

Key Issues to Watch in Medicaid

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the Uninsured**

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KFF

The independent source for health policy research, polling, and news.

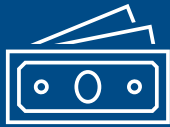
What is KFF?

A leader in health policy analysis, polling and health journalism, KFF is dedicated to filling the need for trusted information on national health issues.

- KFF is a non-profit organization focusing on national health issues, as well as the U.S. role in global health policy
- Unlike grant-making foundations, KFF develops and runs its own policy analysis, journalism and communications programs, sometimes in partnership with major news organizations.
- We serve as a non-partisan source of facts, analysis and journalism for policymakers, the media, the health policy community and the public.
- Our product is information (policy research, facts, numbers, news coverage)
- Always provided free of charge
- The modern day KFF was established in the early 1990s with its current mission
- KFF is NOT associated with Kaiser Permanente

Ongoing / Existing Medicaid Priorities and Challenges

Last year, states pointed to key priority areas and challenges looking ahead to 2025.



Provider Rates and Managed Care



Benefits and Prescription Drugs



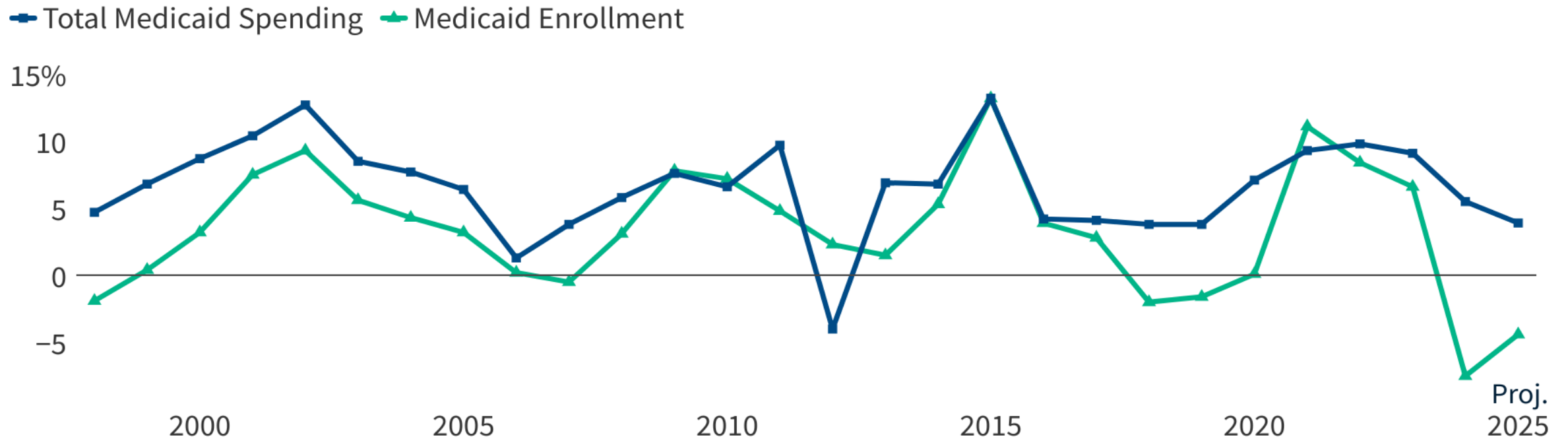
Social Determinants of Health and
Reducing Health Disparities



Challenges Including State Budget Uncertainty,
Administrative Issues, and the Upcoming Election

Coming out of the unwinding period, Medicaid enrollment was expected to drop and spending somewhat stable.

