



Final Budget Reconciliation Provisions Related to Medicaid, SNAP, and Education

July 3, 2025

On July 3, 2025, the House of Representatives passed H.R. 1, 218 in support 214 opposed. Rep. Massie (R-KY) and Rep. Fitzpatrick (R-PA) voted no, as did all Democratic Members. This occurred after a marathon session to pass the rule allowing the bill to proceed and a House record breaking speech by Minority Leader Jeffries (D-NY), clocking in at 8 hours and 45 minutes.

This follows the July 1st action by the U.S. Senate which passed the reconciliation bill on a 50-50 vote with Vice President Vance breaking the tie. Republicans who voted against the bill were Senators Collins (ME), Tillis (NC), and Paul (KY).

The bill now goes to the President for his expected signature.

Following is a summary of what is in the bill:

Medicaid

According to the nonpartisan Congressional Budget Office (CBO), the Senate bill cuts Medicaid by nearly \$1 trillion, approximately \$200 billion more than the House bill. Taking into account that the bill does not extend the ACA enhanced premium tax credits, CBO estimates this bill would lead to nearly 17 million losing health care.

CBO estimates the proposed Medicaid cuts would cost states \$200 billion over ten years due to reduced federal funding and restrictions on how states can finance their Medicaid programs. The federal cuts would force state changes including **“reducing provider payment rates, reducing the scope or amount of optional services, and reducing Medicaid enrollment.”** Of the 7.8 million people CBO expects to lose Medicaid and become uninsured, 2 million would lose coverage because of state responses to increased financial pressure.

Large-scale coverage losses would add other costs to states that CBO’s estimates don’t reflect, including increases in uncompensated care, a sicker workforce, job loss in the health care sector, and loss of tax revenue. These impacts would further burden state budgets, which are already under strain.

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New HCBS Provision

Subchapter E, Section 71123 of HR 1 was added to the final Senate bill but inadvertently was left out of our previous summary. The provision seeks to **expand Medicaid coverage for home and community-based services (HCBS)**, primarily by creating a new type of standalone waiver under Section 1915(c) of the Social Security Act.

- **New Standalone HCBS Waivers:** The Secretary of Health and Human Services can approve new, separate waivers for states to provide HCBS as medical assistance. These waivers will have an initial term of 3 years, extendable for 5-year periods.
- **Expanded Eligibility:** Unlike previous waivers that required individuals to meet institutional level-of-care criteria, these new waivers will allow states to establish **needs-based criteria** for HCBS eligibility, subject to federal approval. This means individuals who do not require institutional care could become eligible for HCBS.
- States must demonstrate that the new waiver will not significantly increase wait times for HCBS for individuals who *do* meet institutional level-of-care criteria.
- Requires states to establish *more stringent* needs-based criteria for individuals requiring institutional level of care (hospital, nursing facility, or intermediate care facility for individuals with developmental disabilities) compared to the HCBS eligibility criteria.

Expect more information about this provision and the implications for people with IDD as we continue to analyze the provision. Implementation of this provision will likely require additional guidance from CMS. The bill also provides \$50 million in FY 2026 and \$100 million in FY 2027 for implementation.

Effective Date: July 1, 2028

Work Requirements

- The mandatory work requirements remain in the Senate bill. These requirements are [designed to terminate health care](#) for 5.2 million people. The Senate proposal eliminates exemptions for parents of kids over 14 years of age (instead of all parents) – adding up to 300,000 more people harmed by work requirements.
- New applicants for Medicaid must meet work requirements at the time of application, and states can look back up to 3 months prior.
- The Secretary of Health and Human Services can exempt states from compliance until as late as 2028 if the state is demonstrating a “good

faith effort”, leaving work requirements programs largely at the discretion of the Secretary.

- States must require “able-bodied” adults aged 19–64 to work or do approved activities for at least 80 hours a month to qualify for Medicaid. Despite claims to the contrary, many individuals harmed by work requirements will be people with disabilities and older adults between the ages of 50 and 65. Many will be people who are already working, including direct support professionals and home care workers, or people caregiving for people with disabilities.
- Exemptions include individuals who are “medically frail” or otherwise have special medical needs (as defined by the Secretary), including individuals with intellectual or developmental disabilities. Also exempted are individuals during months in which they are served in an intermediate care facility for individuals with intellectual disabilities.
- We also know from past experience that people with intellectual and developmental disabilities can get caught up in red tape and the burden imposed on states to administer these requirements. Many family caregivers who receive Medicaid will be subject to work requirements, making it difficult for them to balance work and caregiving.
- [A recent analysis](#) of the enrollees in the Medicaid expansion affected by the new work requirements demonstrates that the vast majority of working-age adults (aged 18-64) are either working, caring for family members, or exempt because of health issues.
- Specifies seasonal workers meet requirements if average monthly income meets specified standard.
- Requires states to use data matching “where possible” to verify whether an individual meets the requirement or qualifies for an exemption (House bill only requires data matching “where possible” for verifying meeting work requirements).
- Provides funding to states for FY 2026 up to \$200 million and HHS implementation funding for FY 2026 to \$200 million.
- This provision would now take effect sooner (December 31, 2026 instead of 2029) or earlier at state option, increasing coverage losses and adding stress to state systems because of the rushed start. The amended bill mandates guidance for states by December 31, 2025.
- The bill eliminates the discretion of future administrations to waive work requirements for various populations.

