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LEGISLATIVE ALERT

May 29, 2025

Public Health Implications of House-Passed Reconciliation Bill

On May 22, the House of Representatives passed the One Big Beautiful Bill Act (H.R. 1) by a 215-214 vote. This reconciliation bill proposes changes to Medicaid, the Affordable Care Act, food nutrition programs, and the nation's debt limit, among other things.

If this bill were signed into law, several potential impacts to states include:

- Increased coverage loss for noncompliance with work requirements.
- Future challenges for states to fund their share of Medicaid and SNAP.
- Limitations on how states incentivize high-quality care or improve access to care as a result of caps on future state-directed payments.
- Potential increase in food insecurity for vulnerable populations.

For more information, view the **full bill text of the legislation.**

Outlook

The bill now moves to the Senate, and the ASTHO Government Affairs team is closely monitoring consideration of this legislation. It is unclear which provisions will be included in the Senate's bill, considering specific rules that require their bill to address budgetary matters primarily. Furthermore, several Republican senators have expressed concerns about the cost and scope of changes proposed in the House bill. The Senate Majority Leader has expressed interest in passing a bill before July 4.

Medicaid

Work Requirements

Requires states to implement work requirements by December 31, 2026, and the Secretary of HHS to develop guidance for states to implement these requirements by December 31, 2025.

- The work requirements would require able-bodied adults aged 19-64, without dependents, to work (or perform other qualifying activities) for at least 80 hours a month. There would be exemptions for certain individuals (e.g., pregnant women, those with serious medical conditions, and tribal members). States may issue hardship waivers for specific individuals facing short-term hardship (e.g., inpatient care, related outpatient care, natural disasters, high unemployment rate in county).
- States would be required to verify an individual's compliance with work/community engagement requirements within one month of enrollment and one month before redetermination.
- States would be responsible for verifying compliance, establishing outreach plans to make individuals aware of new requirements, and developing an appeals process before disenrollment.

Medicaid Expansion

- Lowers the federal match for the expansion population (from 90% to 80% FMAP) if a state "provides any form of financial assistance, through Medicaid or under another program established by the state" that allows undocumented immigrants, except for children and pregnant women.
  - It is important to note that 14 states and D.C. provide fully state-funded coverage for children and seven states provide for adults regardless of their immigration status.
- Sunsets a temporary 5% enhanced FMAP for new states that expand Medicaid after the bill's enactment.
- Requires states to impose cost-sharing for individuals in Medicaid expansion with incomes up to 100% of the federal poverty level. Cost-sharing may not exceed $35 per service or a total of 5% of an individual's income and would not apply to primary and other preventive care.
- Requires states to conduct eligibility determinations for their expansion population every six months by December 31, 2026.

Provider Taxes

- Prohibits states from establishing new provider taxes and freezes existing provider taxes at current rates. Overlaps with a **CMS proposed rule** released May 12, 2025.
- Modifies the criteria HHS must use to determine whether taxes are redistributive when considering a waiver of uniform tax requirement.
- May create future challenges for states to fund the state share of Medicaid. States would need to increase state general funds or cut benefits/coverage.
  - All states except Alaska have provider taxes.
  - Provider taxes account for at least **17% of the state share.** However, some states rely on the provider tax for a higher amount — Michigan, New Hampshire, and Ohio use provider taxes to fund more than 30% of the state share.

State-Directed Payments

- Caps future state-directed payments at 100% and non-Medicaid expansion states at 110% of the Medicare rate.
- Most states require managed care plans to provide add-on payments to health providers **(known as directed payments)** to incentivize high-quality care, train new providers, or support safety net providers. Would limit a state's future options to incentivize high-quality care or improve access to care.

CMS Eligibility/Long-Term Care Staffing Rule Delays

Delay the implementation of eligibility rules for Medicaid, CHIP, Basic Health Program, the Medicare Savings Program, and long-term care staffing standards until 2035. Delaying the eligibility rules may result in additional individuals losing coverage and associated federal cost savings.

Reproductive Health and Gender Transitions

Prohibits the use of federal Medicaid funds for gender transitions for minors and adults. Also prohibits federal funding for Planned Parenthood and other abortion providers described as "nonprofit organizations, that are essential community providers that are primarily engaged in family planning services or reproductive services, provide for abortions other than the Hyde Amendment exceptions, and which received $1,000,000 or more."

Other Provisions

- Clarifies language related to required Medicaid coverage for the 90-day period while an individual verifies citizenship or immigration status. Also allows for federal match only if the individual is certified after 90 days.
- Requires states to check the Social Security Administration's Death Master File quarterly to disenroll deceased individuals and providers by January 1, 2028.
- Requires states to conduct monthly checks of Medicaid providers and disenroll providers/suppliers terminated in other states by January 1, 2028.