Annual percentage changes, FY 1998 - FY 2025

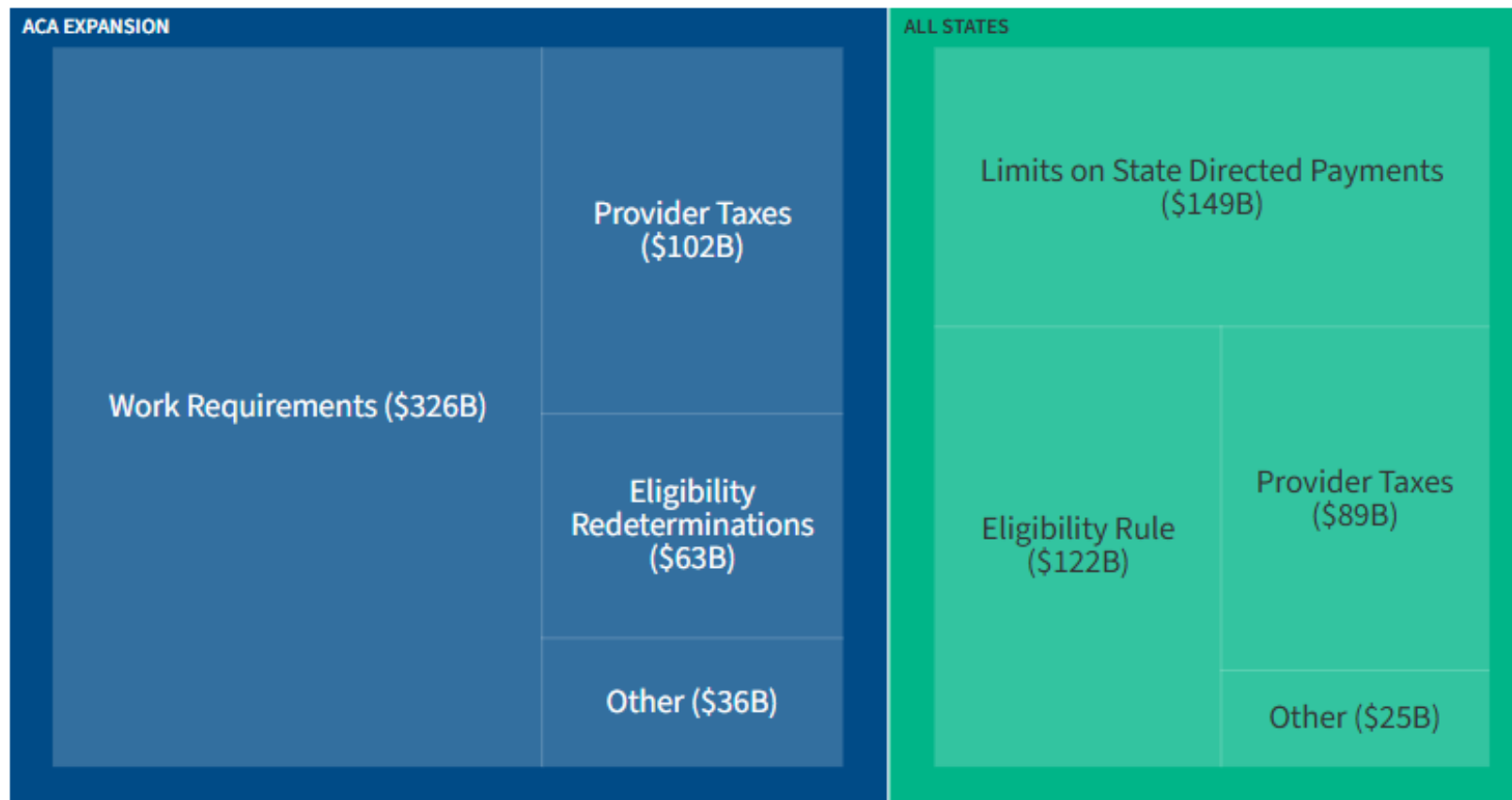


Source: Annual KFF survey of state Medicaid officials conducted by Health Management Associates, October 2024

Implementation of HR 1

CBO estimates H.R. 1 will reduce federal Medicaid spending by \$911 billion over 10 years.

CBO's estimated 10-year federal spending cuts, by policy

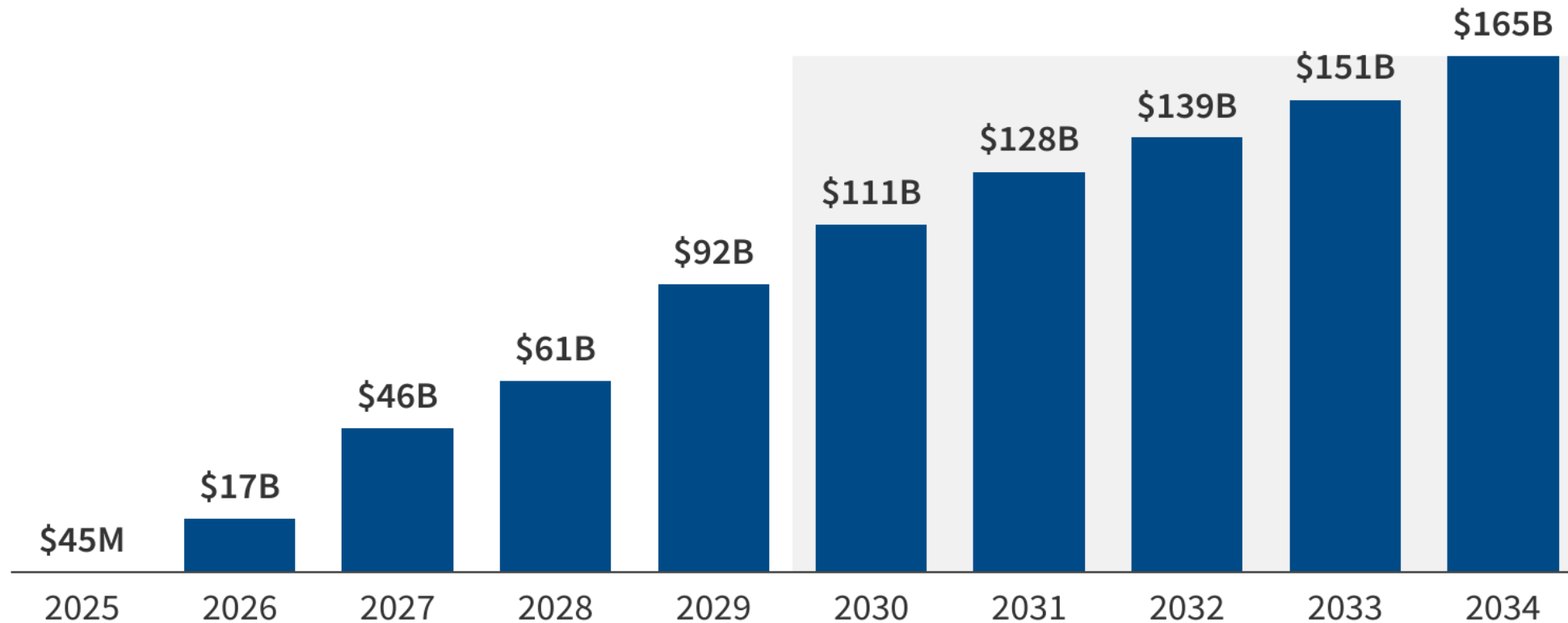


Note: Over the 10-year period, the Medicaid spending reductions total \$911B, including \$79B in estimated Medicaid spending interactions. Without accounting for interactions, the total is \$990B.

Source: [Allocating CBO's Estimates of Federal Medicaid Spending Reductions Across the States: Enacted Reconciliation Package](#)

Three-quarters (76%) of total Medicaid spending reductions in the reconciliation law occur between 2030-2034

