

Final Budget Reconciliation Provisions

July 11, 2025

On July 3, the House passed the same version of the budget reconciliation bill passed by the Senate on July 1. On July 4, President Trump signed the legislation into law ([Public Law No: 119-21](#)).

The U.S. Senate passed a 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 House passed the bill by a vote of [218 – 214](#) with Republican Representatives Massie (KY) and Fitzpatrick (PA) voting no along with all Democrats.

Following is a summary of provisions related to Medicaid, SNAP, Private School Vouchers, ABE Act, and a few additional provisions.

Medicaid

According to the nonpartisan Congressional Budget Office (CBO), the Senate-passed bill cuts Medicaid by \$1 trillion, approximately \$200 billion more than the original House bill. Taking into account that the bill does not extend the ACA enhanced premium tax credits, CBO estimates this bill will 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.

Medicaid funds 40% of births nationwide. Cuts in the final bill can lead to more than 140 labor and delivery units in rural areas closing. Losing access to this critical funding can increase the maternal death rate and lead to significant losses in early detection and protection for pregnant people and babies.

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Work Requirements

- The mandatory work requirements are [designed to terminate health care](#) for 5.2 million people. The final bill signed into law 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. However, we know that [carve-outs don’t work](#) and a large portion of the expansion population are people with disabilities, and two-thirds are already working.
- The existence of a provision exempting individuals during months in which they are served in an intermediate care facility for individuals with intellectual disabilities demonstrates little reason for confidence that people with IDD are fully carved out.
- [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. The remaining Medicaid enrollees classified as “able-bodied” represent **only 15.8% of the total nonworking** Medicaid population ages 18-64. Nearly 80% of these non working adults are extremely poor women on the older end of their work life who have no income of their own and live in very poor households. Most have less than a high school education and have left the workforce to take care of family members, such as

elderly parents, or adult children, or spouses with disabilities, or a combination of the three.

- 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.
- The final bill increases funding to states for FY 2026 to \$200 million and HHS implementation funding for FY 2026 to \$200 million.
- This provision will 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 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 or earlier at the state option

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.
- Eliminates enrollment fees or premiums for expansion adults.
- Requires states to impose cost sharing of up to \$35 per service on expansion adults with incomes 100-138% FPL; explicitly exempts primary care, mental health, and substance use disorder services from cost sharing, maintains existing exemptions of certain services from cost sharing, and limits cost sharing for prescription drugs to nominal amounts.
- Maintains the 5% of family income cap on out-of-pocket costs.
- The final bill exempts services provided by federally qualified health centers, behavioral health clinics, and rural health clinics.
- It provides \$15 million for implementation funding for FY 2026.

Effective Date: October 1, 2028

Eligibility determinations

- Requires states to conduct costly eligibility redeterminations at least every 6 months for Medicaid expansion adults. People [lose coverage](#) when they miss notifications, steps in the process, or just don't know that they are up for review.
- The final bill added a requirement that the Secretary must issue guidance on determinations within 180 days of enactment.
- The final bill provides \$75 million in implementation funding for FY 2026.

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

Immigrants Eligibility

- The bill restricts the definition of qualified immigrants for purposes of Medicaid or CHIP eligibility to lawful permanent residents (LPRs), certain Cuban and Haitian immigrants, citizens of the Freely Associated States (COFA migrants) lawfully residing in the US, and lawfully residing children and pregnant adults in states that cover them under the ICHIA option which allows states to provide coverage to any children and/or pregnant women that are in a *legal* status (unless specifically excluded, such as DACA grantees). Per **KFF data**, thirty-eight states currently do this for children, and thirty-two for pregnant women.
- The final bill provides \$15 million in implementation funding for FY 2026.

Effective Date: October 1, 2026

Eligibility and Enrollment Final Rule

- 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 Upon Enactment

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.

- 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 arrangements taxes, such as those on managed care plans, will not be permissible in future years. These changes to the currently allowed methods that states use to meet their match will affect their ability to finance the program. Every state uses one or more provider taxes except Alaska which doesn't have them. Reducing what is allowable will force states to make up the difference in other ways including cutting optional eligibility and services.
- Provision overlaps with a [proposed rule](#) released May 12, 2025.
- The final 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.
- The final bill added a temporary rural health transformation program that will provide \$50 billion in grants to states between fiscal years 2026 and 2030, to be used for payments to rural health care providers and other purposes.
- Provides \$20 million in implementation funding for FY 2026. 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.
- Grandfathers state directed payments approved prior to the legislation's enactment; for states that newly adopt the expansion after enactment, the cap at 100% of the Medicare payment rate applies at the time coverage is implemented even for payments that had prior approval. For grandfathered payments, reduces payments by 10 percentage points each year (starting January 1, 2028) until they

reach the allowable Medicare-related payment limit.

