



Impact of H.R. 1 on Medicaid

October 16, 2025

Senate Ways & Means

Federal budget background

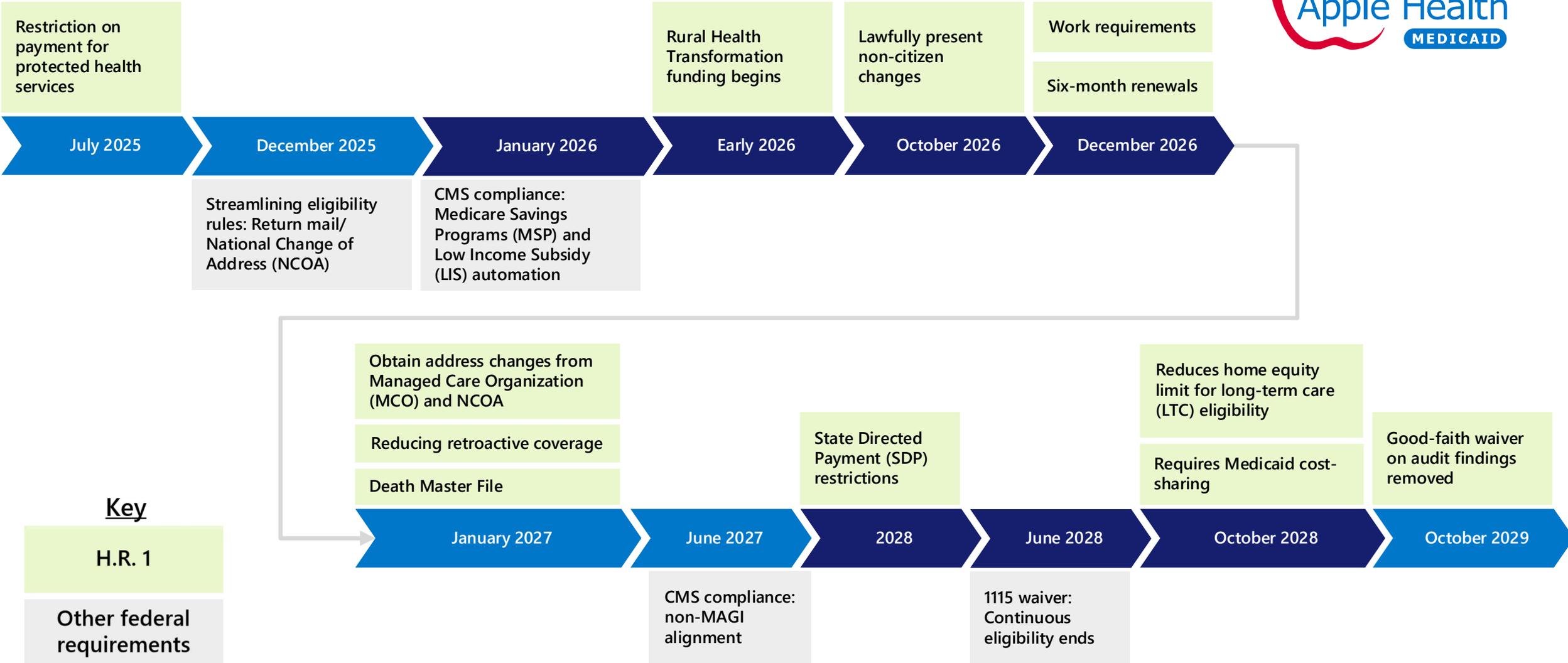


- ▶ Congress passed a continuing resolution for the federal budget on July 3, 2025 – signed into law by President Trump on July 4.
 - ▶ The budget contains numerous provisions that impact Medicaid, food assistance, and the individual market.
 - ▶ Hundreds of thousands of Medicaid-eligible Washington residents will be impacted.
 - ▶ **HCA and state partners are still assessing the full scope of impacts to Apple Health but anticipate significant administrative changes and new state costs associated with implementation.**
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Medicaid policies in the budget