Federal Medicaid Cuts in the Enacted Reconciliation Package, By Year

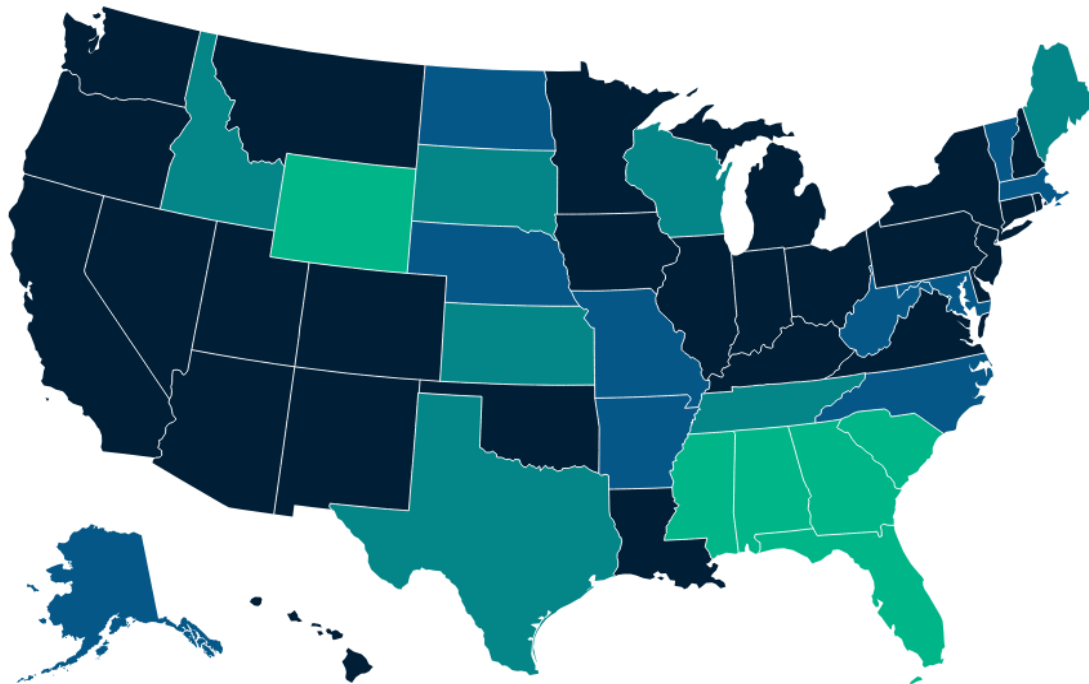


Source: KFF's [Allocating CBO's Estimates of Federal Medicaid Spending Reductions Across the States: Enacted Reconciliation Package](#)

Medicaid cuts in the reconciliation law are a big reduction in federal funding for states.

Federal Medicaid Cuts in the Senate Reconciliation Bill as a % of 10-Year Baseline Federal Spending (2025-2034)

■ < 7% ■ 7%–10% ■ 10%–13% ■ ≥ 13%



- Federal cuts to states of \$911 billion over 10 years represents 14% of federal spending on Medicaid over the period.
 - States with the largest cuts to federal Medicaid spending ($\geq 19\%$) include LA, IL, NV, OR
- Federal spending cuts of \$100 billion per year represent:
 - 10% of all federal revenue to states
 - 36% of state spending on Medicaid
 - 24% of state spending on elementary and secondary education
 - 46% of state spending on higher education
 - 74% of state spending on transportation
 - 138% of state spending on corrections
 - Based on FY 2023 [federal](#) and [state spending](#) by budget category from NASBO

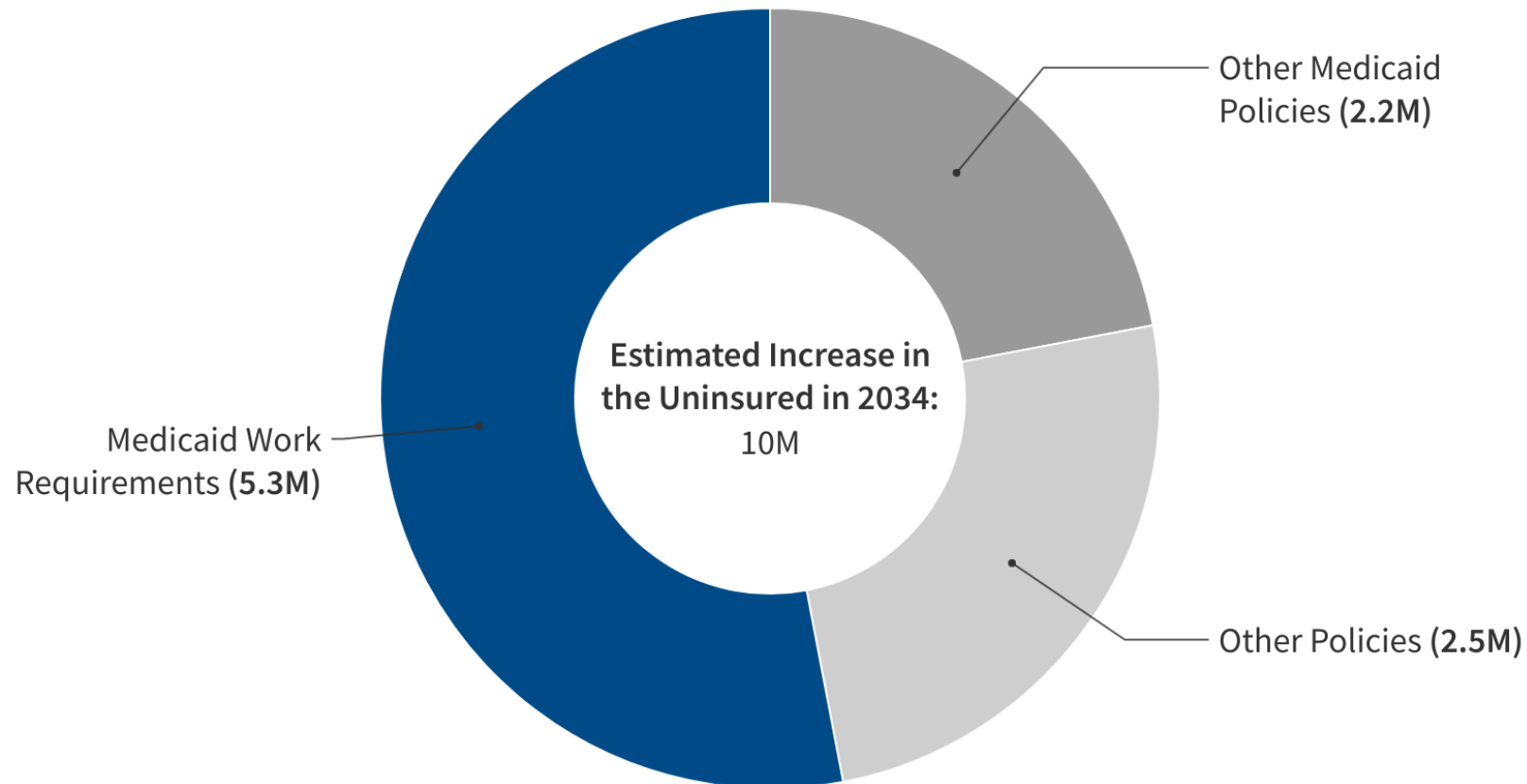
Source: KFF's [Allocating CBO's Estimates of Federal Medicaid Spending Reductions Across the States: Enacted Reconciliation Package](#)

A range of factors will affect states' ability to respond to federal Medicaid changes.

