One Big Beautiful Bill: Impact on Medicaid & the Overall Healthcare Delivery System

Joint State-Federal Relations
&
International Insurance Issues Committee

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About NAMD

NAMD
National Association of Medicaid Directors

NAMD is a professional community of state leaders who provide health insurance to almost 80 million people through Medicaid and CHIP in the 50 states, D.C. and the U.S. territories.

NAMD **elevates thought leadership** on policy matters, **amplifies the experience and expertise of state leaders**, **supports programs in continuous improvement and innovation**, and **optimizes partnerships** to help millions live their healthiest lives.

NAMD is led by a mission-focused 14-person Board of Directors whose members currently represent the states of, Kentucky, Maine, New Hampshire, North Dakota, Oregon, Virginia, Wisconsin, Wyoming, the District of Columbia and the U.S. Virgin Islands.

OBBBA: Bottom Line for Medicaid

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The One Big Beautiful Bill Act (OBBBA) makes significant changes to the Medicaid program, *especially for expansion states*, that will require dynamic and implementation-focused cooperation between Medicaid programs, the federal government, other state agencies, providers, and community-based organizations.

Medicaid Programs are Considering

Navigation and Outreach Strategy

Allocating Resources for Administrative Expenses and IT Systems

Planning for Changes in the Healthcare Sector

Prioritizing Collaboration and Alignment with Federal Partners

Each state will have various experiences, priorities, and responses to the One Big Beautiful Bill. Your Medicaid Director is the expert for your specific state's program. We recommend strong partnership and collaboration with your Medicaid Program.

Medicaid's Role in the Overall Healthcare Delivery System

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MEDICAID: Who it Serves

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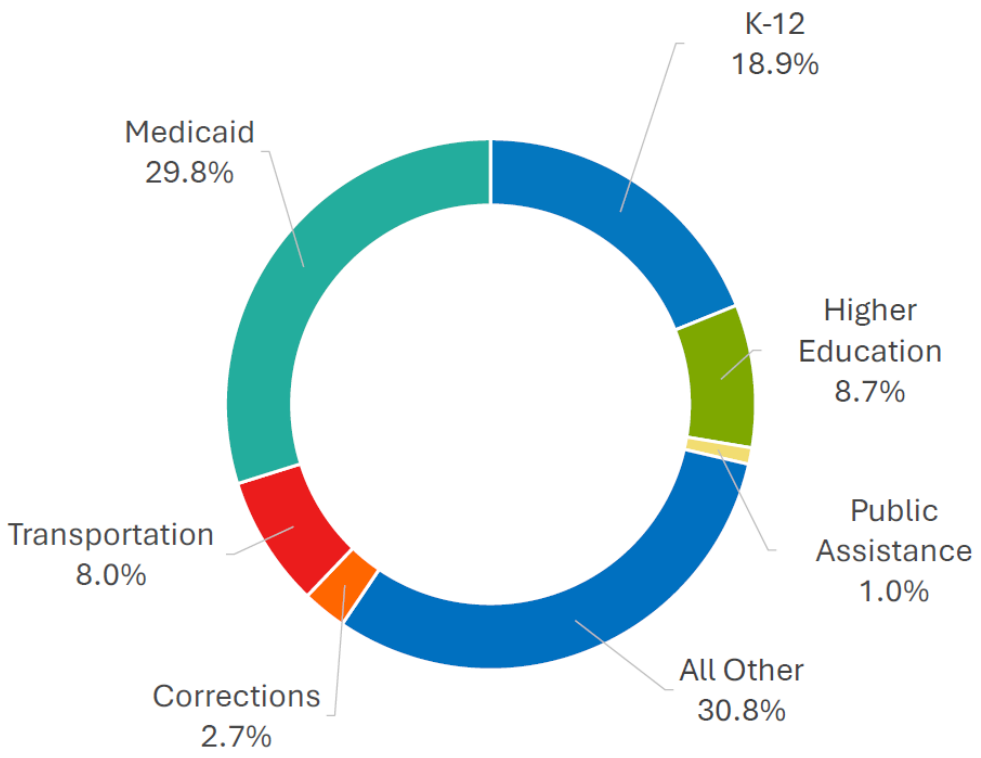
37 million children
and the ONLY provider for kids with complex mental health needs