	Policy	Effective Dates
Restricts payment for protected health services	Restricts federally funded Medicaid payments for 1 year to nonprofit organizations that primarily engage in family planning services or reproductive services and provide abortion services. Likely to impact over \$11 million in funding.	Effective for 1 year, from date of enactment (July 4, 2025)
Funding for non-citizens	Changes Medicaid eligibility for refugee, asylee, and other non-citizen adults.	Oct. 1, 2026
Work requirements	Establishes work requirements as a new condition of Medicaid eligibility for adults aged 19-65 who receive full coverage. This makes coverage based on working, training, or doing community engagement 80 hours per month. Includes certain categorical exemptions.	Dec. 31, 2026, with option to apply for waiver to implement Dec. 31, 2028
Rural health funding	Allocates \$10 billion annually to states, which can be used to support rural health transformation projects with a focus on promoting care, supporting providers, investing in technology, and assisting rural communities.	States can apply in 2025; funding from 2026–2030
Increases the frequency of eligibility redeterminations	Requires states to redetermine eligibility for adults enrolled through Medicaid expansion every 6 months, instead of every 12 months.	Dec. 31, 2026
Retroactive coverage	Shortens period of retroactive coverage eligibility from 3 months to 1 month for adults and 2 months for other Medicaid and CHIP applicants.	Jan. 1, 2027
Restricts new state-directed payments (SDPs) from exceeding Medicare payment levels	Requires existing SDPs for hospital and nursing facility services and services provided at an academic medical center to reduce by 10% per year, beginning in 2028 until they reach Medicare levels.	10% reductions begin in 2028
Cost-Sharing	Requires adults to pay cost-sharing of up to \$35 for many services. Excludes primary care, behavioral health, emergency services, and services rendered in certain rural settings from the requirement.	Oct. 1, 2028
Address verification	Changes requirements for address verification.	Oct. 1, 2029
Removes good-faith waivers related to erroneous payments	Removes ability to waive federal penalties for a state's good-faith efforts to correct erroneous excess Medicaid payments under the Payment Error Rate Measurement (PERM) program and other state and federal audits.	Oct. 1, 2029

Compliance timeline



4 Note: There are unknown future state regulatory impacts not captured on this timeline.

State funding and enrollment impacts



Proposed work requirements, increased frequency of redeterminations, and other changes to eligibility and enrollment rules will impact access and state funding.

Over 620,000 Washingtonians will be impacted by work requirements and changes to redeterminations.

Lawfully-present non-citizens will see direct restrictions to access.

Our state is projected to see a reduction of billions in federal funding between 2025–2034.

Prohibiting payment for protected health services



- ▶ Prohibits federally funded Medicaid payments to nonprofit organizations that primarily engage in family planning services or reproductive services and provide abortion services.
 - ▶ Applies for 1 year, from date of enactment (July 4, 2025).
 - ▶ Will reduce federal funding by over **\$11 million** a year for family planning services in Washington.
 - ▶ **Washington remains committed to funding services for these critical providers with state resources.**
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Medicaid eligibility changes

- ▶ Reduces federally funded Medicaid eligibility for refugee, asylee, and other non-citizen adults, effective Oct. 1, 2026.
 - ▶ HCA anticipates this could impact over 30,000 individuals currently enrolled in Apple Health.
 - ▶ Including 3,000 DSHS clients
 - ▶ Individuals may be eligible for other programs:
 - ▶ Apple Health Expansion
 - ▶ 1332 waiver coverage on Exchange
 - ▶ Emergency Medical
 - ▶ Pregnancy or After-Pregnancy Coverage
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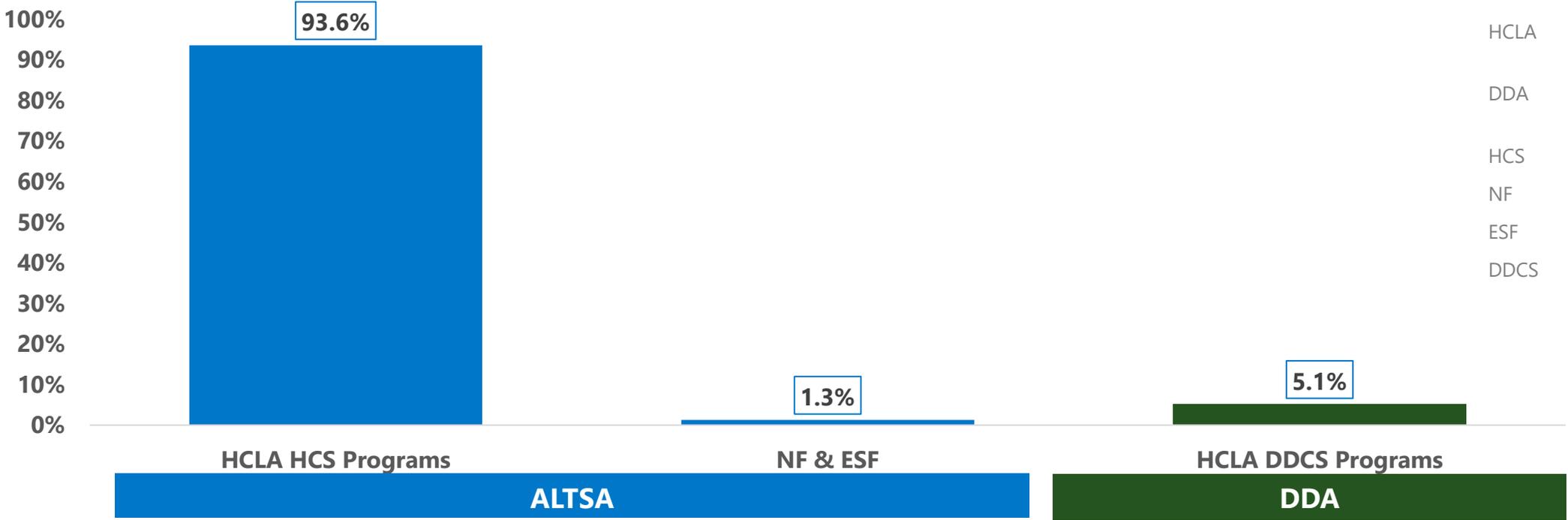
Limits Medicaid eligibility to legal citizens and lawful permanent residents