Demographics	Health Status	State Revenue and Budgets	Health Care Costs/Access
Share of Total Population Below 100% FPL	Share of Children with Medicaid/CHIP Who Have Special Health Care Needs	Federal Medical Assistance Percentage	Health Expenditure Per Capita
Unemployment Rate	Share of Medicaid Enrollees Who Reported a Disability	Share of State Spending from Federal Funds	Average Family Premium for Employer-Sponsored Health Insurance
Projected 5-Year Change in Population Ages 85+	Share of Medicaid Enrollees with Serious Mental Illness	Total State Expenditures Per Capita	Share of Children Who Faced Difficulties Obtaining Mental Health Care
Share of Female Population Ages 18-49 Who Have Income Below 200% FPL	Share of Medicaid Enrollees Using Long-Term Care	Total Taxable Resources per Capita	Share of Adults Who Report Not Seeing a Doctor Due to Cost
Share of Working-Age Adults with a Disability	Share of Medicaid Enrollees Who Have Three or More Chronic Conditions	State Government Tax Collections per Capita	Share of Population in HPSA for Primary Care

Work requirements are estimated to lead to 5.3 million more uninsured in 2034.

CBO estimates of the increase in the uninsured in 2034 due to the enacted budget reconciliation package, by source of change:

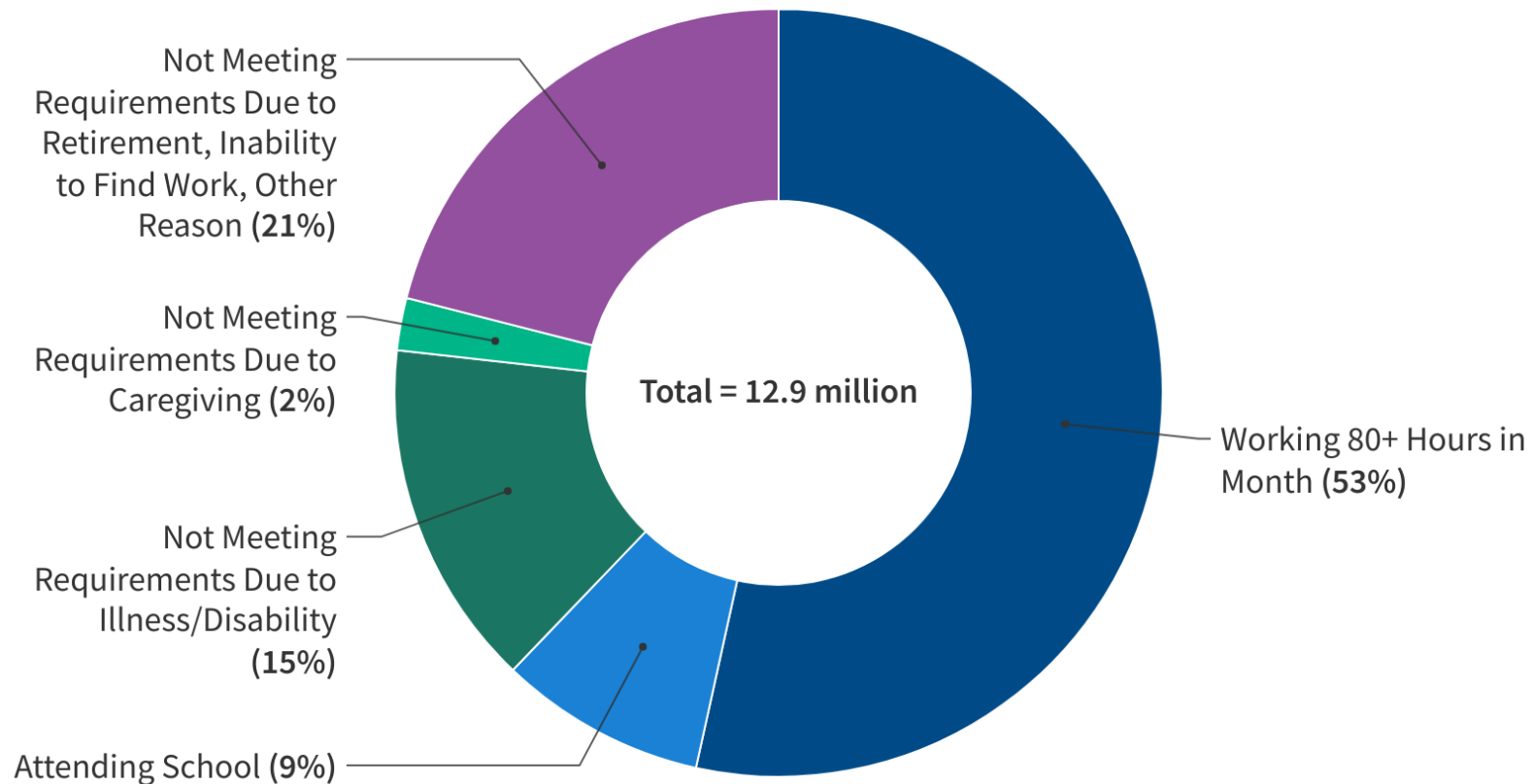


Note: Total and "other policies" includes 300,000 in estimated coverage loss due to interaction between policies. "Other policies" also include Medicare and Marketplace changes.

Source: KFF analysis of CBO estimates of the enacted reconciliation package

Most Medicaid adults without dependent children subject to new work requirements are working or would likely qualify for an exemption.

Includes Medicaid-covered adults ages 19 to 64 who do not receive disability-related payments, are not enrolled in Medicare, and are not parents of dependent children under age 18, June 2022.



