What are The Changes in Federal Medicaid Law Included in the "Big Beautiful Bill Act" and Their Implementation Dates and..

A Look Ahead Quarterly Conference

Arlington, Texas

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1

Public Policy in Simple Terms

1. Laws or Statutes by Legislative Bodies, citations as USC (United States Code) or P.L.#, like P.L. 94-142; open with Findings & Purpose(s)
2. Regulations or Rules by Administrative Agencies, citations as CFR (Code of Federal Regulations)
3. Decisions by Courts and Judges, citations such as Olmstead v. L.C., 527 U.S. 581 (1999)

All policies are based on *values, and values change over time*, based upon advocacy or the lack thereof. Most policies can be amended or repealed at any time, which requires our eternal vigilance! Advocacy is a participatory sport.

2

Key Policy Changes in Medicaid and Timelines to Implement

The One Big Beautiful Bill Act (OBBBA), signed into law by President Trump on July 4, 2025, brings significant changes to Medicaid, including work requirements for expansion enrollees, more frequent eligibility checks, and restrictions on retroactive coverage. Key changes will be phased in, with some taking effect in 2026 and others in 2027 and beyond.

CONGRESSIONAL BUDGET OFFICE (CBO)

- estimates the bill's health provisions will result in **10.5 million people losing health coverage by 2034.**
- Estimates an **additional 5.1 million people would lose health coverage as a result of two policy changes outside the bill** including: 1) the final 2025 CMS marketplace rule open in new implementing eligibility changes and 2) the expiration of the ACA expanded premium tax credits.
- **Will cut federal spending by $1.02 trillion!**
- The new law may impact states in several ways:

CBO – 2

- Increased Medicaid and ACA coverage loss for noncompliance with work requirements, eligibility changes (Medicaid), and limits on coverage for certain noncitizens (ACA and Medicaid).
- **Limited ability to fund the state share of Medicaid and overall decreased federal funding for state Medicaid programs.**
- **Increased administrative burden for state eligibility staff and increased costs for technology systems to implement work requirements.**

Medicaid Work Requirements

- States will be required to implement work requirements for **"able-bodied adults",** ages 16-64, **by January 1, 2027;**or earlier, if desired
- The Secretary of HHS must issue an **interim final rule** on implementing these requirements **by June 1, 2026, including definitions for exemptions – "medically frail"-"special medial needs – parent with child under 13 or with a "disability"**
- States must begin outreach **by Sept. 1, 2026.**
- **Individuals will need to verify work, education, community engagement (at least 80 hours/month) to maintain coverage.**

Medicaid Work Requirements Will Increase State Spending- NHLP – Feb. 2025

"Medicaid work requirements are ineffective, expensive to implement, and could drastically increase state spending…Notably, the majority of adults with Medicaid who can work do.

According to the Government Accountability Office, the cost to administer Medicaid work requirements can range from millions to hundreds of millions per state."(Arkansas spent over $26 million and Georgia spent over $40 million on administrative costs.)

More Frequent Eligibility Redeterminations

Beginning **January 1, 2027**, states must conduct eligibility redeterminations for Medicaid expansion enrollees every 6 months, instead of annually.

Reduced Retroactive Coverage for All Beneficiaries

Retroactive coverage in CHIP and Medicaid will be **reduced from three months to one month prior to enrollment for expansion population, and to two months for traditional populations, effective December 31, 2026.**

Provider Screening

- Effective January 1, 2028, **states must screen enrolled providers for terminations and conduct checks** against the Social Security Administration's Death Master File.