Approximately **3,000** Impacted HCLA clients



Acronyms

- AL TSA Aging & Long-Term Support Administration
- HCLA Home and Community Living Administration
- DDA Developmental Disabilities Administration
- HCS Home & Community Services
- NF Nursing Facilities
- ESF Enhanced Services Facilities
- DDCS Developmental Disabilities Community Services



Distribution of Potentially HCLA Clients by Setting

Impacts of federal work requirements



- ▶ By December 31, 2026, states are required to institute work requirements as a new condition of Medicaid eligibility for adults aged 19-65 who receive full coverage.
 - ▶ Makes coverage contingent on working, training, or doing community engagement 80 hours per month.
 - ▶ Applies to individuals age 19-65 who do not meet an exemption.

Impacts of federal work requirements continued



Medicaid enrollees work

Most Apple Health clients work (or are the dependents of a working adult).

Adults will lose coverage

More than 620,000 adults would be at risk to lose or delay coverage due to administrative red tape.

States may apply for waiver

States may apply for a waiver to delay implementation to December 31, 2028. Must show good-faith efforts to come into compliance as part of waiver application. CMS is expected to provide additional guidance in 2025.

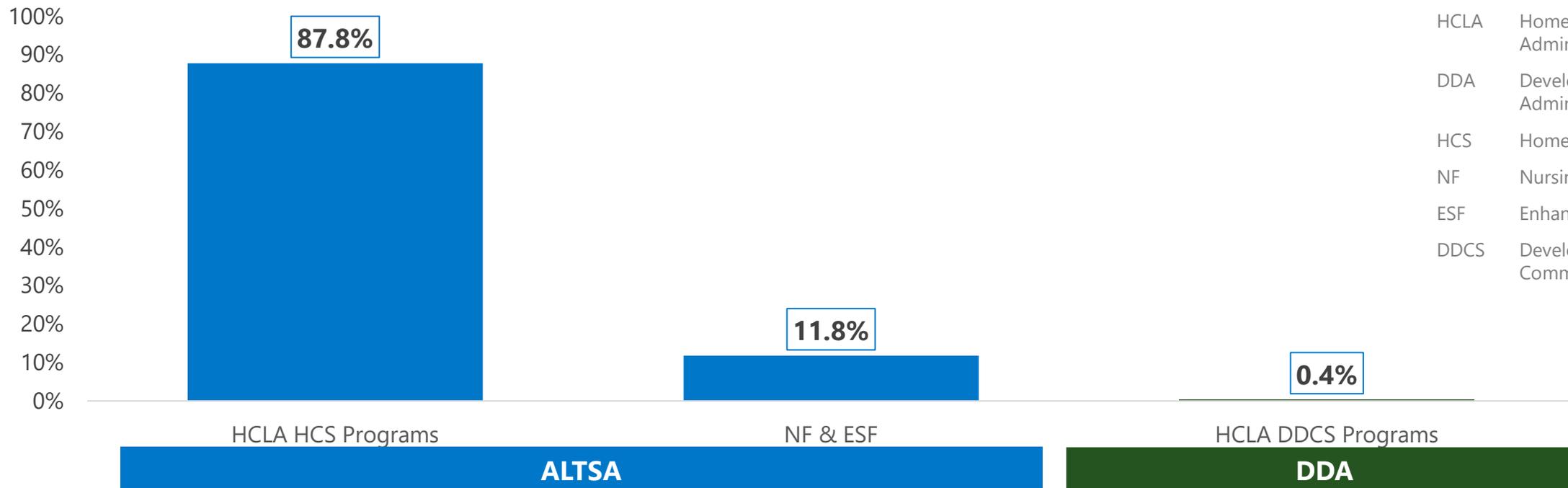
Impacts to the Expanded Adult Medicaid Population