Effective Date: Upon enactment

Home Equity

- Most Medicaid enrollees who qualify for Medicaid because they need long-term care (LTC) are subject to limits on their home equity. In 2025, federal rules specified that states' limits on home equity must be between \$730,000 and \$1,097,000, and those amounts are updated each year for inflation.
- The bill reduces the maximum home equity limits to \$1,000,000 regardless of inflation, although it allows states to apply different requirements for homes that are located on farms.

Effective Date: January 1, 2028

New HCBS Provision

- States are required to cover nursing facility care under Medicaid, but nearly all home care (HCBS) is optional. Nearly all states provide home care through "1915(c) waivers," which limit services to people who require an institutional level of care.
- Allows states to establish 1915(c) HCBS waivers for people who do not need an institutional level of care. States would need to establish needs-based criteria for HCBS eligibility, subject to federal approval.
- 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.
- The final bill Includes requirements for states' waiver submissions that include a demonstration that the new waiver will not increase the average amount of time that people who need an institutional level of care will wait for services.
- Includes \$50 million in FY 2026 and \$100 million in FY 2027 for implementation.

Effective Date: New waivers may not be approved until July 1, 2028

Rural Health

- Establishes a rural health transformation program that will provide \$50 billion in grants to states between fiscal years 2026 and 2030, to

be used for payments to rural health care providers and other purposes.

- Uses of funds include promoting care interventions, paying for health care services, expanding the rural health workforce, and providing technical or operational assistance aimed at system transformation.

Effective Date: Upon enactment with funding available in FY 2026

For more health provisions in the final reconciliation bill, see the [Kaiser Family Foundation \(KFF\) tracker](#).

Supplemental Nutrition Assistance Program

The final bill cuts nearly \$200 billion from the program, shifting costs to states, and incorporating harsher work reporting requirements.

- The 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 in the final reconciliation bill will 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.
- **Freezing Future Benefit Improvements through the Thrifty Food Plan:** The Thrifty Food Plan is an estimate of the price of a low-cost, healthy diet that the USDA uses to set SNAP benefit amounts. The final bill requires all future updates to the Thrifty Food Plan (TFP) to be cost-neutral and makes it harder for the USDA to improve SNAP benefits. According to the CBO, this would effectively erode benefits over time and cut SNAP spending by about \$37 billion over the next 10 years.
- **Shifting Costs to States:** The final bill includes major structural changes that would cut billions in federal funding for most states' basic food benefits and then require those states to backfill for the federal cut. The bill reduces the federal cost share of administering SNAP from 50 percent to 25 percent beginning FY 2027, effectively increasing state cost sharing requirements by 25 percent.

- In addition to covering more of the administrative cost of the program, for the first time ever, states will be required to pay for a percentage of SNAP food benefits' cost. 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 original House version of the bill, the final bill allows some states to avoid footing the bill for SNAP benefits 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.
 - In an effort to appease senators from Alaska, the final bill will delay a provision shifting SNAP costs to states, 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**. This will create a perverse incentive for states to pursue more errors to delay cuts.

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 final bill expands this work requirement 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. (See state data on the number of people at risk [here](#).)

- 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. The CBO estimates that expanding the work requirement would cut SNAP by about \$69 billion through 2034.

Creation of a federal school voucher program

- **Creates a new permanent, unlimited tax credit for private school vouchers:** The final bill removed the \$4 billion volume cap on the total amount of donation.
- **Limits the amount a donor can donate:** The text now allows any individual to give cash donations to scholarship granting organizations (SGOs) that provide scholarships to students to attend private schools for a dollar-for-dollar tax credit worth \$1,700 (rather than 10% of adjusted gross income originally).
- **Provides broad authority for the Secretary of Treasury to regulate over the program:** Gives the Secretary of Treasury regulatory authority over the entire program, including explicit authority to regulate SGOs and opening the door to regulate over private schools.
- **Creates a state “opt in” and approval of scholarship granting organizations:** States must “opt in” each year to the school voucher program and provide a list of SGOs that can only administer school vouchers within their state.
- Since the money flows to an SGO before going to a 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.

Small Improvements: ABLE Accounts, Child Tax Credit

- **ABLE Accounts:** The final bill extends three small improvements to ABLE accounts that were set to expire at the end of 2025. These include increasing contribution limits, extending and enhancing the ‘Saver's credit’ allowed for ABLE contributions, and allowing the rollover of savings from qualified tuition programs into an ABLE account.



- **Child Tax Credit:** The bill increases the child tax credit by \$200 for qualifying children under 17. This amount is adjusted for inflation after 2025.

With the exception of some small improvements, taken together, these actions will result in people losing health care coverage, states being limited in how they are able to finance their state match for Medicaid, and children and families losing food assistance. An estimated 300 hospitals will close. Public schools serving the majority of students with disabilities will face significant budget constraints as money is moved to private schools. This level of cuts to Medicaid will require states to make difficult choices about their programs. With home and community-based services being “optional” under the Medicaid program, they are likely to look at cutting these optional services.

Please use [The Arc’s Action Alert](#) to express your disappointment with members who voted for this bill and gratitude to those who voted against it.