Federal Funding Reductions

States expanding Medicaid under the ACA will see their **federal matching funds gradually decrease starting in fiscal year 2026 (October 1, 2025).**

Provider Taxes Used for State Matching Funds

- Freezes provider taxes at current levels by disallowing increases in any new provider taxes or increases on current tax amounts. **Amends the hold harmless "safe harbor" threshold, which is currently 6%.**
  - **In non-expansion states: Remains at 6%.**
  - **In expansion states**: Phases down hold harmless threshold from 6% to 3.5% by 0.5% annually starting in FY 2028.
  - **Exempts long-term care facilities.**

Eligibility Changes

- **Coverage for Noncitizen Alien Medicaid Eligibility**: **Effective Oct. 1, 2026**, Medicaid eligibility of **qualified aliens who are humanitarian entrants (i.e., refugees, asylees, and humanitarian parolees), is cancelled**, thus leaving Lawful Permanent Residents, certain Cuban/Haitian entrants, and Citizens of Freely Associated States as the only categories of noncitizens eligible for Medicaid.
  - The final legislation includes language defining Alien Medicaid eligibility. The text restricts the definition of qualified immigrants for the purposes of Medicaid and CHIP eligibility.

Eligibility Changes - 2

- **HHS system to prevent duplicate state enrollment**: By Oct. 1, 2029, requires HHS to establish a system to prevent enrollment in multiple states. **Requires states to update enrollee addresses using certain datasets by Jan. 1, 2027.**
- **Eligibility verification using Death Master File**: By Jan. 1, 2028, requires states to **use the SSA Death Master File to verify eligibility on a quarterly basis**.

Implementation Timelines:

- **October 1, 2025:** Funding for HHS and states to implement the new law, including increased funding for work requirement implementation.
- **June 1, 2026:** HHS must issue an interim final rule on implementing work requirements.
- **December 31, 2026:** States must implement work requirements (or earlier if they choose).

IMPLEMENTATION TIMELINE – 2

- **January 1, 2027:** Work requirements for expansion enrollees and more frequent eligibility redeterminations for enrollees take effect.
- **December 31, 2027:** States must begin notifying individuals of the new work requirements.
- **December 31, 2028:** The Secretary of HHS can exempt states from compliance with new requirements if they demonstrate a good faith effort.

IMPACT OF CHANGES ON STATES: $$$$$$$$

These changes will require **significant administrative and operational adjustments for states,** including,

- updates to eligibility and enrollment systems,
- data-sharing infrastructure, and
- partnerships with other agencies.

Title XIX-Grants To States For Medical Assistance Programs

[42 U.S.C. Sec. 1396], enacted 1965

Administered by CMS (Center for Medicare and Medicaid Services),within DHHS

IL. Dept. of Healthcare & Family Services

"Sec. 1901. For the purpose of enabling each state as far as practicable under the conditions in such State, to furnish (1) **medical assistance on behalf of families with dependent children and of aged, blind or disabled individuals, whose income and resources are insufficient to meet the costs of necessary medical services,** and

(2) **rehabilitation and other services to help such families and individuals attain or retain capability for independence or self-care,**

there is hereby authorized to be appropriated for each fiscal year a sum sufficient to carry out the purposes of this title. The sums made available under this section shall be used for making payments to Sates which have submitted, and had approved by the Secretary, State plans for medical assistance."

19

Medicaid Structure for States

- Eligibility: Mandatory and **Optional**
- Services: Mandatory and **Optional**
- Services: **Amount, Duration and Scope sufficient to meet the purpose (states can and do set limits; a lot of flexibility)**
- Statewideness, Comparability and Freedom of Choice (unless waivers obtained)
- **Reimbursement methodology**: **Rates**
- Provider standards: Compliance with federal regulations and whatever state wants to add
- Quality Assurance:
- **Entitlement to federal matching funds: no cap on federal dollars. $$$$$$$$$$$$$$$$$$$$$$$$$$**

20

Eligibility for Medicaid

- **Mandatory:**
  - Low income families and children under 18 in families up to 138% poverty
  - Pregnant women up to 138% FPL
  - **SSI recipients, children, adults and seniors; also low income and assets**
- **Optional:**
  - "Medically Needy" due to high med. cost
  - Katie Beckett families: TEFRA 134
  - Variety of work incentives for PWD
  - ACA Expansion to 138% FPL for parents and childless adults

