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Primer #2: The Federal Cuts to Medicaid

Summer 2026

GOP Medicaid Cuts Hurt The Most Vulnerable And Increase Healthcare Costs For All

This Primer provides a basic explanation of how the vastly reduced Medicaid spending and new roadblocks to access Medicaid in the 2025 One Big Beautiful Bill Act (OBBBA) are being implemented, and what it means for those who rely on Medicaid for healthcare coverage. And, because Medicaid pays for nearly 20% of every dollar spent[1] on healthcare in the U.S. and over 50% of all long-term care,[2] the Primer also discusses the impact that the massive contraction in federal Medicaid spending will have across America's healthcare system. (NOTE: Starting in late 2025, the Trump Administration sought to re-brand the deeply unpopular OBBBA as the 'Working Families Tax Cut.')

The Basics:

Medicaid is an entitlement program,[3] guaranteeing that anyone who meets the poverty, residency, and categorical rules, has a legal right to have necessary healthcare payments made to their healthcare providers. As of the Spring 2026, there were 69.5 million[4] people enrolled in Medicaid. This includes[5] over 20 million people covered through Medicaid Expansion (nearly a quarter of the total Medicaid enrollment). Although it can vary by state, the income limit for basic Medicaid is generally set at 100% of the federal poverty level. In addition, forty-one states expanded[6] Medicaid via the Affordable Care Act (ACA) to those with incomes up to 138% of the federal poverty level ($21,560 for an individual, or $32,000 to $44,000 for a family of four) known as 'Medicaid Expansion.' While the OBBBA makes it harder for all eligible Medicaid enrollees[7] to get and keep their healthcare coverage, the OBBBA is particularly devastating for those who receive coverage via Medicaid Expansion. The new Medicaid rules in the OBBBA will largely take effect January 1, 2027, and states are beginning to notify those affected.

The GOP's New Bureaucracy:

Republicans defend the OBBBA by claiming it merely puts able-bodied enrollees to work. That is a lie, as proven by the fact that in Georgia, the only state that currently has a Medicaid work requirement,[8] over 90% of eligible Medicaid recipients are already working.[9] And those not working are due to[10] illness, disability, retirement, inability to find work,[11] and older women who left the workforce[12] to care for aging parents or children.

Contrary to the GOP's claim that OBBBA cuts waste, fraud and abuse,[13] OBBBA creates a confusing new bureaucracy that will push millions of vulnerable Americans off Medicaid. The OBBBA obscures Medicaid eligibility rules, increases and makes more complicated the paperwork for enrollees to get and maintain coverage, and imposes draconian penalties for non-compliance. Known barriers[14] to Medicaid enrollment, such as enrollees' lack of computer literacy and internet access, and inability to use an online portal, are exacerbated by the GOP's new red-tape, which is especially challenging for the homeless and disabled:

- For the first time, the OBBBA imposes federal work and reporting requirements[15] on Medicaid Expansion enrollees. Adults between 19 and 64 years old will have to prove they are working, volunteering or going to school at least 80 hours/month. OBBBA provides exemptions for those who are pregnant, have disabilities or taking care of dependent children 13 or younger, but clouds what it means to have a "serious or medical condition," and those most vulnerable will have difficulty complying[16] with the new paperwork.
- For the first time, state Medicaid programs are required to impose cost-sharing[17] for certain services on Medicaid Expansion enrollees, while also allowing providers to turn away patients[18] who can't afford to pay those costs.
- The OBBBA pauses the requirement for states[19] to update and streamline their application and enrollment systems, making it harder and slower for eligible people to navigate, so fewer people will get and stay signed up.
- Enrollees will be required to recertify[20] eligibility every 6 months instead of yearly. States can require proof more often. The OBBBA requires states to conduct a 3-month "look-back"[21] to determine eligibility, and verify compliance with work requirements for enrollment and redetermination.
- States are facing significant technology and system upgrade challenges[22] to deal with the new requirements, making it harder for eligible enrollees to report work compliance and to document exemptions. The laborious paperwork and outdated computer systems will exacerbate the bureaucratic hurdles created by the OBBBA, and result in millions being dropped from Medicaid.
- In Arkansas,[23] the only state that implemented work requirements imposed by the first Trump Administration,18,000 people (25% of enrollees - primarily the most vulnerable) lost Medicaid coverage because the work and paperwork requirements were insurmountable barriers, before the courts blocked the requirement[24] in 2019 because the federal government failed to prove that adding work requirements advanced Medicaid's primary purpose: providing healthcare coverage.

The OBBBA Shifts Billions Of Dollars In Federal Healthcare Costs To The States

Although many people think about Medicaid as a federal program, it is administered and jointly funded by states within broad federal rules. Federal Medicaid dollars are the major funding source used by states to provide health coverage and long-term care.[25] Importantly, most states offer coverage beyond the federal Medicaid minimum standards. If these optional services[26] are cut, as has happened in recessions, it will leave many people unable to meet basic needs. The OBBBA reduces federal Medicaid spending[27] by $1 trillion from 2025 through 2034. States will also lose millions[28] of dollars due to the phaseout of the hospital and provider tax, which states levy on healthcare providers to increase the amount of Medicaid funds. These cuts will force states[29] to make tough choices: raise revenues, cut other state spending, or reduce coverage, services and provider rates.

