



National Conference of Insurance Legislators OBBBA Implementation

JULY 17, 2025

RECONCILIATION

IMPACT

- ❖ The final reconciliation package, signed into law on July 4, enacts the largest cuts to federal health care spending in history and the most sweeping industry changes since the 2010 passage of the Affordable Care Act (ACA)
 - The Congressional Budget Office (CBO) has not yet scored the final text, however its most recent analysis of an earlier Senate draft projected that nearly **\$1 trillion in funding reductions and at least 11.8 million people would lose coverage** as a result of the bill's health care provisions.
 - CBO also estimates **an additional 5.1 million people could will lose coverage** if Congress does not extend the Marketplace's Advance Premium Tax Credits (APTCs) that expire on December 31, 2025,

KEY PROVISIONS

- Work Requirements
- Provider Taxes
- State-Directed Payments
- Cost Sharing
- Redetermination
- Retroactive Coverage
- Erroneous Excess Payments

[Estimated Budgetary Effects of an Amendment in the Nature of a Substitute to H.R. 1, the One Big Beautiful Bill Act, Relative to the Budget Enforcement Baseline for Consideration in the Senate | Congressional Budget Office](https://www.cbo.gov/system/files/2025-06/Wyden-Pallone-Neal_Letter_6-4-25.pdf)
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ESTIMATED IMPACT TO STATES

- ❖ **A recent analysis by the Kaiser Family Foundation found that those states that are ACA expansion states will bear the brunt of the federal funding cuts enacted by the One Big Beautiful Bill.**
 - Just over half, or \$526 billion, of the total amount of federal spending reductions will come from these 41 states and the District of Columbia.
 - Federal cuts to states will total more than \$1 trillion over 10 years and represents, in aggregate, 15% of federal spending on Medicaid over the period.

Source: KFF: [*Allocating CBO's Estimates of Federal Medicaid Spending Reductions Across the States: Senate Reconciliation Bill | KFF*](#)

RECONCILIATION

OBBBA Impact

STATE-BY-STATE COMPARISON

STATE(S)	PERCENTAGE OF FUNDING LOST
AL, WY	6%
FL	7%
GA, MS, SC	8%
TN	9%
ME, WI, TX	10%
ID, KS, SD	11%
AK, AR, MA, NE, NC, ND, VT, WV	13%
DE, MD, MO, OH	14%
AZ, CA, CT, CO, HI, IA, IN, KY, MI, MN, MT, NH, NM, NY, OK, OR, PA, RI, WA, UT	15-20%
LA, NV, IL, NJ, VA	20+%

Source: KFF: *Allocating CBO's Estimates of Federal Medicaid Spending Reductions Across the States: Senate Reconciliation Bill* | KFF

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OBBBA Impact

DOLLAR LOSSES

- ❖ While percentage losses help to reflect the impact based on the current spending of state Medicaid programs, the dollars lost to some states will be significant even if the percentage lost isn't relatively as great as other states.

STATE	DOLLAR LOSSES
CA	\$205 billion
NY	\$149 billion
PA	\$66 billion
IL	\$60 billion
TX	\$48 billion
OH	\$47 billion
AZ	\$44 billion
MI	\$42 billion

Source: KFF: [Allocating CBO's Estimates of Federal Medicaid Spending Reductions Across the States: Senate Reconciliation Bill](#) | KFF

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OBBBA Changes

WORK REQUIREMENTS

Taking effect by **March 31, 2027**, the OBBBA mandates nationwide community engagement requirements for able-bodied individuals to maintain Medicaid coverage.

SUBJECTED INDIVIDUALS

- Non-pregnant adults aged 19–64 who aren't eligible for (or enrolled in) Medicare or any other mandatory Medicaid group
- Exempt Populations:
 - ❑ former foster youth,
 - ❑ pregnant/postpartum individuals,
 - ❑ parents and caretakers of disabled individuals or children under age 13, and
 - ❑ those in substance-use treatment programs.

QUALIFYING ACTIVITIES

Activities that qualify as community engagement, accrued monthly include:

- Working (80 hours);
- Community service (80 hours);
- Work program (80 hours);
- Educational program (40 hours);
- Engaging in any combination of these activities (80 hours); or
- Receiving a monthly income of no less than \$580.

VERIFICATION & IMPLEMENTATION

- States **must** verify compliance during regularly scheduled redeterminations of eligibility, at least every six months.
 - ❑ Noncompliant individuals will receive a 30-day grace period to demonstrate compliance; failure to do so results in Medicaid denial or disenrollment and loss of ACA premium tax credit eligibility.
- CMS must issue an interim final rule by June 1, 2026.
- \$200 million available for state grants and \$200 million to HHS for FY 2026.