Approximately **4,400** HCLA clients



Acronyms

- AL TSA Aging & Long-Term Support Administration
- HCLA Home and Community Living Administration
- DDA Developmental Disabilities Administration
- HCS Home & Community Services
- NF Nursing Facilities
- ESF Enhanced Services Facilities
- DDCS Developmental Disabilities Community Services



Distribution of Potentially Impacted HCLA Clients by Setting

Exemptions from federal work requirements



The federal work requirements don't apply to individuals who are:

- ▶ Pregnant or receiving postpartum coverage
- ▶ Under the age of 19
- ▶ Foster youth and former foster youth under the age of 26
- ▶ Tribal members
- ▶ Medically frail
- ▶ Disabled veterans
- ▶ Entitled to Medicare Part A or B
- ▶ Already comply with work requirements under the Temporary Assistance for Needy Families (TANF) program or Supplemental Nutrition Assistance Program (SNAP)
- ▶ Parents or caregivers of a dependent child or individual with a disability
- ▶ Incarcerated or recently released from incarceration within the past 90 days
- ▶ AUD/SUD treatment

Increasing the frequency of eligibility redeterminations



- ▶ Requires states to redetermine eligibility for adults enrolled through Medicaid Expansion for Adults every 6 months, beginning December 31, 2026.
 - ▶ Impacts 620,000 adults enrolled in Apple Health.
 - ▶ Will likely lead to thousands of individuals losing coverage.
 - ▶ 80-85% of population automatically renews, but 15% of population who needs active management will drive significant staffing impacts for HCA, DSHS, and HBE.
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Impact of state-directed payments (SDPs) and provider taxes



- ▶ Prohibits new provider taxes and ramps down existing provider taxes from 6% to 3.5% of net revenue by 0.5% per year beginning in 2028.
 - ▶ Prohibits new SDPs from exceeding Medicare payment levels and requires existing SDPs to reduce by 10% per year beginning in 2028 until they reach Medicare levels.
 - ▶ Applies to inpatient and outpatient hospital services, nursing facility services, and certain services provided at an academic medical center.
 - ▶ Provider taxes and SDPs allow states to draw down federal funds to support local health system needs and directly invest in providers and facilities.
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Impact of SDPs and provider taxes continued



Existing SDPs supporting hospital services, which include the Hospital Safety Net Assessment and payments to the University of Washington, will be reduced by over \$1.5 billion annually, once fully reduced.



Safety net
and rural
hospitals



Emergency
transport



Primary
care



Mental and
behavioral
health



Maternity
services and
birthing centers



Skilled
nursing
facilities



Home
health

Impact of cost-sharing requirements



Beginning Oct. 1, 2028, requires adults to pay cost-sharing of up to \$35 for many services.



Forces out-of-pocket spending for individuals who may be earning as little as \$16,000 per year

OR



Drives individuals to forgo care

Removing good-faith waivers related to erroneous payments



- ▶ Removes ability to waive federal penalties for a state's good-faith effort to fix erroneous excess Medicaid payments – effective Oct. 1, 2029.
- ▶ Under the Payment Error Rate Measurement (PERM) program, CMS audits state Medicaid and CHIP programs to identify various types of improper payments.
 - ▶ If more than 3% of a state's total payments in a year are improper, CMS must disallow federal funds for the excess payments above the threshold.
 - ▶ CMS was previously authorized to waive the disallowance if the state was unable to achieve the 3% target, despite good-faith efforts.

Removing good-faith waivers related to erroneous payments continued



Nationwide PERM rates were 3.31% in 2024.

The Congressional Budget Office (CBO) estimates this provision will reduce federal investment in Medicaid programs by over \$7 billion over 10 years.