4 in 10 births

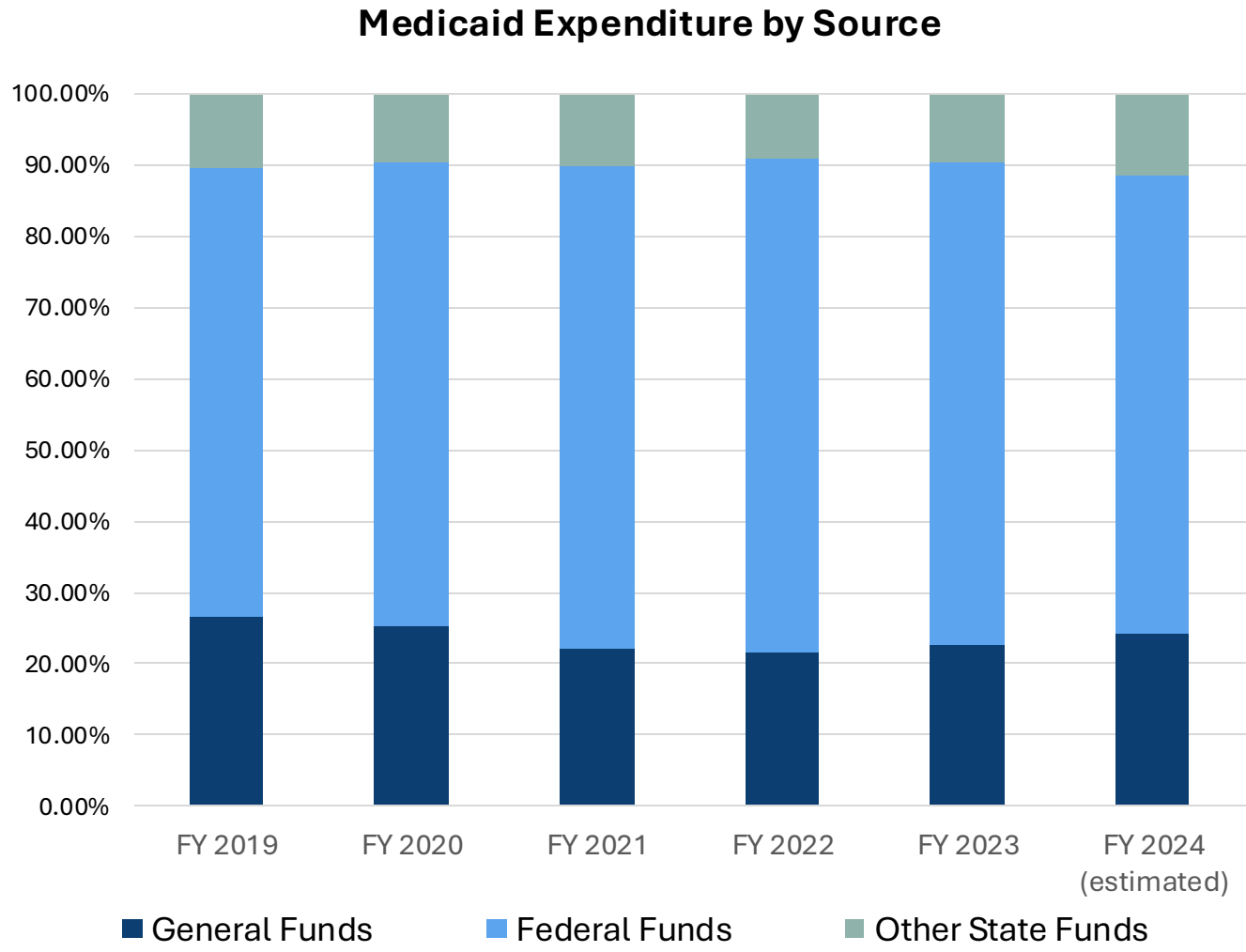
19 million adults
70% are working poor

66% of older adults and people with disabilities use Medicaid for in-home or nursing facility care