Effective Date: December 31, 2026

Retroactive coverage

- States currently have to provide coverage for qualified expenses up to 90 days prior to application. This will be limited to one month for expansion enrollees and two months for traditional enrollees.

Effective Date: January 1, 2027

Cost sharing

- The bill allows states to apply [cost-sharing](#) to some Medicaid expansion enrollees and will impact people with disabilities who are enrolled in Medicaid expansion in significant numbers.
- The Senate-passed bill is the same as House-passed bill, except that it exempts services provided by federally qualified health centers, behavioral health clinics, and rural health clinics. It also provides \$15 million in implementation funding for FY 2026.
- Imposing cost-sharing on enrollees earning near the poverty level creates significant hardships for individuals struggling to afford basic health care. This proposal is particularly punitive, allowing states to charge over \$1,000 annually for those earning just 138% of the federal poverty level, making essential care unaffordable for low-income individuals. Even minimal cost-sharing reduces access to medical services, causing enrollees to delay critical treatments and prescriptions.

Effective Date: October 1, 2028

Eligibility determinations

- Requires states to conduct costly eligibility redeterminations at least every 6 months for Medicaid expansion adults.
- The Senate added that the Secretary must issue guidance on determinations within 180 days.
- People [lose coverage](#) when they miss notifications, steps in the process, or just don't know that they are up for review. This provision will create gaps in coverage for qualified people and changes the rules that currently require review once a year.
- Senate bill Provides \$75 million in implementation funding for FY 2026.

Effective Date: October 1, 2027

State funded coverage of undocumented immigrants

- The Senate-passed bill restricts the definition of qualified immigrants for purposes of Medicaid or CHIP eligibility.

- The new bill provides \$15 million in implementation funding for FY 2026.
- Reduces the expansion match rate from 90% to 80% for [states](#) that use their own funds to provide health coverage or financial assistance to purchase health coverage for individuals who are not lawfully residing in the United States. The Senate also lowered the federal match for states providing emergency Medicaid to people who do not qualify for Medicaid due to their immigration status, and limited the ability of lawfully-residing immigrants to qualify in the first place.
- People with disabilities and families that live in states that choose to use their own funds to in this manner will have fewer resources in the overall system for their care and services, which could lead to states reducing home and community-based services. In addition, many [direct service providers](#) are immigrants. This could exacerbate the current severe [shortage](#) of direct support professionals.

Effective Date: October 1, 2026

Eligibility and Enrollment Final Rule

- The Senate-passed bill is the same as House-passed bill but also requires the Secretary to issue guidance within 180 days of enactment.
- Prohibits the Secretary from implementing, administering, or enforcing nearly all provisions in both rules until October 1, 2034.
- These [two Rules](#) finalized during the previous administration collectively reduce barriers to enrollment and modernize renewal policies in the Medicaid, CHIP program, and for individuals dually eligible for Medicaid and Medicare.

Effective Date: For renewals scheduled on or after December 31, 2026

Provider taxes

- Prohibits states from establishing any new [provider taxes](#) or from increasing the rates of existing taxes. This is an effective cut year over year. This does not allow for states to modify their provider taxes to best address their state's needs, nor does it keep up with inflation. This cost shift to states over time will mean that states may need to restrict eligibility, cut provider payments, or reduce benefits to maintain their programs. This is similar to what states would face if the federal government had made a change to the federal match rate or instituted a per capita cap with a fixed growth rate.

- The Senate bill proposed even greater restrictions on expansion states by reducing the safer harbor limit starting in 2028 from 6% by 0.5% annually until it reaches a 3.5% limit in 2032.
- The new limit applies to taxes on all providers except nursing facilities and intermediate care facilities. New limit also applies to local government taxes in expansion states.
- Provides \$20 million in implementation funding for FY 2026.
- Revises the conditions under which states may receive a waiver of the requirement that taxes be broad-based and uniform such that some currently permissible taxes, such as those on managed care plans, will not be permissible in future years. Provision overlaps with a [proposed rule](#) released May 12, 2025.
- Adds a temporary fund of \$50 billion to help rural hospitals. The Senate fund gives the Health and Human Services secretary significant discretion in how the funds would be allocated.
- The Center for Medicare and Medicaid Services (CMS) are given tremendous discretion on how to implement these provisions.

State Directed Payments

- Directs HHS to revise state directed payment regulations to cap the total payment rate for inpatient hospital and nursing facility services at 100% of the total published Medicare payment rate for states that have adopted the Medicaid expansion and at 110% of the total published Medicare payment rate for states that have not adopted the expansion.

