Working with State Medicaid Agencies In Implementing H.R. 1

September 25, 2025

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About NAMD

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Overview

- Medicaid in context
- OBBBA Medicaid policy
- Implementation considerations
- Advice for partnering with Medicaid

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Medicaid in context:

The program has experienced an intense few years

COVID-19 Public Health Emergency: rapid cycle uptake of newly eligible people/emergency authorities/telehealth, large infusion of federal pandemic funding

Post PHE: "Unwinding" the PHE continuous coverage requirement, post-unwinding managed care rate experience, spending down federal pandemic funds

Post unwinding: Navigating the change in federal administrations and identifying new opportunities, experiencing new state budget constraints, Congressional budget reconciliation

OBBBA Implementation: planning for and executing federal policy change (differential impact among states), navigating budget constraints, program sustainability

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Medicaid in context:
Programs are facing budget pressure

- States are facing new budget pressures, including slowing state revenue growth and the end of federal pandemic-era funding
- Medicaid costs accounted for nearly 30 percent of state budgets in FY2024, which is the single largest budget item for states
- Health care cost growth continues to pressure Medicaid spending and squeeze out investment in other state priorities
    - National healthcare costs continue to trend upward and grow more rapidly than the rest of the economy
    - Medicare and commercial have higher cost growth trends than Medicaid (8.1% and 11.5% in 2023 respectively), but growth in Medicaid is still significant (7.9% in 2023).

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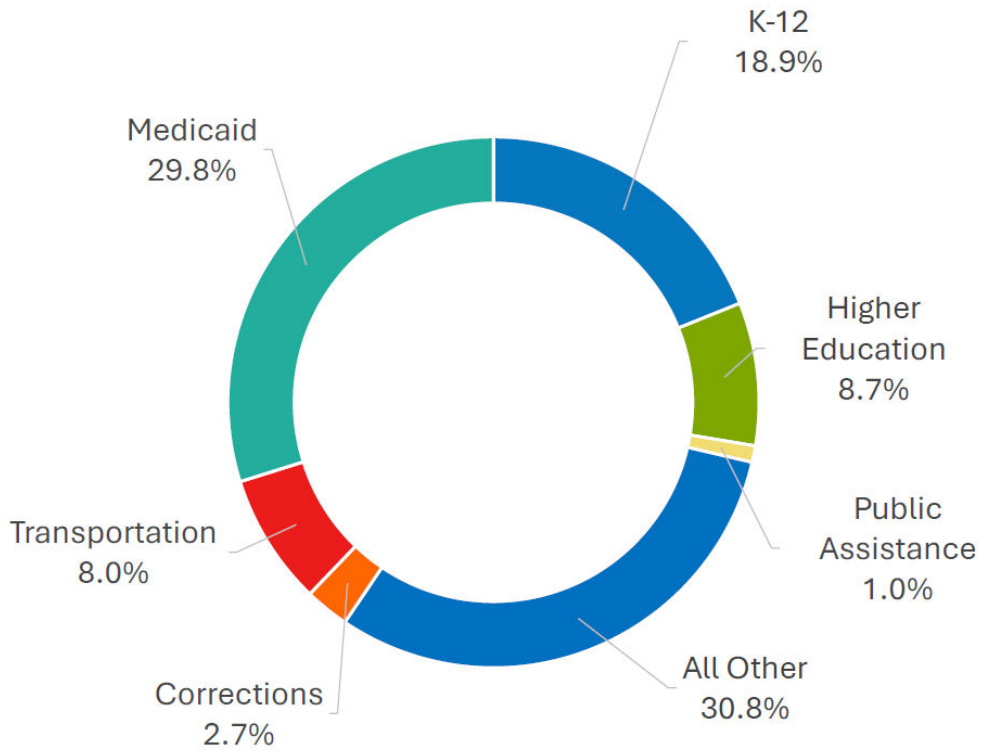
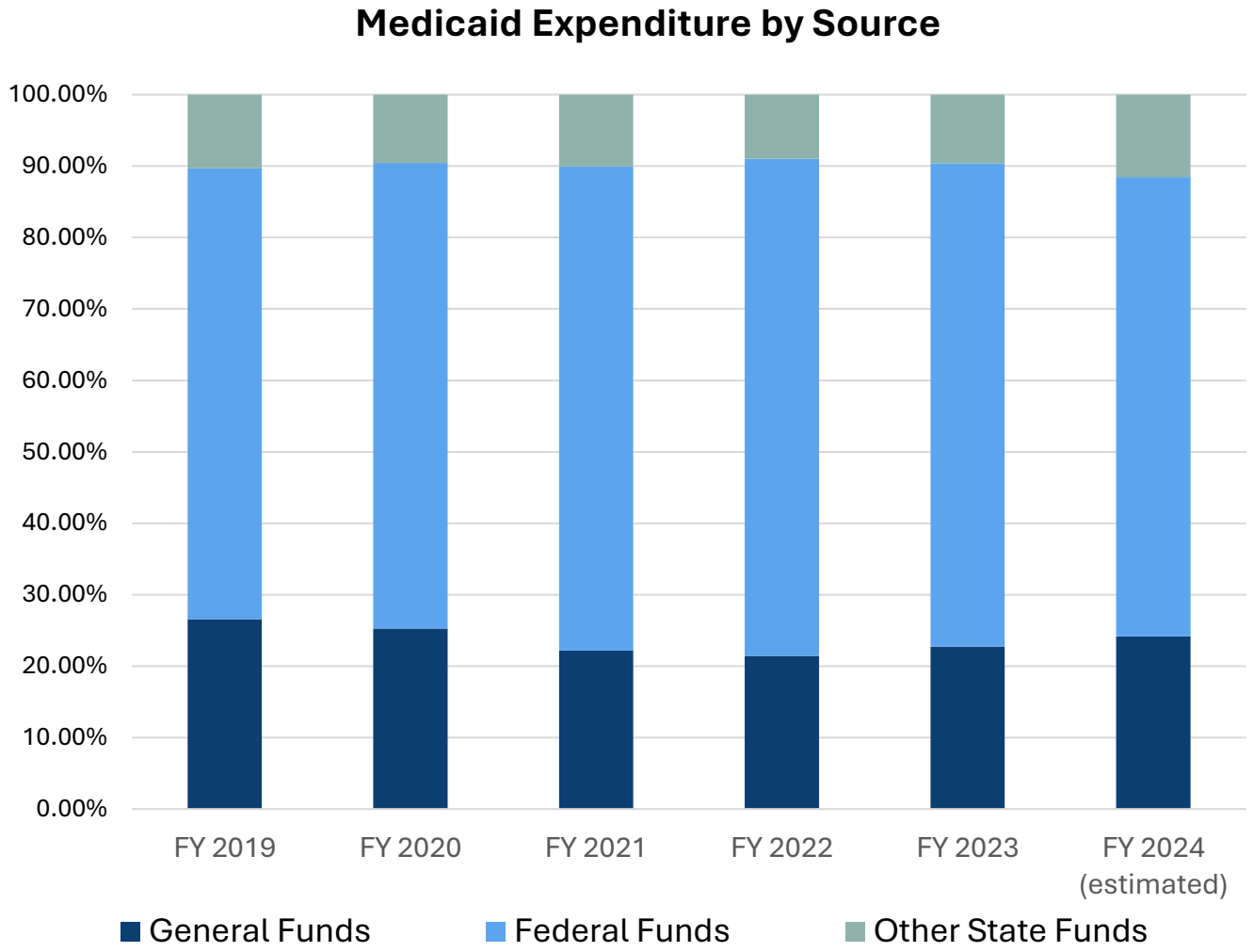
Medicaid in context:
State Budget & Financing