- Requires HHS to revise treatment of federal cost savings and requires the Secretary to certify Section 1115 waivers as well as develop a new methodology for applying budget neutrality "savings" in a waiver extension period.
- Requires HHS to create a system to prevent Medicaid enrollment in multiple states and establishes a process to regularly collect enrollee addresses by October 1, 2029.
- Requires Medicaid agencies to regularly obtain addresses for enrolled individuals and verify using certain data sources.
- Requires HHS to administer a survey to pharmacies that receive Medicaid payment of drug prices to determine the national average drug acquisition costs of covered outpatient drugs.
- Bans spread pricing in Medicaid or when a Pharmacy Benefit Manager (PBM) charges a health plan more for a medication than it pays the pharmacy that dispenses it, keeping the difference as profit.

Affordable Care Act

- Requires the federal government to reimburse health plans for cost-sharing reductions (CSR), which would reduce silver plan premiums and the size of the premium tax credits. This would also block CSRs for plans that provide abortions, except to save the life of a mother, rape, or incest.
- Requires a new income and eligibility verification process for the following by January 1, 2026:
  - Removes special enrollment periods for individuals with income changes.
  - Modifies definition of "lawfully present" immigrants for eligibility in ACA marketplace.
  - Prohibits gender transition procedures.

Improving Americans' Access to Care

- Requires PBMs in the Medicare Part D prescription drug program to share information with plan sponsors on their business practices, including formularies.
- Permits drug product sponsors to have one or more orphan drug indications, therefore permitting them to be exempt from the Drug Price Negotiation program.
- Updates the timeline by which a manufacturer is eligible for negotiation until an orphan drug receives a non-orphan indication.
- Requires states to establish a process for enrolling out-of-state pediatric providers as participating providers without additional screening procedures.
- Delays the Medicaid disproportionate share hospital (DSH) payment reductions set for $8 billion reductions per year — originally planned to take effect for FY 2026-2028 — to take effect for FY 2029-2031. Also, delays reduction to Tennessee's DSH payments, set to expire in FY 2026.
- Revises the Medicare physician fee schedule to replace the split fee schedule conversion factor with a new single conversion factor based on a percentage of medical inflation — the Medicare Economic Index — to take effect as of January 2026.

Food Nutrition Programs

- Redefines the Thrifty Food Plan (TFP) by tying it to a specific 20-50 year old adult male and female and two children (ages 6-8 and 9-11) reference family. It also requires cost neutrality for future reevaluations of the TFP's market baskets starting no sooner than October 1, 2028, and at five-year intervals after that.
- Revises the Supplemental Nutrition Assistance Program (SNAP) by implementing work requirements for able-bodied adults without dependents (ABAWD). It also raises the age of a dependent child, for whom a parent/caretaker is exempt, from under six to under seven, and codifies exemptions for individuals under 18 or over 65.

    - Codifies exemptions for individuals under 18 or over 65, those who are medically certified as unfit for employment, pregnant women, homeless individuals, veterans, and former foster youth up to the age of 24. Exemptions for homeless individuals, veterans, and former foster youth are set to expire on October 1, 2030.
- Limits state waivers for ABAWD to 12 months and only for counties with an unemployment rate exceeding 10%.
    - ABAWD who do not meet the work requirements, do not qualify for other specific exemptions, or live in an area with exemptions would be subject to losing their SNAP benefits after three months.
- Creates a state cost-sharing requirement for SNAP allotments beginning in FY 2028.
    - The federal share would drop to 95%, with states covering 5%. This state share would increase to 15%, 20%, or 25% when a state's payment error rate exceeds 6%, 8%, or 10%, respectively.
- Reduces the federal reimbursement rate for states' SNAP administrative costs from 50% to 25%.
- Revises the age range for general SNAP work requirements (separate from ABAWD rules above) from "over 15 and under 60" to "over 17 and under 65." It also revises an exemption for caring for a child from "under age six" to "under age seven."
- Requires states to use the National Accuracy Clearinghouse data not only to prevent dual SNAP participation but also prevent multiple issuances of other federal and state assistance program benefits administered through a state's integrated eligibility system.
- Eliminates the monetary error tolerance threshold in the SNAP Quality Control system beginning in FY 2026.
- Eliminates the authorization for the National Education and Obesity Prevention Grant Program or SNAP-Ed.
- Eliminates SNAP eligibility for lawfully present non-citizens, including Registry Aliens (entered before 1948), those paroled into the United States, and those granted withholding of deportation.
- Extends funding authority for the Emergency Food Assistance Program commodity purchases from 2024 to 2031.

Debt Limit

Increases the statutory debt limit by $4 trillion.

If you have any questions or concerns, please contact **Alex Kearly, Carolyn Mullen, Jeffrey Ekoma, Catherine Jones,** or **Catherine Murphy** with any questions.

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