Federal Budget Updates

July 2025

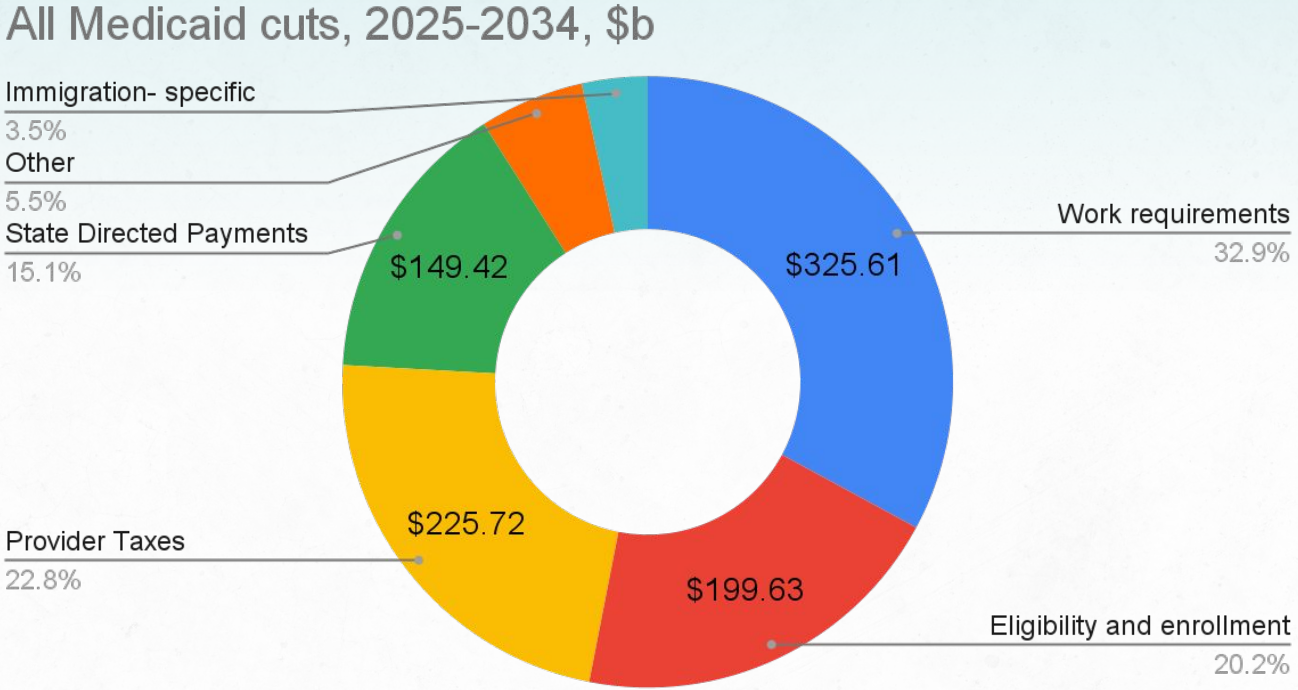
Budget reconciliation overview

- On July 4, 2025, the “One Big Beautiful Bill Act,” also commonly referred to as the **budget reconciliation bill**, was signed into law.
- This massive bill contains provisions on wide-ranging policies, from cutting student loans to EV tax credits, and is estimated to **cost $3.4 trillion** over the 10-year window from 2025-2034.
- The centerpiece of the bill is approximately **$4.47 trillion in tax cuts**.
- This amount is offset by multiple spending reductions, with the largest by far being just over **$1 trillion in cuts to Medicaid**.
- CBO estimates **10.9 million more people will be uninsured** as a result of this bill. An additional 5.1 million will be uninsured as a result of a proposed rule for ACA marketplaces and the expiration of enhanced premium tax credits.

Overview of Medicaid Cuts

- Over 90% of Medicaid cuts come from 4 categories:
    - Work requirements
    - Eligibility and enrollment
    - Provider Taxes
    - State Directed Payments
- The vast majority of cuts are partially or fully targeted at the expansion population and states who have expanded Medicaid.

Overview of Medicaid Cuts



Based on Congressional Budget Office Cost Estimates

Other Medicaid provisions

Immigration provisions	Strips Medicaid and CHIP eligibility from numerous groups of lawfully-present immigrants. Lowers the matching rate for Emergency Medicaid for individuals based on immigration status. **Not included**: The House–passed provision lowering the ACA matching rate from 90% to 80% for states that have expanded coverage for undocumented immigrants with state-only funds.
Planned Parenthood	The bill prevents all Medicaid funds to Planned Parenthood immediately for 1 year from enactment. This provision has already been subject to litigation and a preliminary injunction on July 21, 2025.
1115 waiver budget neutrality	Codifies CMS requirement that 1115 waivers be federally budget neutral starting January 1, 2027.
Medicaid Disproportionate Share Hospital (DSH) cuts	**Not included:** A delay to $8 billion in annual DSH cuts.

Other Provisions

Affordable Care Act (ACA)	Stricter eligibility and enrollment requirements, and strips premium tax credit eligibility from numerous groups of lawfully-present immigrants. Ends limitation on paying back excess premium tax credits. **Not included**: Extension of enhanced premium tax credits.
Medicare	Strips eligibility from numerous groups of lawfully-present immigrants. One-year increase in physician payments. Delay of nurse staffing rule until 2034.
Rural Health Transformation	$50b grant program from FY 2026-30 for rural health, 50% distributed among approved states equally and 50% by to states by formula, with wide latitude for interpretation from CMS.
SNAP	Starting in FY 2028, cost-sharing for states begins, estimated at $1.35 to $4b in costs for State of California and counties Expansion of work requirements and eligibility limited by immigration status.

California and Medi-Cal impacts

- Impacts from specific provisions estimated by the Governor's office:
    - Work requirements: up to $22.3 billion loss in federal funds and **3 million enrollees losing coverage**.
    - 6-month eligibility redeterminations for expansion adults: $2.4 billion loss in federal funds and **400,000 enrollees losing coverage**.

Timeline of Selected Provisions

Immediately on Enactment (July 4, 2025)

- Limitations on new state directed payments
- Provider tax uniformity.
- SNAP work requirements expansion.
- Planned Parenthood.

October 1, 2026

- Limitation on immigrant Medicaid eligibility.
- Lower reimbursement for emergency services for certain immigrants.
- 5-year grant program for rural providers begins.

January 1, 2027

- Medicaid work requirements.
- 6-month eligibility redeterminations and limited retroactive coverage.
- 1115 waiver budget neutrality requirement.

2028

- SNAP state cost-sharing.
- Beginning of phase-down of caps on state directed payments and provider taxes.

2032

End of phase-down for state directed payments and provider taxes.