

Federal Budget Cuts

# What Medicaid-Funded Providers Need to Know Right Now



## CONTEXT

# Where We Are Now

**The House Narrowly Passed a Massive Budget Bill that Could Cause Millions of People to Lose Medicaid Coverage by 2034**

On May 22, the U.S. House of Representatives passed a sweeping 1,100-page budget bill by a single vote. “The One Big Beautiful Bill” includes \$880 billion in healthcare spending reductions, with Medicaid funding as the primary target.

The Congressional Budget Office estimates that **this proposal would reduce Medicaid funding by 93 percent** of all healthcare-related costs. If enacted in full, **8 to 9 million people will lose coverage by 2034.**

Although the bill still faces Senate debate and potential revisions, the direction is clear. It’s likely that federal budget cuts are moving forward, and human services providers who rely on Medicaid dollars need to prepare for significant changes to how their services are funded and delivered.

## NEXT

What’s in the House Bill?



# What's in the House Bill?

Several provisions in the House legislation directly affect Medicaid policy and funding structure:

## WORK REQUIREMENTS

The bill would require adults without dependents to complete at least 80 hours per month of community engagement activities, such as employment or volunteer work, to maintain Medicaid eligibility. This requirement is proposed to begin in 2026.

## ELIGIBILITY REDUCTIONS

Monthly address verifications, and more frequent redeterminations would be required. Pandemic-era enrollment flexibilities would be reversed.

## NEW COST-SHARING RULES

States would be required to impose copayments (up to \$35 per visit) for Medicaid recipients earning between 100% and 138% of the federal poverty level.

## SHORTENED RETROACTIVE COVERAGE

Coverage would be retroactive for one month prior to application instead of three months.

## INCENTIVE ROLLBACKS FOR MEDICAID EXPANSION

The bill eliminates the enhanced federal match for new Medicaid expansion states and penalizes those offering coverage to undocumented immigrants.

These provisions are confirmed by the bill text and summarized in the Congressional Budget Office's cost estimates and [analysis provided](#) to the House Energy & Commerce Committee.

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## NEXT

What This Means for Providers





# What This Means for Providers

For human services providers, the impact of these proposed changes could be significant.

Stricter eligibility rules and new administrative barriers may **reduce the number of clients who qualify for Medicaid-funded care**. Copayment requirements could limit access to services for individuals living just above the poverty line. And state agencies may face funding shortfalls if federal match rates change mid-budget cycle.

While these changes are not yet law, they reflect a growing trend in federal policy to constrain Medicaid's role in funding community-based care.



## NEXT

Waiver Flexibilities May Narrow



# Waiver Flexibilities May Narrow

The Centers for Medicare & Medicaid Services (CMS) has signaled that updated guidance is coming this summer. The agency is expected to issue new criteria for federal matching funds that emphasize “medical necessity.”

This proposed shift could place programs tied to housing, transportation, nutrition, and workforce development outside the scope of federally reimbursable Medicaid services. **CMS has already indicated that it may no longer approve match funding** for certain Designated State Health Programs (DSHPs) and Designated State Investment Programs (DSIPs).

Legal and policy experts are also monitoring a related proposal in CMS’s FY2026 Medicare Inpatient Prospective Payment System rule, which limits hospital add-on payments to services deemed medically necessary.

These changes are being [closely tracked](#) by health law advisors, and the official CMS announcement is expected later this summer.



## NEXT

The Senate and CMS Are Up Next



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# The Senate and CMS Are Up Next

**The “One Big Beautiful Bill” is now in the Senate**, where several provisions may face opposition or amendment.

Senate moderates and advocacy groups have raised concerns about the proposed cuts’ scope and the potential impact on working families and state budgets.

Senator Josh Hawley, for example, publicly opposed the Medicaid reductions, stating:

“Medicaid is not welfare. It’s healthcare for working people, people who do their jobs, pay their taxes, and struggle to get by.” —The New York Times, May 2025

Meanwhile, CMS continues to prepare guidance that could reshape waiver eligibility and the scope of matchable services. Legal advisors expect those decisions to land this summer.

**Congressional budget negotiations and CMS rulemaking are both active**, and both will shape how services are funded through 2026 and beyond.

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—The New York Times, May 2025