- **Impacts on Seniors**: In the past, seniors and those with disabilities[30] have been hit the hardest when state funds dried up. Nursing homes will be forced to close or scale back services, making it harder for seniors to find a spot in a facility. With little else to trim, states are likely to cut optional services[31] including Home and Community-Based Services (HCBS), which allow those with disabilities to age in place in their homes. Moreover, new OBBBA rules make it harder[32] for states to fund HCBS by disallowing funds if wait times increase. As states contend with massive Medicaid cuts, wait times for HCBS[33] are expected to lengthen. It is important to note that 62% of nursing

home residents are paid for by Medicaid – keeping people at home with Medicaid home services is a fiscally wise decision, which will no longer be possible.

- **Impacts on Children**: Medicaid and the Children's Health Insurance Program[34] (CHIP) are joint federal-state programs providing free or low-cost health coverage, with Medicaid serving the lowest-income children and CHIP covering children whose families earn too much for Medicaid but can't afford private insurance, often by expanding Medicaid or operating as separate state programs with slightly different benefits and cost-sharing rules. Both offer comprehensive care like check-ups, immunizations, vision, and dental.[35] As of Spring 2026, there are 69.5 million people enrolled in Medicaid and 76.8 million in Medicaid and CHIP including 36 million children.[36] Children will lose coverage when their parents who rely on Medicaid for coverage are cut.[37] A significant portion of school services for special education are funded through Medicaid, as well. It is projected[38] that at least one million children, particularly low income and children with disabilities, will lose coverage due to insurmountable red-tape barriers faced by their parents.[39] Additionally, at least 1.9 million children have a parent who is in danger of losing Medicaid. This will particularly affect children living in rural areas.[40] In addition, the optional[41] coverage that provides children with comprehensive and preventative healthcare to promote healthy development, is likely to be cut, especially for children who do not meet basic eligibility requirements.

- **Impacts on Caregivers:** About 4.3 million people who care for sick parents and grandparents (aka family caregivers) rely on Medicaid for their own healthcare coverage.[42] On average, they provide 35 hours of care per week for loved ones, with nearly 20% dedicating 40+ hours per week. Many are unable to manage an additional 80 hours of work per month. There is no exemption for those who care for people over age 14. Moreover, hourly work and volunteer requirements are document heavy,[43] making it difficult to prove 80 required work hours.

- **Impact on Hospitals:** Medicaid provides "disproportionate share hospital" (DSH) payments to hospitals[44] that serve a large number of Medicaid and low-income uninsured patients to offset uncompensated care costs. OBBBA reduces DSH payments by $24 billion dollars.[45] This will devastate hospitals in rural areas and those that serve low income and uninsured patients. Many rural hospitals[46] are already in financial trouble, especially in the 10 states that have not expanded access to Medicaid. Increased uncompensated care costs from patients without coverage and with no ability to pay will drive these hospitals closer to the brink. The contraction of the OBBBA Medicaid reimbursement for rural hospitals and clinics (including federal and state cuts) is projected[46] to result in a loss of $125 billion over the next ten years.

- **Impacts on NY**: As of July 2025, Medicaid covered 6.9 million New Yorkers,[47] roughly 35% of the state. State projections show that due to the OBBBA, over 1.5 million[47] New Yorkers face the loss[48] of their healthcare coverage. OBBBA also cuts $8 billion[49] annually from NY hospitals[50] and providers, eliminating nearly 63,000 jobs.[51] This financial strain threatens to force institutions to downsize operations, eliminate critical services like maternity care and psychiatric treatment, or close entirely, placing $14.4 billion in localized economic activity at risk. Consequently, emergency services face severe overcrowding as newly uninsured residents seek necessary care

When eligible recipients lose Medicaid insurance, they are less likely to seek preventive health services[53] and will delay necessary care, leading to serious health problems and poorer health outcomes.[53] As uninsured people get sicker, they are likely to end up seeking expensive emergency room care they cannot afford.

In addition to the above, research[54] shows that being in poor health is associated with increased risk of job loss, while access to affordable health insurance has a positive effect on the ability to obtain and maintain [55] employment. This contradicts theGOP's legislative rationale that work requirements stimulate employment; instead, data shows that removing healthcare access actively undermines an individual's capacity to work." Access to preventive healthcare to manage chronic conditions, access medications, and address health issues before they worsen actually helps support the ability to work.[55] It is also worth noting that the new requirement to document disability as a reason for not working has raised a protest from the medical community. Physicians are not trained[56] to assess who is able or not to perform sufficient tasks to qualify. This also adds to their work burden.[57]

The OBBBA's Medicaid Cuts are Lose-Lose!

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