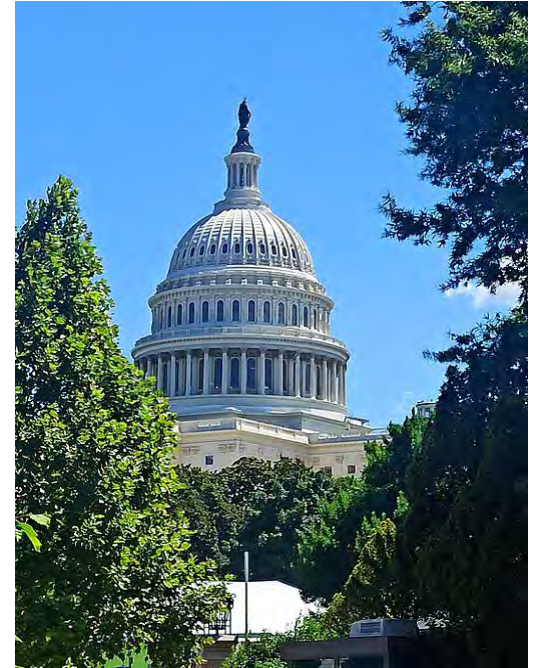


# **Federal Budget Reconciliation Legislation H.R. 1 (Public Law 119-21)**

**DSS Preliminary Analysis  
Health Care Cabinet  
July 22, 2025**

1. Supplemental Nutrition Assistance Program (SNAP)
  - A. State cost-sharing tied to payment error rates
  - B. Increased state cost-share for SNAP administration
  - C. Stricter work requirements
2. Medicaid work requirements ("community engagement")
3. Stricter limits on provider taxes
4. More frequent Medicaid eligibility reviews
5. Cuts to legal immigrant benefits
6. Reduced access to Medicaid family planning services
7. No extension of enhanced premium tax credits for Covered CT



	Federal Policy/Program Change	Estimated Budget Impact (state dollars)
1	<b>SNAP</b> Administration cost increase (Oct. 2026)	Annualized estimated cost shift from federal to state: \$40 million
2	<b>SNAP</b> Benefit Cost Sharing based on payment error rate (Oct. 2027)	Annualized estimated impact: \$44 to \$133 million
3	<b>Work Requirements:</b> Expansion population beneficiaries 19 – 64 must meet “community engagement” requirements (Jan. 1, 2027, with a potential 2-year extension for a good faith waiver)	<ul style="list-style-type: none"> <li>• 100k-200k people could lose coverage</li> <li>• Reductions in Medicaid costs due to reduced enrollment</li> <li>• Costs elsewhere in the healthcare system for uncompensated care</li> <li>• Increased admin costs for new systems and operational work</li> </ul>
4	<b>Planned Parenthood:</b> Medicaid cuts – no federal reimbursement on Medicaid payments to Planned Parenthood for 1 year <b>UPDATE – Preliminary Injunction granted by federal court on July 7, 2025, further legal action pending</b>	Estimated \$6.5 million (assuming state maintains current coverage for Planned Parenthood)
5	<b>Provider Tax:</b> Freeze hospital tax rates at levels before enactment of federal legislation (effective on passage); from 2028-2031, reduces the hold harmless level for provider taxes each year by 0.5%, from the current 6% down to 3.5% by 2031	Potential future revenue impact. Estimates forthcoming
6	<b>Advanced Premium Tax Credits:</b> No action taken to extend enhanced federal subsidies for Covered CT (separate from H.R. 1)	Potential estimated \$30 million shift from federal to state annually starting January 2026

## Rapid Response

- Landing page on DSS website, expanding on [early explainer](#)
- Social media
- Client emails
- Text messages
- Campaign to drive people to ConneCT and MyDSS and then message to them there