21

Optional State Plan Services

- Medical or Other Remedial Care Provided by Licensed Practitioners
- Private Duty Nursing Services
- Dental Services
- Case Management Services
- Physical Therapy, Occupational Therapy, and Services for Individuals with Speech, Hearing and Language Disorders (and prescriptive equipment)

22

Optional State Plan Services-2

- Prescribed Drugs, Dentures, Prosthetic Devices and Eyeglasses
- Diagnostic, Screening, Preventive, and rehabilitative Services
- Inpatient Hospital, etc. Services for Individuals age 65 or over in IMD's
- ICF/DD Services

Optional State Plan Services 3

- Nursing Facility Services Other than in an IMD
- Inpatient Psychiatric Services for Individuals under age 21
- Personal Care Services
- Any Other Medical Care or Remedial Care Recognized Under State Law

Optional State Plan Services 4

- Emergency Hospital Services
- Respiratory Care for Ventilator-Dependent Individuals
- Home & Community-Based Services (HCBS); waivers or state plans
- Community First Choice
- Medical Health Homes

SERVICES AUTHORIZED UNDER HCBS:

- Service Coordination
- Homemaker
- Home Health Aide
- Personal Care
- Adult Day Health
- Habilitation, including supported employment
- NO funds for room and board
- Environment Accessibility & Adaptability Equipment
- Respite Care
- Day Treatment or Other Partial Hospitalization
- Psychosocial Rehabilitation Services
- Clinic Services
- Enhanced Therapies…
- Transportation-Non-Med.
- Personal Emergency Response Systems
- Assisted Living
- CSLA

CMS Issues Final Rules on HCBS and the Definition of Community: Jan. 16, 2014

- Applies to 1915 (c) HCBS waivers; 1915 (I) SPA for HCBS; and, 1915 (k) Community First Choice SPA
- Extensive criteria for the development of a "person centered plan"
- "Informed choice"
- "**Providers of HCBS for the individual, or those who have an interest in or are employed by a provider of HCBS for the individual must not provide case management or develop the PCP……**

CMS Final Rules, 1-16-2014, cont.

…except when the State demonstrates that the only willing and qualified entity to provide case management and/or develop person-centered service plans in a geographic area also provides HCBS."

- **Home & Community-Based Settings –** "must have all of the following qualities, and such other qualities that the Secretary determines to be appropriate, based on the needs of the individual as indicated in their person-centered service plan:…..

CMS Final Rule, 1-16-2014, cont.

" (i) The **setting is integrated** in and supports **full access** of individuals receiving Medicaid HCBS **to the greater community**, including opportunities **to seek employment and work in competitive integrated settings, engage in community life,** control personal resources, and receive services in the community, to the same degree of access as individuals not receiving Medicaid HCBS.

29

1915(c) and 1915(i) HCBS Person-Centered Service Plans

- **Offers choices to the individual regarding services and supports the individual receives and from whom**
- Provides method to request updates
- Conducted to reflect **what is important to the individual to ensure delivery of services in a manner reflecting personal preferences** and ensuring health and welfare
- **Identifies the strengths, preferences, needs (clinical and support), and desired outcomes of the individual**
- May include whether and what services are self-directed
- Includes **individually identified goals and preferences related to relationships, community participation, employment, income and savings, healthcare and wellness, education and others**

CMS CENTERS FOR MEDICARE & MEDICAID SERVICES CENTER FOR MEDICAID & CHIP SERVICES

30

FUNDING:
Money Matters….and Drives Practice

Be Bold. Embrace Difference. Change Lives.