Note: Other includes individuals who did not provide a reason for working fewer than 80 hours in the month or for not working.

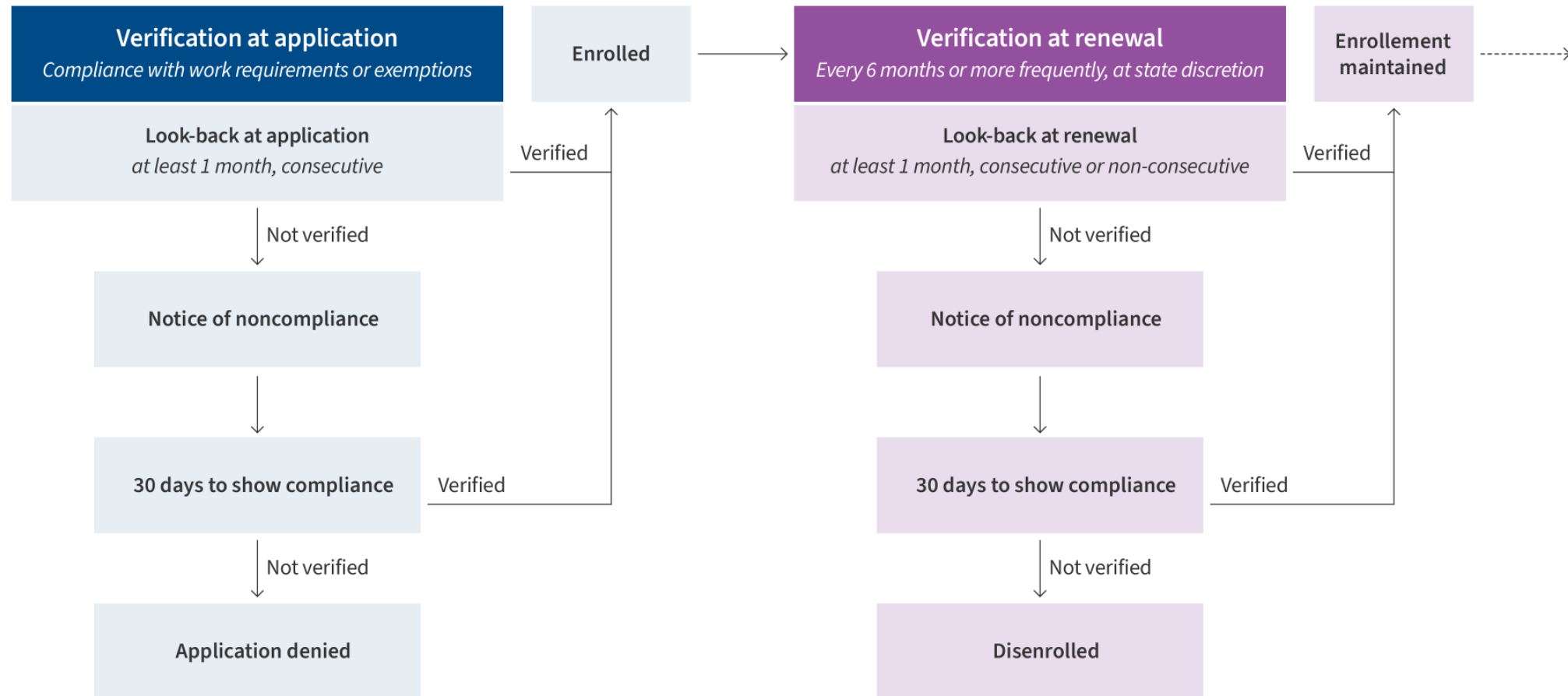
Source: KFF analysis of Survey of Income and Program Participation, 2023

The new law requires states to implement work requirements for the expansion group by January 2027.

States would be required to condition Medicaid eligibility for individuals ages 19-64 applying for coverage or enrolled through the ACA expansion group on meeting qualifying activities or exemption criteria:

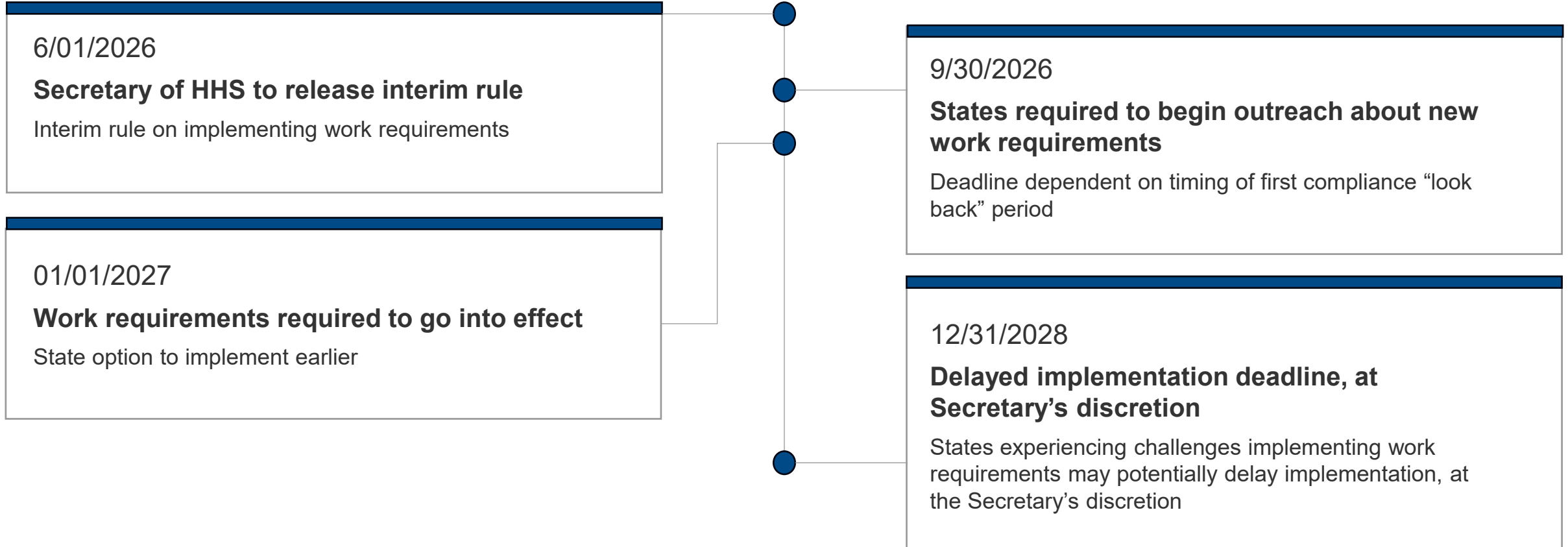
Qualifying Activities	Mandatory Exemptions	Optional Hardship Exceptions
<ul style="list-style-type: none"> • 80 hours per month of work, community service, and/or “work program” participation • Enrolled in education at least half time • Any combination of the above totaling 80 hours per month • Monthly income of minimum wage multiplied by 80 hours • Seasonal workers with an average monthly income over 6 months of minimum wage multiplied by 80 hours 	<ul style="list-style-type: none"> • Parent/guardian/caretakers of dependent children under age 13 or disabled individuals • Pregnant or receiving postpartum coverage • Foster youth/former foster youth under age 26 • Medically frail • Participating in SUD program • Meeting SNAP/TANF work requirements • American Indians and Alaska Natives • Disabled veterans • Incarcerated or released from incarceration within 90 days • Entitled to Medicare Part A/enrolled in Medicare Part B 	<p>State option to allow short-term hardship exceptions, for an individual who...</p> <ul style="list-style-type: none"> • was in an inpatient hospital, nursing facility, intermediate care facility, or inpatient psychiatric hospital • resided in a county with a federally-declared emergency or disaster • resided in a county with a high unemployment rate (above 8% or 1.5x the national unemployment rate), subject to a request from the state to the Secretary • traveled outside of the individual’s community for an extended period for medical care for themselves or for their dependent