MEDICAID: State Budget



Source: NASBO State Expenditure Report



Source: NASBO State Expenditure Report

MEDICAID: Healthcare Delivery System

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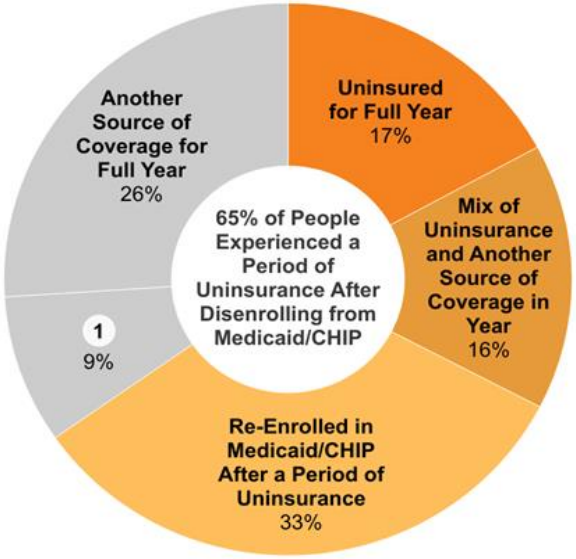
- After employee sponsored insurance, Medicaid is the most common type of health insurance in the U.S.
- Five publicly traded insurance companies account for half of Medicaid managed care enrollment nationally.
- Medicaid accounts for 19% of inpatient discharges for rural hospitals.
- Half of all patients at community health centers are insured through Medicaid.
- Medicaid is the largest payer for long term care and behavioral health.

Figure 1

In the Year Following a Disenrollment From Medicaid/CHIP, Roughly Two-Out-of-Three People Had a Period of Uninsurance

Health Insurance Changes in the 12 Months Following Disenrollment from Medicaid/CHIP, 2016-2019



1 Re-Enrolled in Medicaid/CHIP After Enrolling in Another Source of Coverage

NOTE: Seniors ages 65 and older excluded from the analysis. Numbers may not sum to totals due to rounding. "Another Source of Coverage" includes any type of coverage other than Medicaid/CHIP, including private or other public coverage. "Re-Enrolled in Medicaid/CHIP ("Churn") After a Period of Uninsurance" includes people who were uninsured for some or all their Medicaid/CHIP enrollment gap. Most were uninsured for all of their Medicaid/CHIP enrollment gap. If we only included people who were uninsured for all of their Medicaid/CHIP enrollment gap, this group's share would decrease from 33% to 30%.

SOURCE: KFF analysis of the Medical Expenditure Panel Survey Household Component (MEPS-HC), Panels 21-23, Agency for Healthcare Research and Quality (AHRQ).

KFF

One Big Beautiful Bill Impact on Medicaid

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OBBBA: Navigation and Outreach Strategy

OBBBA makes significant changes to eligibility and enrollment processes along with provider participation. These changes require timely and clear communication from the state.

Medicaid programs are already fielding questions from Medicaid members and providers about impacts.

- Transitioning off coverage for certain immigrant populations (e.g., refugees, humanitarian parolees) – Effective Oct. 1, 2026.
- Community engagement/work requirements fundamentally change eligibility processes – Effective Dec. 31, 2026 (opportunity to seek extension)
- Potentially leverage community-based organizations/navigators to support reporting requirements and/or connection to employment.

State & Community Based Partnerships to Support Enrollment (Unwinding Lessons)

Source: SHVS Communicating the PHE Unwinding: How States Are Collaborating With Community Partners

OBBBA: Changes in the Healthcare Sector

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OBBBA makes significant changes to eligibility and state financing practices especially in expansion states, which can impact how healthcare and insurance providers behave in response.

Insurance Providers will likely see higher acuity in their Medicaid line of business, which could have ripple effects into the broader healthcare sector.

- We will likely see healthier individuals be disenrolled from the Medicaid program.
- Medicaid programs are prioritizing access and effective use of taxpayer dollars through actuarially sound rates.

Healthcare Providers will likely experience higher uncompensated care, while potentially lower reimbursement rates from Medicaid.