Medicaid Overview: FY' 2022 data
CMS Data, July 2023

- Over 94.5 million beneficiaries:
  - 38 % children 16% of expenditures
  - 40% adults(16-64) 30% of expenditures
  - **10% seniors; 22% of expenditures**
  - **12% PWD; 33% of expenditures**

(22 % of population & 55% of $$ in 2022

Total expenditures for federal government, FY'22: $513 Billion (64%)… from a total of $804 Billion

Where Does a State Cut Medicaid???

- Cannot change mandated eligibility
- Cannot change mandated services
- Can change optional eligibility
- **Can change optional services, both the menu, amount, duration, scope, payment rates, etc.**
- **In response to the "Great Recession in 2009, Congress increased Medicaid matching funds and discontinued them in 2011, even though most states had not recovered.**

Will History Repeat Itself in 2026?

- Every state and the District of Columbia cut spending to one or more of its HCBS programs between 2010 – 2012, either by reducing inflation-adjusted, per-beneficiary spending or by reducing the number of beneficiaries.
- **Spending cuts averaged 11 to 12% for HCBS waivers and personal care programs, and 22% for home health, and reductions in number of people served, ranged from 2 to 15% depending on program."**

Medicaid Expenditure Facts in 2024 Put HCBS in the Target for State Cuts

- Medicaid Optional Services account for 32% of all Medicaid Expenditures

- **All HCBS Optional services are in the bullseye as they account for over 20% of all of the Medicaid spending**

All Medicaid LTSS Expenditures as a Percentage of Total Medicaid Expenditures FY 2020 (Mathematica for CMS)

- **U.S. Average: 33.0%**
- Range: from a low of **20% in New Mexico and LA.**, to a high 55% in North Dakota
- **Texas and Virginia did not send data!**
- Nearby States:
  - KS., 51%; MO., 34%; CO., 34%;
  - OK., 31%; AL., 30%;
  - IL., 21% (4th lowest)

HCBS $ Percentage of All LTSS $ -2020 CMS Data

- **U.S. Median 62.0%**
- Range from a low of 32% in MS. to a high of 84% in Oregon
- **Texas and Virginia did not provide data**
- Other Nearby States:
  - KS., 73.0%; CO., 72%;
  - N.M., 71%; MO., 60%;
  - OK., 43%; LA., 35%

Medicaid Total LTSS Expenditures Per State Resident, FY 2020

- **U.S. Average; $678.99**
- Range from **low of $281.89 in Utah** and $295.33 in NV., to a **high of $1.520.59 in New York and $1,183.41 in Minnesota.**
- **Texas and VA. Did not provide data.**
- Other Nearby States:
  - AL., $370.09; Oklahoma, $378.62;
  - LA., $540.76; Colorado, $569.27
  - N.M., $584.28; MO., $600.82
  - KS., $665.62; IL.,$373.57 (43rd)

TEXAS MEDICAID PROGRAM
Feb. 2024 – State Population 31.29 Million

The Texas Medicaid program covered **nearly 4.2 million beneficiaries (13.5% of population or about 1/7) as of February 2024, with approximately 96 percent enrolled in a Medicaid managed care plan**. Texas is not a Medicaid expansion state. The state has six Medicaid managed care programs and is in the process of reprocuring all programs: **STAR** (serving pregnant women, families, and children, as well as aged, blind, and disabled adults in Medicaid Rural Service Areas and not on Medicare), **STAR+PLUS** (serving individuals with disabilities and the aged), **STAR Health** (serving foster children), **STAR Kids** (serving children and adults 20 and younger who have disabilities), the **Children's Health Insurance Program (CHIP),** and the **federal Medicare-Medicaid dual eligible demonstration, which is scheduled to end December 31, 2024**. STAR Health contracts have already been awarded and began September 2023. STAR+PLUS contracts were awarded and are scheduled to begin September 2024. STAR and CHIP contracts have already been awarded, and implementation is expected between September and November 2025.

Where is the Future?

Abraham Lincoln said:

"The people know their rights, and they are never slow to assert and maintain them when they are invaded."

FOR ADDITIONAL INFORMATION

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