States would need to verify compliance with requirements at application and renewal.



Note: The “look-back” period at application is capped to three months.

States will have limited time to develop or change implementation plans, protocols, and systems.



Experience in Arkansas and Georgia highlight implementation challenges with work requirements.



- **Enrollee awareness / outreach:** complex policies caused “confusion and uncertainty.”
- **Exemptions:** enrollees struggled to access safeguards for people with disabilities and had trouble navigating the process to qualify for exemptions.
- **Data matching:** about 2/3 of enrollees successfully data matched and exempted from reporting. Among those who had to actively report, about 70% did not obtain an exemption or report compliance, resulting in over 18,000 people losing coverage.



- **Verification at application:** since launch of “Pathways” program, GA has only enrolled 8,600 individuals—far short of the state’s own estimated enrollment of 25,000 adults in the first year and 64,000 over 5 years.
- **Administrative costs:** a GAO report found administrative spending for the “Pathways” program was \$54 million from 2021-2025, accounting for over two-thirds of total program spending. The federal government covered 88% of the administrative spending.

The work requirement provisions outlined in the bill raise operational and implementation questions.



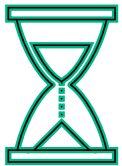
Forthcoming HHS guidance.

- Will the HHS interim rule further define “medical frailty” / certain exempted groups or will this be left to state discretion?
- Will the HHS interim rule define what documentation will be required to show compliance with requirements or exemption criteria?



State variation in implementation.

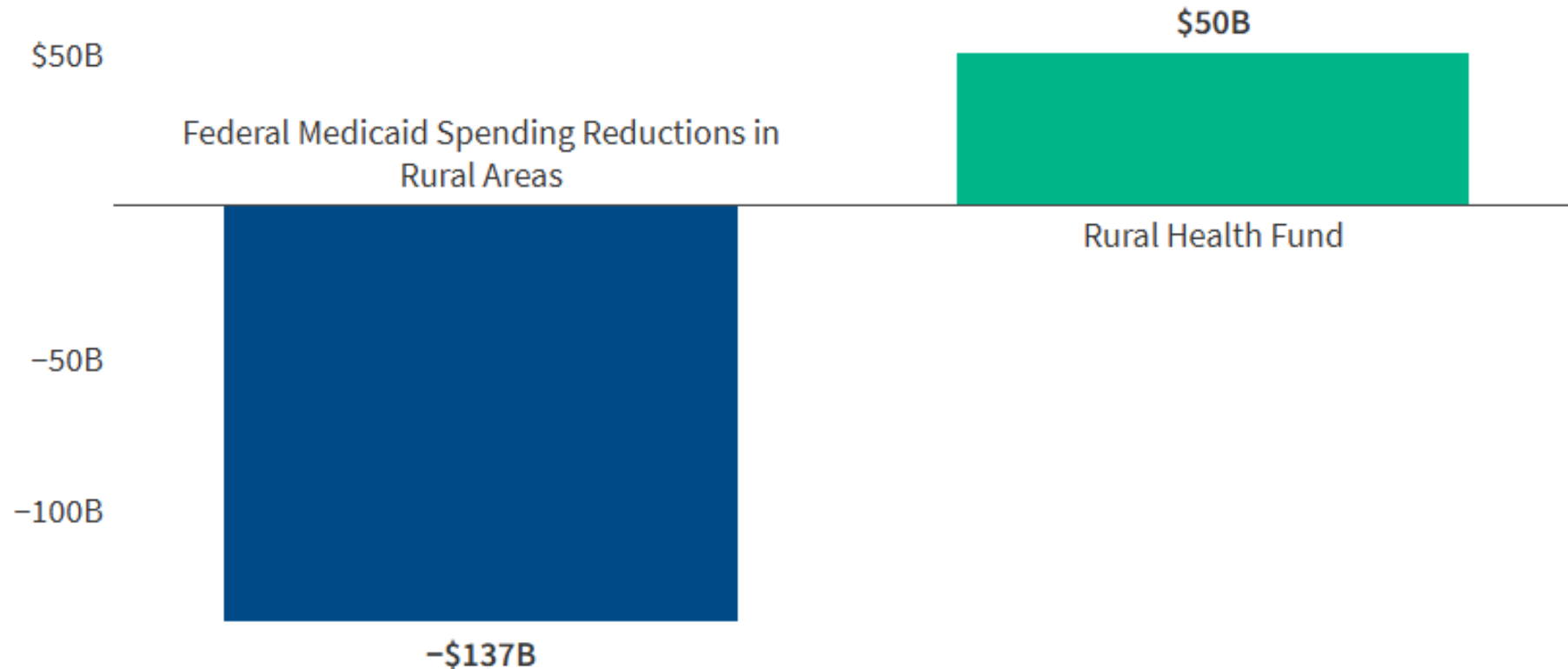
- How will state systems need to be upgraded? What will be the cost for necessary eligibility and information system upgrades?
- How successful will states be in using data matching to automate verification?