EXPECTED FUNDING LOSS: \$326 BILLION

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OBBBA Changes

PROVIDER TAX CHANGES

- ❖ **Upon enactment, the bill effectively "freezes" a state's current provider tax structure**
 - This is done by establishing a hold harmless threshold of zero percent for any state that has not enacted and imposed a provider tax on a class of providers by date of enactment
 - ❑ MN passed a bill just ahead of July 4 instituting a provider tax to ensure state flexibility
- ❖ **Expansion State Hold Harmless Threshold Phased Down to 3.5% by Federal FY 2032**
 - Starting in 2028, expansion states will see their hold harmless threshold lowered by .5% each year until it reaches the new federal ceiling of 3.5%
- ❖ **Taxes imposed on nursing facility and intermediate care facility services are exempt** so long as the tax is in effect by October 1, 2026 and no higher than 6%
- ❖ U.S. territories are exempt from the provision
- ❖ **Limits a state's ability to obtain waivers from the uniform requirement for Medicaid provider taxes** and prohibits waivers for tax structures that impose lower rates on providers with less Medicaid volume, or higher rates to those with more.

EFFECTIVE DATE

October 1, 2026

IMPLEMENTATION FUNDING

\$20 million to CMS

EXPECTED FUNDING LOSS

\$191 billion

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OBBBA Changes

STATE DIRECTED PAYMENTS

- ❖ **Limits Medicaid state-directed payments to providers to a certain percentage of the published Medicare payment rate for a given service**
- ❖ **Starting in 2028, the grandfathered payments would be phased down by 10% annually until they meet the applicable cap**
- ❖ **Grandfathers certain directed payments and payments to rural hospitals with prior approval by CMS (or a good faith effort to receive such approval was made) before May 1, 2025**

Medicaid expansion states

- 100% of the published Medicare payment rate

Non-expansion states

- 110% of the published Medicare payment rate

Expected Funding Loss

- \$149 billion

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OBBBA Changes

COST SHARING

- ❖ **Imposes cost-sharing for covered services** on Medicaid expansion enrollees with family incomes above 100 percent of the FPL
 - States must impose cost sharing of at least \$1 but it is capped at \$35 per service
 - Total aggregate amount imposed on a family cannot exceed 5% of the family's income
 - Providers may condition service delivery on receipt of payment

Cost-sharing exemptions

- Certain primary care, mental health, or substance-use disorder services
- Pregnancy-related or family planning services
- Inpatient services for patients staying at a hospital, nursing home, or other facilities
- Emergency services or certain services furnished in a hospital ED
- Hospice services;
- Vaccine administration or
- Services furnished in a FQHC, CCBHC, or rural health clinic

EFFECTIVE DATE: October 1, 2028

IMPLEMENTATION FUNDING: \$15 million to CMS for FY 2026

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OBBBA Changes

REDETERMINATION

- ❖ Under the Affordable Care Act, states were limited in the frequency of redetermination to not more than once every 12 months for adults aged 19-64 years with income below 138% FPL. **Under OBBBA, states now will be required to conduct eligibility redeterminations for the expansion population every six months.**

Effective Date: December 31, 2026

CMS Guidance: Required within 180 days of enactment

Funding: \$76 billion to CMS FY 2026

Expected Funding Loss: \$63 billion

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OBBBA Changes

RETROACTIVE PAYMENT

- ❖ **Effective Q1 2027, the bill shortens the Medicaid eligibility look back period for individuals who otherwise would have been eligible for Medicaid. The following is the new, shorter periods:**
 - **Non-expansion population** — two months
 - **Expansion population** — one month
 - **CHIP** — one month
- ❖ **This policy is particularly harmful to providers that rely upon this policy to ensure they are paid for services rendered while the individual is going through the Medicaid eligibility process. The eligibility process often can take up to three or more months.**

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OBBBA Changes

ERRONEOUS EXCESS PAYMENTS

- ❖ **Under this provision, the Secretary is required to apply a reduction in the federal financial participation (FFP) rate for States with Payment Error Rate Measurement, also know as PERM rates, above 3%**
 - The reduction cannot be greater than the original reduction required minus the sum of: (1) erroneous payments to ineligible individuals and families and (2) payments for items and services provided without proper eligibility.
 - The bill defines erroneous excess payments to also include payments where insufficient information is available to confirm eligibility
 - States that exceed the 3% threshold risk disallowance of federal funding unless they can demonstrate a good-faith effort to comply

EFFECTIVE DATE

Q1 FY 2030

MARKETPLACE CHANGES

- ❖ **Eliminates automatic reenrollment** for individuals receiving premium tax credits by requiring annual re-verification of tax credit eligibility
- ❖ **Eliminates provisional eligibility for premium tax credits** while applicants are awaiting eligibility determinations
- ❖ **Removes the cap on the amount of tax credits that enrollees must repay to the government** if their income changes during the year
- ❖ **Shortens the annual open enrollment period** by one month to November 1 to December 15
- ❖ **Ends the monthly low-income special enrollment period and state-based marketplaces' special enrollment periods based on income**
- ❖ **Adds additional income verification processes** for individuals with incomes between 100-400% of the Federal Poverty Level
- ❖ **Funds the cost-sharing reduction payments**, which will result in less generous tax credit amounts and will increase premiums for subsidized enrollee

Questions?

Source: KFF: *Allocating CBO's Estimates of Federal Medicaid Spending Reductions Across the States: Senate Reconciliation Bill* | KFF

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