Subject: Senate Reconciliation Medicaid Cuts - Fiscal Federalism State-Specific Cuts

Below: Manatt "The 80 Million" analysis.

94% of the Medicaid cuts will impact the 40 states and DC that have **Medicaid expansion**. These states and DC account for 84% of all Medicaid spending. Missouri is the most impacted of these states (MO two Senators have been publicly skeptical of these cuts). Medicaid Expansion is clearly the #one target.

Provider Tax and State-Directed Payment Cuts hit "Red States" proportionally the most. However: a dozen states (including Senate Majority Leader Thune's South Dakota) don't use much provider taxes and state-directed payments.

From: THE 80 MILLION <80m@mail.beehiiv.com>
Sent: Monday, June 23, 2025 10:38 AM
To:
Subject: Perplexing Politics, Same Plotline

On May 22, House Republicans passed the "One Big Beautiful Bill Act," conceding to Freedom Caucus demands by accelerating the start date for Medicaid work requirements and locking in stricter
rules...

THE 80 MILLION

Perplexing Politics, Same Plotline

It's hard not to get caught up in the perplexing politics of the Senate's June 16 budget reconciliation move, but the plotline remains the same: Under the

Medicaid provisions of the One Big Beautiful Bill Act, all states — red states included — are either big losers or bigger losers.

Editor: Amanda Eisenberg
Authors: Jocelyn Guyer and Patti Boozang

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tl;dr

- To the surprise of many who have been listening to senators raise concerns about large House Medicaid cuts, the Senate Finance Committee (SFC) budget reconciliation bill language doubled down on cuts to Medicaid.
- **Updated modeling** of both the House and the Senate bills prepared by Manatt Health shows that the Senate bill increases the size of the already-astronomical cuts in the House bill to $1.41 trillion from $1.26 trillion over the next 10 years, a 12% jump.
- The 40 states (plus Washington, D.C.) that have expanded Medicaid would bear 94% of the added cuts, suggesting that the White House and Congressional Republicans are aiming to effectively end Medicaid expansion. These states account for 84% of all Medicaid spending nationwide.

- But what truly caught many off-guard last week is that the new Senate proposals aimed at provider taxes and state-directed payment hit surprisingly hard and fast a number of “red” states, where Republican senators and/or a Republican governor will need to deal with the fall out.

The 80 Million Impact

On June 16, the Senate Finance Committee (SFC) released its reconciliation legislation. The Senate Finance Committee has jurisdiction over tax policies and health programs under the Social Security Act, including Medicare, Medicaid and the Children’s Health Insurance Program (CHIP). Overall, the Senate bill’s health policy provisions hew closely to and build on the policies included the House-passed reconciliation bill — **H.R. 1, the One Big Beautiful Bill Act** — but with changes that make even deeper Medicaid cuts.

Medicaid expansion, including by imposing **mandatory work requirements**, requiring co-payments and increasing frequency of eligibility redeterminations on expansion enrollees; limiting the tools available to states to finance their share of Medicaid program costs; and broadening prohibitions for noncitizens’ access to health care. While the Senate maintained all these House provisions, several new policies in the SFC bill language will yield deeper Medicaid savings through changes in two financing mechanisms used primarily to boost Medicaid low base payments to hospitals:

- **Medicaid provider taxes:** The Senate bill deepens the cuts in the House-passed bill’s provider tax provision by layering a steep reduction in *current* taxes on top of the House-enacted moratorium on new or increased provider taxes. It would lower the 6% cap down to 3.5% for expansion states only. These states will see their 6% cap decline by 0.5% point per year beginning in federal fiscal year (FY) 2027. The new cuts are focused on taxes imposed on hospitals. Skilled nursing facilities and intermediate care facilities are exempt from this cap ramp down.

- **State-directed payments (SDPs):** The Senate bill sharply diverges from the House bill with respect to SDPs. While the House “grandfathered” current SDPS, under the Senate language, states would need to reduce their SDPs by 10 percentage points per year beginning in 2027 until the SDPs were no greater than 100% of Medicare for expansion states or 110% of Medicare for non-expansion states. The Senate language retains the House’s cap on new directed payments of 100% of Medicare for expansion states and 110% of Medicare for non-expansion states.

Before we look at the impacts of these policies, let’s clear up one question: Are there valid policy debates to be had and changes to be made to these complex, important (and, despite the rhetoric out there, legal) financing mechanisms? The answer is yes, and prior administrations led by both parties have long agreed on this point. But this legislation doesn’t reform these financing mechanisms; it simply caps how much states can spend on them, leaving significant unintended consequences in its wake.