State variation in timing.

- For states seeking to delay implementation, how will HHS define “good faith efforts” to implement work requirements?
- How will CMS negotiate/communicate with states using waivers or choosing to implement work requirements before the January 1, 2027 implementation deadline?

KFF estimates that \$137 billion of those losses would be in rural areas, far more than the \$50 billion in the rural health fund.



Note: The analysis uses T-MSIS data to estimate the percentage of Medicaid spending that paid for services used by rural enrollees. Those percentages were then applied to national estimated reductions in federal Medicaid spending from KFF's broader analysis of federal Medicaid spending reductions.

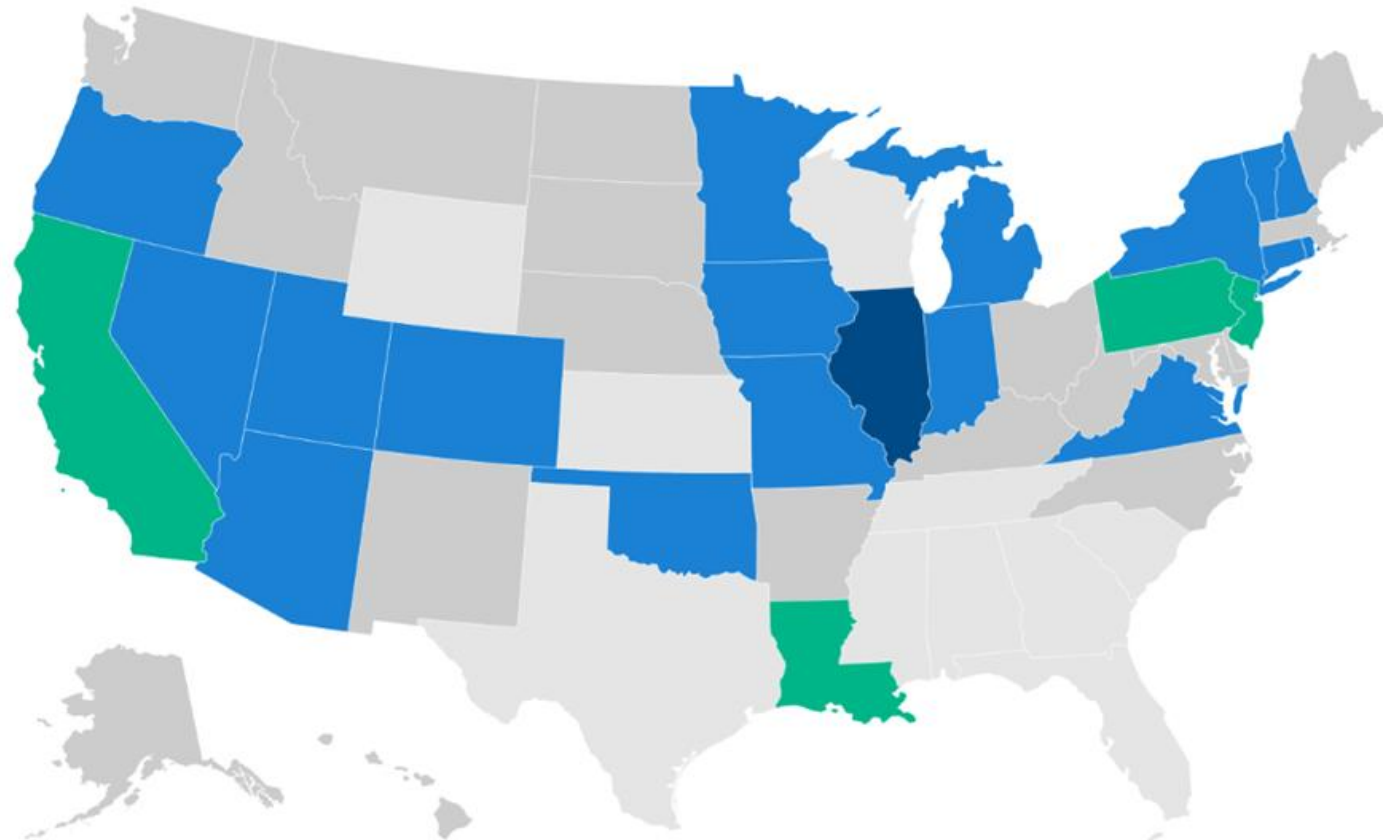
Source: [How Might Federal Medicaid Cuts in the Senate-Passed Reconciliation Bill Affect Rural Areas?](#)

Provider tax changes are estimated to cut Medicaid spending by \$191 billion

All states will be prohibited from enacting new provider taxes, and ACA expansion states will have to reduce existing taxes.

22 states have provider taxes on hospitals or MCOs that will be reduced starting in October 2027.