Rural health funding



- ▶ Allocates \$10 billion annually to states, from 2026 to 2030.
 - ▶ Funding can be used by states to support rural health transformation projects, with a focus on promoting care, supporting providers, investing in technology, and assisting rural communities.
 - ▶ Have engaged providers, community orgs, industry groups, tribes, and various other stakeholders to solicit input.
 - ▶ Received over 280 written comments.
 - ▶ Applications due Nov 5th.
 - ▶ Applications will be approved/denied by December 31, 2025.
 - ▶ Must include a rural health transformation plan.
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Other Medicaid provisions



- ▶ Reduces the home equity limit for long-term care eligibility.
 - ▶ Effective Jan. 1, 2028
 - ▶ Shortens period of retroactive coverage eligibility.
 - ▶ From 3 months to 1 month for Apple Health adults
 - ▶ From 3 months to 2 months for all other Medicaid applicants
 - ▶ Effective Jan. 1, 2027
 - ▶ Changes address verification processes.
 - ▶ Effective Oct. 1, 2029
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Overview

Washington Health Benefit Exchange manages the eligibility and enrollment for Medicaid coverage based on modified adjusted gross income (MAGI) and Affordable Care Act (ACA) marketplace health plans (qualified health plans [QHPs]).

In 2025, nearly 1 in 4 Washingtonians get health insurance through Washington Healthplanfinder



1.6M

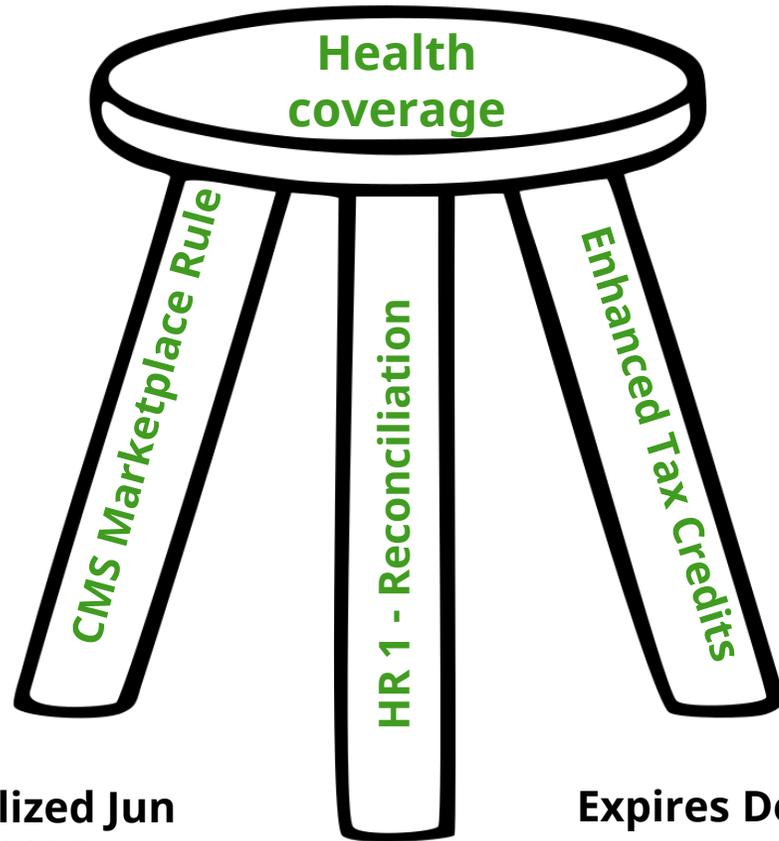
enrollees in Medicaid
MAGI coverage



286,500

enrollees in qualified
health plans

Federal policy changes – ACA marketplace



Finalized Jun
2025

Passed Jul 2025

Expires Dec 2025

Estimated combined impact in Washington

- QHP enrollment reduction of 33% – 50%
- Premium increases of up to 15%
- Ripple effects across the health system including \$100M+ in uncompensated hospital care