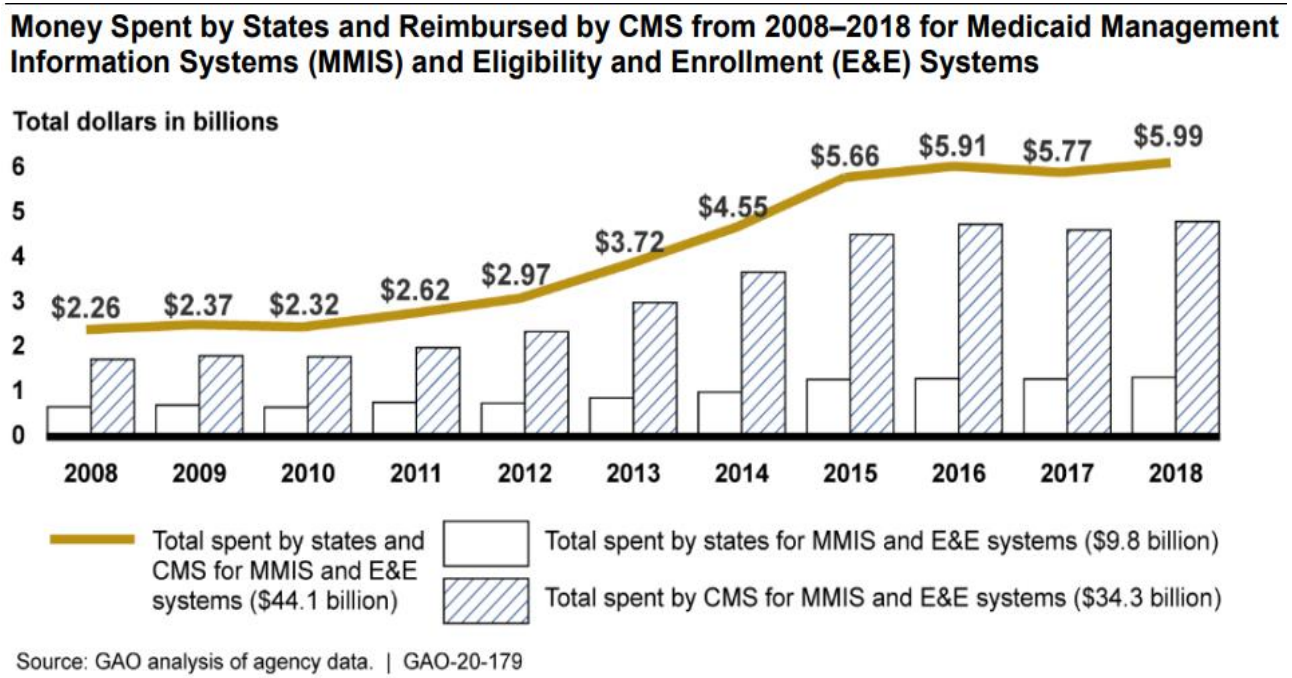
- The most recent CBO estimate projects 11.8 million more individuals to become uninsured by 2034.
- Depending on the provider's capital, geography, and payer-mix, providers may respond differently (e.g., cost-shift, close, etc.).
- States must submit proposals by the end of this year to obtain grant funding to support rural providers.
    - Medicaid programs are prioritizing access and effective use of taxpayer dollars by identifying most impacted providers.

Note: Changes in non-expansion states are less significant.

OBBBA: Administrative Expenses

While administrative budgets make up, on average, only four (4%) of the Medicaid budget, changes to eligibility, enrollment, and cost-sharing in expansion states may impact expenses related to implementation.

IT Systems Investments Pressure Tight Administrative Budgets



Source: GAO analysis of agency data. | GAO-20-179

With some effective dates in 2026, states will need to move quickly on systems work – ensuring the most effective use of tax-payer dollars is the priority.

- States with integrated eligibility systems are working to align with SNAP.
- Some states may need to ask for an extension for this reason.

States may need to increase staffing among eligibility workers to handle new caseload.

- This can vary depending where the state houses eligibility (e.g., county-based).

To track cap on cost-sharing, states will need to undertake new systems work.

OBBBA: Alignment with Federal Partners

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OBBBA makes significant changes to the Medicaid program that will require agile cooperation between states and the federal government to achieve shared goals.

- States will need federal guidance as soon as possible to meet community engagement/work requirements by the December 2026 effective date.
    - Alternatively, states will need guidance on the federal framework to allow extensions as soon as possible.
- Given changes to eligibility and enrollment systems, alignment between business and IT requirements from the Centers for Medicare and Medicaid Services (CMS) team is needed.
- States will be looking for CMS and the Food and Nutrition Services (FNS) to align guidance as states with integrated eligibility systems update eligibility policy and operations.
- States still need clarity on whether the new administration intends to retain and enforce major rules promulgated by the previous administration.
    - States have already begun implementation to meet these regulatory deadlines.

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