Source: NASBO State Expenditure Report

NASBO



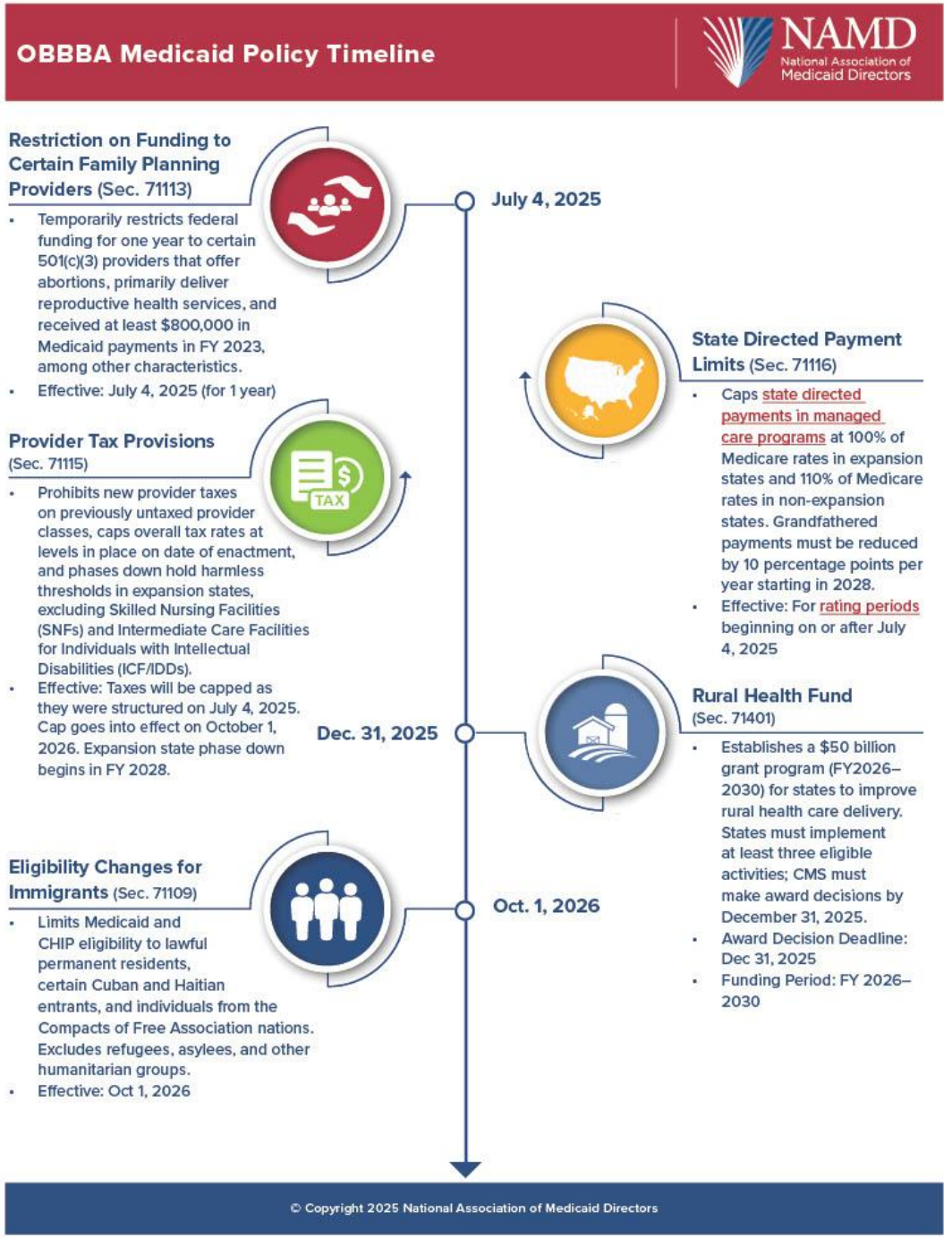
OBBBA Medicaid policy

H.R. 1 – the One Big Beautiful Bill Act (OBBBA) **will reshape many aspects of Medicaid** over the next decade, but **it impacts states differently**

Policies generally address **three domains**:

1. Eligibility
2. Financing
3. Program integrity

Medicaid leaders shared goal: **implement OBBBA as efficiently and effectively** as possible



OBBBA affects states differently

Requirements that affect all or most states:

- Processes for duplicate enrollment and decreased members/providers
- Narrowed definition of "qualified alien" for purposes of eligibility
- New limits on retroactive eligibility*

Requirements that affect <u>only expansion states</u>:

- Community engagement requirements
- More frequent redeterminations (at six-month intervals)
- Phase down of the "hold harmless" threshold for provider taxes
- Cost sharing requirements**

*Note that there are different standards as between expansion and non-expansion states

**Non-expansion states that provide waiver coverage that is equivalent to minimum essential coverage (MEC) have to review the applicability of these requirements

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Implementation considerations: State budget development

- Medicaid agencies are **developing budget requests for FY2027 now** to be considered by legislatures this winter/spring
- Budgets must project funding needed to deliver Medicaid benefits and implement OBBBA provisions, **especially those effective in CY2026**:
  - Work/community engagement requirements
  - 6-month redeterminations
- Budget development **is always a difficult exercise, but doubly so this year** due to many interpretive policy questions and insufficient historical data

Budget considerations

- How will policies change the number of people covered by the program ongoing (caseloads) and the health care needs of those enrolled (acuity)?
- What will it cost to make IT systems changes and/or procure new solutions?
- Will new staff and contractors be needed (e.g., eligibility workers or call center staff)?
- How will changes in provider taxes will impact resources available to fund the state share of program costs?
- Will CMS grant any good faith deadline extensions? (early signals: extensions unlikely)

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Implementation considerations: Identifying needed state legislative authority

- **State legislatures will play a key role in OBBBA implementation** by providing Medicaid budget authority to implement the policies and amending state statute to align state law with federal law.

- **The timing of state legislative sessions is key.** Legislatures meet annually or biannually for a short window (e.g., 45 days), often in the winter/spring. Special sessions may be needed, depending on timing.

- **Medicaid agencies must identify where changes in state law are needed to align with new federal requirements.** This work is particularly challenging when states are waiting for CMS clarity and guidance on interpretive questions.

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Advice for partnering with Medicaid

- ✓ **Recognize the differential impact and timing of OBBBA policies.** Non-expansion states are not as impacted by the policy changes.
- ✓ **Be sensitive to the fiscal context**. States must balance their budget, and in leaner fiscal environments, Medicaid will necessarily face pressure to find savings.
- ✓ **Acknowledge the immediate operational realities for Medicaid**, such as the need for CMS clarity, challenges in budget development, IT systems issues, and the role of the legislature.
- ✓ **Partner in offering solutions and expertise**, such as helping Medicaid communicate policy changes to members, providers, and other stakeholders.

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