- Already approved SDPs would be grandfathered but could not be adjusted

Impacts:

- Reduces state options to ensure provider participation in Medicaid
- Reduces revenues for providers and potentially threatens financial stability

Estimated Reduction in Medicaid Payments to Hospitals if State-Directed Payments Were Limited to 100 Percent of Medicare Rates, by State (FY 2026–2034)



Download data

Notes: SDP = state-directed payment. SDP reductions are based on publicly available information on directed payments starting in 2023 or 2024, including directed payment preprints and, in some cases, information shared by states. Percent reductions are based on aggregate projected Medicaid hospital expenditures over FY 2026–2034.

* Results in these states should be interpreted with caution. In these states, at least one SDP was analyzed directly using public information, but there was missing information for other SDPs. For the SDPs for which there was incomplete information, we applied an average reduction from other states to estimate the reduction for those SDPs.

Questions?

Contact information:
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Medicaid Resources

[How Does Medicaid Benefit States?](#)

[How Medicaid Helps Your State](#) – state fact sheets

[What is Medicaid's Value?](#)

[Explainer: Work Requirements for Medicaid Enrollees](#)

Reconciliation bill impacts on:

- [Children](#)
- [Community Health Centers \(work requirements\)](#)
- [Maternal and women's health](#)
- [Individuals with disabilities and older adults needing LTSS](#)
- [State economic impacts of a mandatory work requirement](#)
- [State economic impacts of Medicaid and SNAP provisions](#)

Marketplace Resources

[What the ACA Marketplaces Do for Your State](#) – state fact sheets

[Explainer: Enhanced Premium Tax Credits](#)

Marketplace rules, administration actions and reconciliation impacts:

- [Economic impacts of not extending premium tax credits](#)
- [Making marketplace coverage less affordable](#)
- [Reconciliation and tax credit expiration make it harder get and afford marketplace plans](#)
- [Proposed rule will make consumers pay more for insurance & care in marketplace](#)
- [New rule to limit ACA enrollment periods](#)
- [New administration plans to cut funding for ACA outreach and enrollment assistance](#)

Additional Resources

Summaries and highlights of Biden administration Medicaid rules

- Eligibility and Enrollment Rule - [summary](#)
- Ensuring Access to Medicaid Rule and Managed Care Access, Finance and Quality Rule – [summary](#)
- Managed Care Access, Finance and Quality Rule – [state directed payments](#)

[How Medicaid State Directed Payments Support Critical Health Care Providers](#)

State Health & Value Strategies: [House Budget Bill Medicaid Proposals: State-by-State Estimates of Impacts on Expenditures and Enrollment](#)