Effective Date: Upon enactment

Effective Date: Upon enactment, but states may have at most 3 fiscal years to transition existing arrangements that are no longer permissible.

Supplemental Nutrition Assistance Program

The Senate-passed bill continues massive cuts to the SNAP program, cutting nearly \$200 billion from the program, shifting costs to states, and incorporating harsher work reporting requirements.

- The Senate reconciliation bill would dramatically raise costs and reduce food assistance for millions of people by cutting federal funding for the Supplemental Nutrition Assistance Program (SNAP) by [\\$186 billion through 2034, according to the Congressional Budget](#)

[Office \(CBO\), about 20 percent](#) — the largest cut to SNAP in history. These cuts would increase poverty, food insecurity, and hunger, including among children.

- Cuts to SNAP would affect all of the more than 40 million people who receive basic food assistance through SNAP, including some 16 million children, 8 million seniors, and 4 million non-elderly adults with disabilities, all of whom would be affected by the cuts in the bill.
- The Senate bill includes a major structural change that would cut billions in federal funding for most states' basic food benefits and then require those states to backfill for the federal cut.
- Most states would be required to pay 5 to 15 percent of food benefits. If a state can't make up for these massive federal cuts with tax increases or spending cuts elsewhere in its budget, it would have to cut its SNAP program (such as by restricting eligibility or making it harder for people to enroll) or it could *opt out of the program altogether*, terminating food assistance entirely in the state.
- In contrast to the House version of the bill, the Senate's proposal allows some states to avoid footing the bill for SNAP if they get their payment error rates below 6 percent by fiscal year 2028. However, this 0 percent match is not a guarantee — even a slight increase in error rates could trigger new financial obligations. States with higher error rates would be required to pay more in SNAP costs. This will significantly increase states' financial responsibility and alter the current federal-state structure, where the federal government pays 100 percent of SNAP food benefits.
 - the bill will delay a provision shifting SNAP costs to states for the first time, but only for states with sufficiently high "payment error rates." This will likely apply to Alaska, DC, Florida, Georgia, Maryland, Massachusetts, New Jersey, New Mexico, New York, and Oregon.

State data can be found [here](#).

- **Work Requirements:** More than 5 million people — about 1 in 8 SNAP participants — including 800,000 children and over half a million adults who are aged 65 or older or have a disability, live in a household that would be at risk of losing at least some of their food assistance because someone in their household is subject to the significant expansion of SNAP's work requirement under the Senate proposal.
- Under current SNAP rules, most non-elderly, non-disabled adults without children in their homes can't receive benefits for more than three months out of every three years if they don't document they are

working at least 20 hours per week or prove they qualify for an exemption. The new bill would expand this restriction to older adults aged 55-64 and to parents with children over the age of 6, while also significantly limiting waivers for areas with poor economic conditions.

- CBO has indicated that more than 2 million people in total would be cut from SNAP under the provision in a typical month, including 1.1 million people who live where jobs are scarce; 900,000 adults aged 55-64; 270,000 veterans, people experiencing homelessness, and former foster youth; and hundreds of thousands of parents of children. Expanding the work requirement would cut SNAP by about \$69 billion through 2034, CBO estimates.
- Under current SNAP rules, most non-elderly, non-disabled adults without children in their homes can't receive benefits for more than three months out of every three years if they don't document they are working at least 20 hours per week or prove they qualify for an exemption. The Senate proposal would expand this restriction to older adults aged 55-64 and to parents whose youngest child is at least 14 years old, while also significantly limiting waivers for areas with poor economic conditions. The earlier version of the Senate plan applied to adults in households with children as young as 10.

(See state data on the number of people at risk [here](#).)

Creation of a federal school voucher program

- The bill creates a new income tax credit for charitable contributions made to scholarship granting organizations (SGOs), that provide scholarships to students to attend private schools.
- Currently, 29 states and the District of Columbia have at least one private school choice program. 15 of these states have at least one program that is universally accessible to all K-12 students in the state. This would be the very first ever federal voucher program.
- The Senate-passed bill amended the text to appease concerns from the parliamentarian.
- The tax credit in the Senate-passed bill is significantly lower (up to \$1700 rather than \$5000 or 10% of adjusted gross income) and it is only in states that authorize SGOs; many states may not.
- No overall cap on total amount of donations (most recent version was \$4 billion per year); therefore, if this policy changes becomes popular

(i.e. lots of people donate and claim the credit), it could be far more expensive than anticipated and have an (indirect) impact on federal education spending writ large. The unofficial price tag is \$26 billion.

- The Senate also added a permit to issue regulations and guidance.
- The House-passed version of this voucher program included language that attempted to protect students with disabilities from discrimination in admission to private schools. The Senate version removed this language.
- Since the money flows to an SGO before going to the private school, it is not considered federal money. This means the schools do not need to abide by the same civil rights laws (including IDEA, Section 504, and the ADA) as public and charter schools.

Effective for taxable years after Dec 31, 2026.