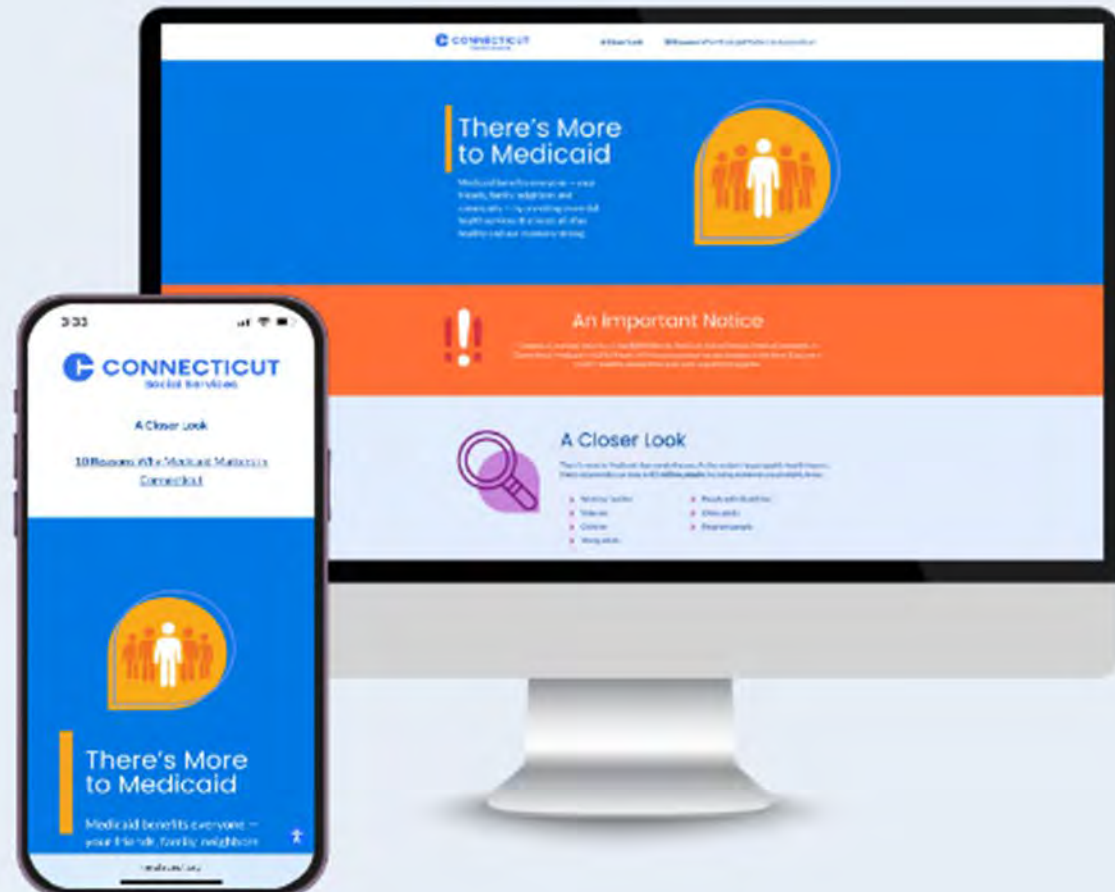
## Educational

- Webinars starting Aug. 4
- Roundtables beginning in September
- Strategic engagement with Congressional members

06.01.25 - 07.13.25

MedicaidMattersCT.org

**33.7K**  
pageviews



# IMPACTS TO MEDICAID

## Current State:

- There are no current work or community engagement requirements for Medicaid coverage in Connecticut

## Future State:

- Effective Jan. 1, 2027 with option for state to request up to a 2-year delayed start date from the federal government based on good faith effort to implement
- Adults 19-64 will be required to prove that they have monthly income of \$580 (federal minimum wage x 80 hours) or at least 80 hours of work or community engagement per month to remain eligible for Medicaid

- Pregnant and postpartum women
- Foster and former foster youth
- Veterans with rated disabilities
- Medically frail (e.g., blind, disabled, children with serious emotional disturbances, adults with serious mental illness, chronic substance use disorders, serious and complex medical conditions)
- Alcohol use disorder and substance use disorder
- Already meeting work requirements for SNAP and/or TANF
- Parent/caregiver of a dependent child under age 14 or an individual with a disability
- Individuals recently released from incarceration for 90 days post release
- Indians/Urban Indians
- Short-term hardship waiver (e.g., individuals receiving medical care out of state)



Monthly income at least 80 times the federal hourly minimum wage or *any of the following*

- Work at least 80 hours per month
- At least 80 hours per month of community service
- At least 80 hours per month of a qualified work or training program
- Enrolled at least half-time in an education program
- Any combination of the above totaling at least 80 hours per month

## Current State

- Medicaid section 1115 demonstration waiver started in 2022
- For adults with income up to 175% FPL who do not qualify for Medicaid
- Approx. 48,000 enrolled members
- Must enroll in silver-level qualified health plan (QHP) through Access Health CT
- Existing federal funding heavily subsidizes QHPs through Advanced Premium Tax Credits (APTCs) and cost sharing reductions
- *Enhanced* APTCs through the American Rescue Plan Act and Inflation Reduction Act provided further subsidies