- Hospital and MCO taxes > 3.5% net patient revenues, expansion (1 state)
- Hospital tax > 3.5% net patient revenues, expansion state (17 states)
- MCO tax > 3.5% net patient revenues, expansion state (4 states)
- No affected hospital or MCO taxes
- Not an expansion state

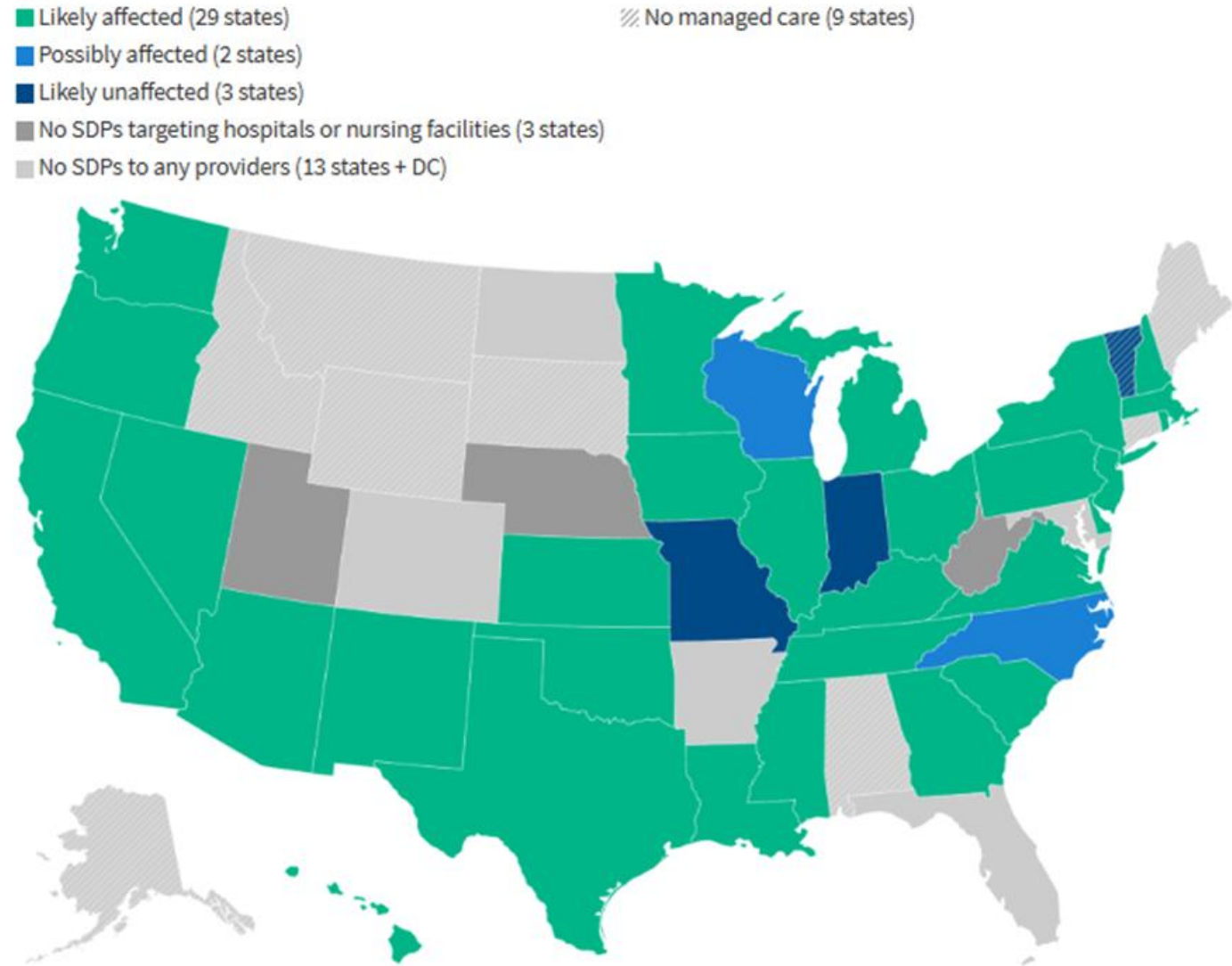


Note: Includes Medicaid provider taxes as reported by states. FL did not respond to the 2024 survey.
Source: KFF's [Which States Might Have to Reduce Provider Taxes Under the Senate Reconciliation Bill](#)

New state-directed payment limits estimated to cut Medicaid spending by \$149 billion.

States with state-directed payments for hospitals or nursing facilities that would have to be reduced because of the reconciliation law's new limits

New payments will also be subject to the lower standards



Note: North Carolina and Wisconsin do not provide enough information to understand how their payment rates would compare to the proposed caps and so are considered "possibly affected." Vermont does not have MCOs but has SDPs as part of their multipayer initiative.

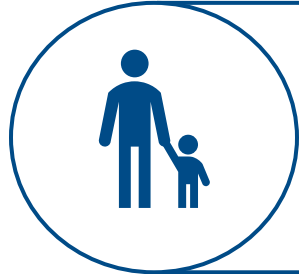
Source: KFF's [Reconciliation Language Could Lead to Cuts in Medicaid State Directed Payments to Hospitals and Nursing Facilities](#)

Change in Direction on 1115 Waivers

Key Biden administration waiver initiatives included HRSN waivers, pre-release coverage for individuals who are incarcerated, and multi-year continuous eligibility for children.

Biden Waiver Approval Themes	States
Health-Related Social Needs	18 states AR, AZ, CA, CO, HI, IL, KY, MA, NC, NJ, NM, NY, OR, PA, UT, VT, WA, WV
Multi-year Continuous Eligibility for Children	9 states CO, HI, MN, NC, NM, NY, OR, PA, WA
Pre-release Coverage	19 states AZ, CA, CO, HI, IL, KY, MA, MD, MI, MT, NC, NH, NM, OR, PA, UT, VT, WA, WV

Recent actions from the Trump administration undo Biden administration 1115 waiver policies.



Phasing out continuous eligibility approvals



Rescinding HRSN guidance and phasing out DSHP funding authority



Phasing out Medicaid workforce approvals

What to watch at the state level?

- **Reconciliation law**
 - CMS guidance on how to interpret and implement HR1 provisions
 - State budget or legislative activity in response to HR1 (potential reductions in benefits, eligibility, or reimbursement rates)
 - Systems capacity (Medicaid and other changes like SNAP)
 - Staff capacity (enrollee outreach, oversee systems, balance new requirements with existing work)
 - Ability to meet tight implementation timelines with multiple new provisions
- **Broader Medicaid key issues to watch**
 - Shifting state fiscal conditions (implications of state policies and other federal changes)
 - Ongoing IT systems updates
 - Ability to sustain efforts to improve access to behavioral health, maternal and child health, and rural health care
 - Increasing cost pressures (long-term care, pharmacy, behavioral health)
 - Implementation of other federal policies (access rule, managed care rule)
 - Change in federal priorities (new direction for waivers)

THANK YOU

For more information, contact:

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