The table below provides Manatt’s modeling impacts of the June 16 SFC bill language. Expansion states are the target, and Missouri is the state most impacted by the Senate changes. Manatt’s updated modeling of House and Senate policies shows that Missouri will see a 35% increase in the size of its Medicaid cuts due to new provider tax restrictions and the further ratcheting down of directed payments.

Seventeen states — all but one are expansion states — will see additional cuts of 15% or more under the SFC bill text. They include some blue states like Rhode Island and Massachusetts, but many more red or purple states. Ohio, for example, faces an additional $9.6 billion in cuts under the Senate Finance Committee’s proposals. Kentucky, home of Chairman Guthrie who heads the House Energy and Commerce Committee, would see the size of its Medicaid cuts increase by 27%, growing from $33.2 billion to $42.3 billion.

If the SFC language is enacted into law, Virginia and Arizona, two of the nation's most closely watched "purple" states, would become unwitting members of a new "$10 billion club," which is to say that they each would lose an additional $10 billion over the next 10 years. These new cuts would be on top of the $47.6 billion and $45 billion that Arizona and Virginia would, respectively, lose under the House bill, according to Manatt's updated modeling numbers.

About a dozen states, including the Senate Majority Leader's home state of South Dakota, largely escaped the newest SFC cuts because they are among the minority of states that do not make much use of provider taxes and state directed payments.

Estimated Total Medicaid Spending Impact of Key Medicaid Provisions Included in the H.R.1 and Senate Finance Committee (SFC) Bill ($ Millions), FFYs 2025 – 2034

State	Expansion State?	H.R. 1	SFC Bill	Change in Cut Under SFC Bill	Perc Chan Cut U SFC
Total		**($1,263,195)**	**($1,411,667)**	**($148,472)**	**12**
Expansion States		**($1,120,723)**	**($1,260,935)**	**($140,213)**	**13**
Non-Expansion States		**($142,473)**	**($150,732)**	**($8,259)**	**6**
Missouri	Y	($16,627)	($22,375)	($5,748)	35
Rhode Island	Y	($4,229)	($5,450)	($1,221)	29
Kentucky	Y	($33,242)	($42,292)	($9,051)	27
Washington	Y	($34,564)	($43,936)	($9,372)	27
Vermont	Y	($2,271)	($2,881)	($610)	27
Ohio	Y	($41,013)	($50,585)	($9,572)	23
Virginia	Y	($44,956)	($55,260)	($10,304)	23
Hawaii	Y	($4,874)	($5,974)	($1,100)	23
Arizona	Y	($47,559)	($57,709)	($10,150)	21
New Mexico	Y	($14,257)	($17,190)	($2,933)	21
Illinois	Y	($45,594)	($54,716)	($9,122)	20
Tennessee	N	($14,126)	($16,880)	($2,754)	19
Massachusetts	Y	($28,843)	($33,902)	($5,059)	18
Iowa	Y	($11,384)	($13,266)	($1,882)	17
Colorado	Y	($16,273)	($18,875)	($2,602)	16
North Carolina	Y	($37,476)	($43,398)	($5,922)	16
Nevada	Y	($10,924)	($12,573)	($1,650)	15

The Bottom Line

It is hard not to get caught up in the perplexing politics of the Senate's latest move, but most important is the fundamental point of all of *The 80 Million* articles on the budget reconciliation process to date: under the Medicaid provisions of the One Big Beautiful Bill Act, jointly crafted by House and Senate Republicans, states are either big losers or bigger losers. The SFC tipped more states into the "even bigger losers" category, but at the end of the day, every state, D.C., and the territories will be facing unprecedented cuts.

So, let's not blame the last batter who whiffs at the plate for the impending shutout (in case you are having trouble following our baseball analogy — we mean the SFC) when the entire team made errors for nine innings. It is the basic structure of the House bill — mandatory work requirements, repeal of eligibility simplifications, grandfathering SDPs and freeze on new provider taxes — that sets up a situation in which states are expected to lose more than a trillion dollars in Medicaid funding over the next decade. Yes, an additional $148 billion in cuts from the Senate makes things even worse. But the $1.26 trillion in cuts in the House bill and the 8.7 million people a year expected to lose Medicaid are at the root of the problems that elected leaders will face if the One Big Beautiful Bill Act is enacted.

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