## Future State: January 1, 2026

- *Enhanced* Advanced Premium Tax Credits are still slated to **end** on December 31, 2025
- DSS estimates that to maintain Covered CT as-is with no cost-sharing for members, it would cost approximately \$30 million more in state funds to backfill lost federal funds in SFY 2027

# IMPACTS ON PROVIDER TAX

## Current State

- States are permitted to impose a provider tax on hospitals, skilled nursing facilities, intermediate care facilities, and other specified provider categories
- 49 states (including CT) use provider taxes as a source of state share funding for Medicaid payments, which then receive federal matching funds

## Future State

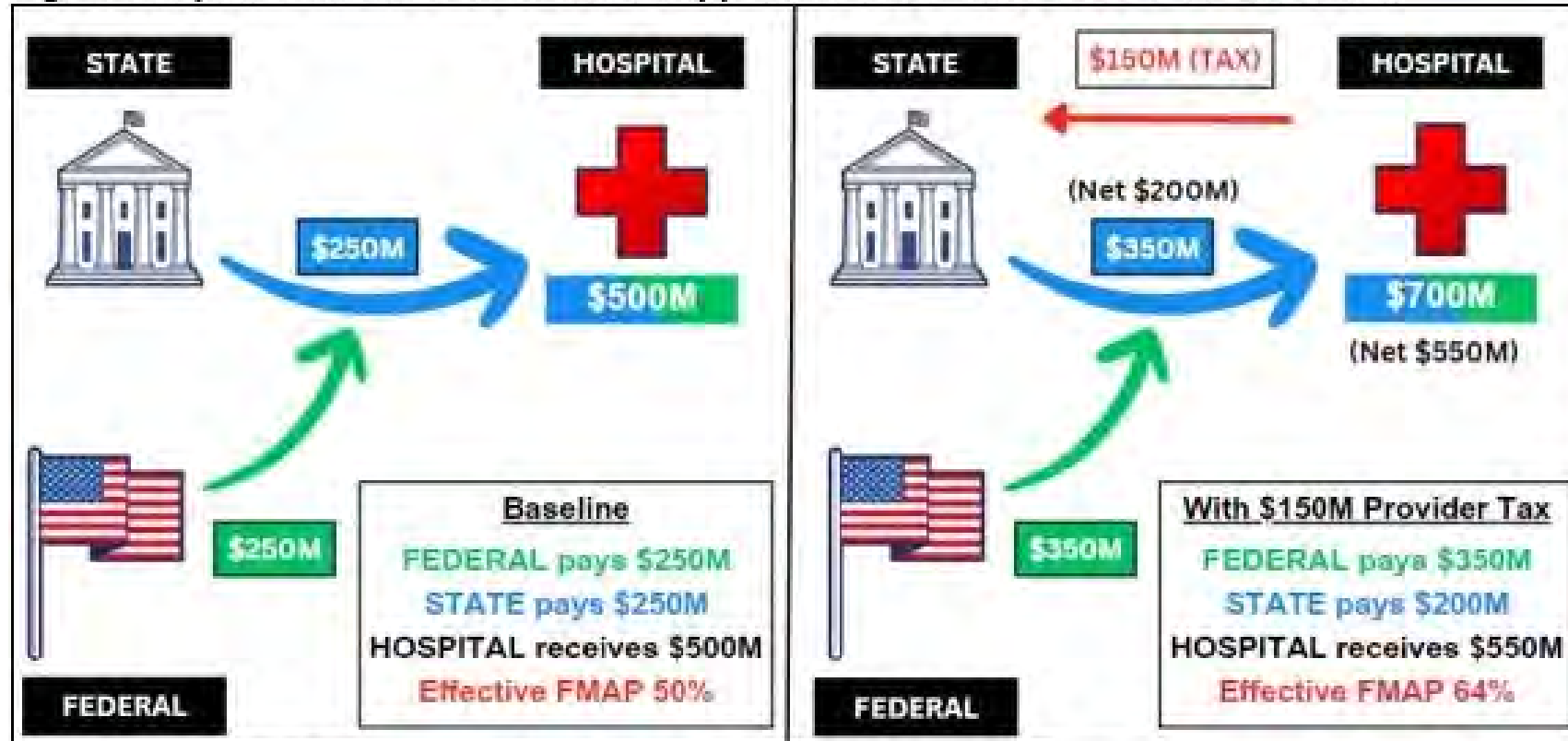
- Generally freezes provider taxes at current percent in state law after the federal legislation is enacted
- Then phases down the safe harbor (typically maximum) level for hospital provider taxes from current 6% to 3.5% over five federal fiscal years beginning in FFY 28
  - 5.5% for FFY 2028
  - 5% for FFY 2029
  - 4.5% for FFY 2030
  - 4% for FFY 2031
  - 3.5% for FFY 2032+