HR 1 – ACA marketplace

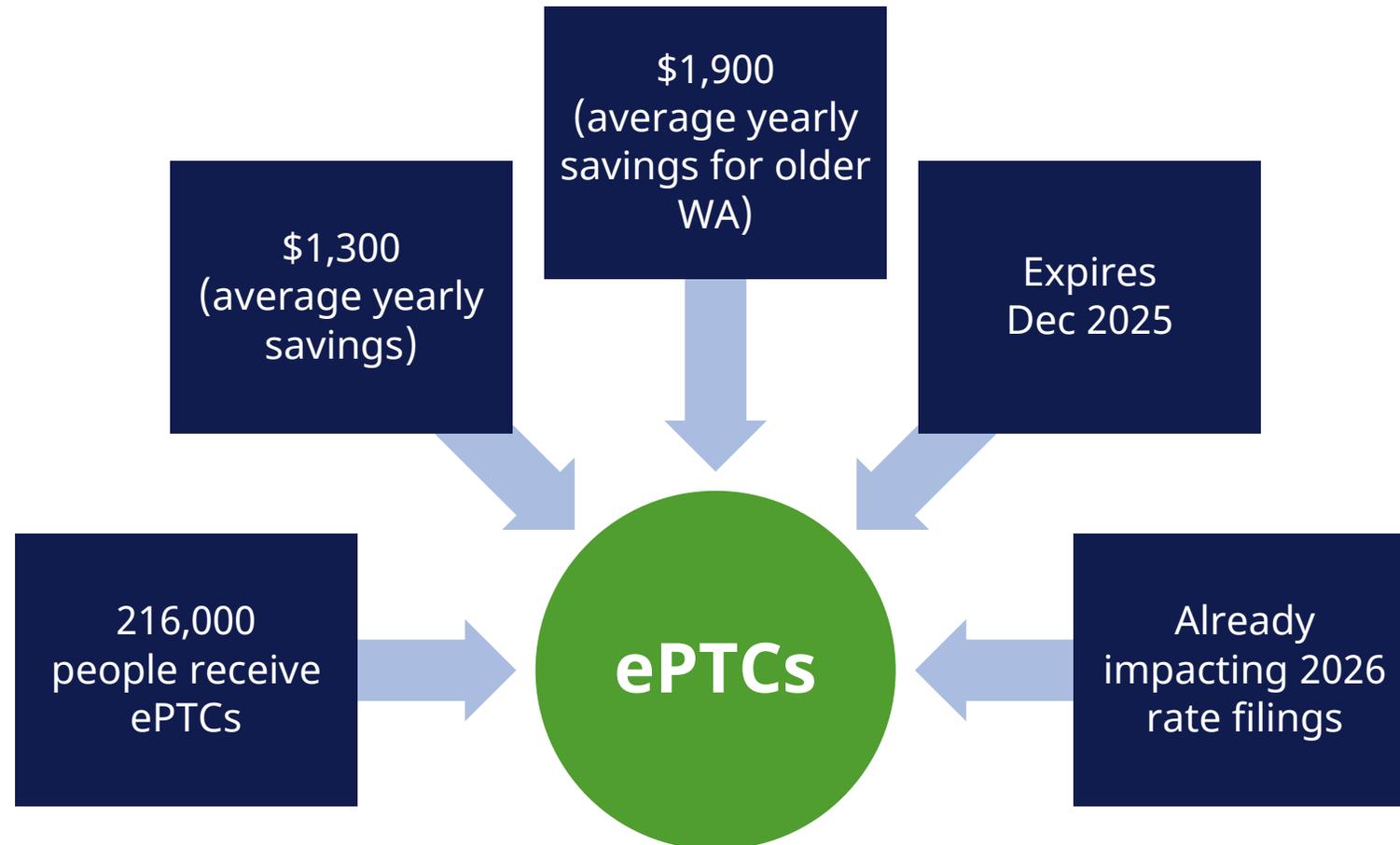


- **Jan 1:** Most lawfully present, non-citizens below 100% FPL no longer eligible for premium tax credits.
- **Jan 1:** For premium tax credit recipients, including under 400% FPL, removes repayment limits on any excess advanced premium tax credits received.

- **Jan 1:** Most lawfully present, non-citizens above 100%FPL no longer eligible for premium tax credits.
- **Jan 1:** People denied Medicaid due to work requirements are also not eligible for premium tax credits.
- Open enrollment shortened to 9 weeks.

- **Jan 1:** New enrollees can no longer be conditionally enrolled while enrollment information being verified.
- **Jan 1:** Returning enrollees can no longer be auto-enrolled into a same or similar plan during open enrollment.
- **Jan 1:** Premium tax credit recipients required to file and reconcile income every year.

Enhanced tax credits – overview & impacts



Estimated ePTCs expiration impact in Washington

- Enrollment reduction of 80,000
- Average net premium increases by 65%
- Loss of \$285M in federal funds (tax credits)



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