The phase-down in the healthcare provider tax safe harbor from the current 6% could mean:

- Reduced taxes that the state can collect in the future from certain healthcare provider categories
- Less funding for certain healthcare providers that accept Medicaid because the state indirectly uses these taxes to help support General Fund requirements
- Overall impact still being analyzed

Note: Provider taxes on nursing homes and intermediate care facilities for individuals with intellectual disabilities appear to be exempt from these changes

**Fig. 1: Simplified Illustration of What Happens When a State Uses a Provider Tax**



Source: Committee for a Responsible Federal Budget (CRFB).

Source: <https://www.crfb.org/papers/medicaid-provider-taxes-inflate-federal-matching-funds>

# TIMELINE AND TAKEAWAYS

Federal Change	Effective Date
Prohibition on all Medicaid funds being paid to certain abortion providers (i.e., Planned Parenthood) for 1 year	Date of enactment
Freeze on changes to provider taxes	Date of enactment
Budget neutrality in 1115 demonstration waivers	Date of enactment
SNAP work requirement changes	Not specified – pending federal guidance
SNAP non-citizen eligibility	Not specified – pending federal guidance
SNAP-LIHEAP (Heat & Eat) changes	Not specified – pending federal guidance



Federal Change	Effective Date
Change in definition of "qualified alien" (Medicaid)	October 1, 2026
75/25 SNAP admin cost sharing	October 1, 2026
Redeterminations for Medicaid expansion population every six months	January 1, 2027
Establish Medicaid work requirements for Medicaid expansion population	January 1, 2027 (with potential for state to request up to a two-year good faith effort extension from HHS Secretary)

Federal Change	Effective Date
SNAP benefit cost sharing for states	October 1, 2027 (unless payment error rate in FY 25 or FY 26 is $\geq 13.5\%$ , then FY 29 or FY 30, respectively)
Limits Medicaid retroactive coverage period from 3 months to 1 month for expansion population	Applications submitted on or after January 1, 2027
Implementation of cost sharing for Medicaid expansion population > 100% FPL	October 1, 2028
Medicaid Payment Error Rate Measurement (PERM) audit changes	October 1, 2029

## Proposals in earlier versions but NOT in Federal Law

- Financial penalty for any state that uses state-only funds to provide health care services to non-citizens
- Prohibition against paying for gender-affirming care

Program	Covered Population	# enrolled*	Key Member-Facing Impacts of HR1
HUSKY A	Children, Parents/Caregivers, Pregnant individuals	587K	<i>Less direct impact</i>
HUSKY B (CHIP)	Children in families with slightly higher income above Medicaid	38K	<i>Less direct impact</i>
HUSKY C	People 65+, people with disabilities and those requiring long-term supports and services (LTSS)	97K	<i>Less direct impact</i>
HUSKY D	Adults ages 19-64 without minor children	375K	<b>Significant impact:</b> As early as Jan 2027 non-exempt members will face work requirements. Members will need to undergo eligibility redetermination every 6 months. Members with incomes above 100% FPL will need to pay cost sharing.
Covered CT	Adults up to 175% FPL who do not qualify for Medicaid	48K	<b>Significant impact:</b> As of January 1, 2026, members will lose enhanced advance premium tax credits, increasing state costs unless changes are made
Medicare Savings Program	Medicare members (program pays Part B premiums and, for certain beneficiaries, Part A cost sharing)	224K	<i>Less direct impact</i>
SNAP	Food assistance for individuals/families meeting certain income thresholds	473K	<b>Significant impact:</b> Work requirements will extend up to age 64 (previously 54) and adults with children 14+ (previously exempt for all with kids under 18). Removes work requirement exemptions for veterans, unhoused and foster care. Restricts towns where work requirement can be waived. Some non-citizens lose benefits. Lower benefits for some households who receive funds from LIHEAP.

\*number of unique individuals enrolled in state fiscal year 2025

- There are no immediate changes to Medicaid/HUSKY eligibility and benefits
- Awaiting guidance from federal agency partners (CMS for Medicaid and FNS for SNAP) on implementation of provisions in federal H.R. 1
- For now, Medicaid/HUSKY members should continue to access healthcare services when needed
- DSS, in collaboration with Access Health CT and the Office of the Governor, are working on communications plans to Medicaid members and SNAP recipients
- DSS will continue to update and engage stakeholders as we continue to evaluate impacts and implement these federally required changes

**THANK YOU**