President Trump Signed Reconciliation Bill into Law, Includes Healthcare Provisions

July 15, 2025

President Trump signed the 2025 reconciliation bill into law on July 4. While total projected savings of Medicaid-related provisions are higher than expected (approximately $1T over ten years), the impact on most business models exposed to Medicaid as a payer remains remarkably muted. Many of the provisions—and the largest share of savings—are attributable to enrollment restrictions targeting Medicaid expansion adults and noncitizens. Traditional Medicaid populations such as children, seniors, and people with disabilities are largely unaffected by these eligibility provisions. The bill also includes new restrictions on provider taxes and state-directed payments, the impact of which falls mostly on hospitals but could contribute to future budget pressure in certain states.

Beyond Medicaid, the legislation contains provisions limiting eligibility for ACA marketplace premium subsidies, a 2.5% Medicare payment increase for physicians, and a provision insulating orphan drugs from IRA negotiations.

This note summarizes the healthcare provisions of the legislation.

Source: BRG analysis of HR.1 - 119th Congress, One Big Beautiful Bill Act.

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One Big Beautiful Bill Act Healthcare Provisions

Medicaid Provisions	
Eligibility	• Community engagement (i.e., "Work") requirements: require nonpregnant, nondisabled adults, aged 19 through 64, to complete a minimum of eighty hours of qualifying community engagement activities as a condition of Medicaid eligibility. Requires states to verify compliance at eligibility redeterminations (or more frequently), without requiring, where possible, the individual to submit additional information. • Qualifying activities include work, training, community service, education. • Exemptions for individual conditions include fully disabled Veterans, medically frail, blind, SUD, disabling mental disorder, significant physical or intellectual disability, complex medical condition, caretakers of children up to age 13 or disabled individuals, foster care youth, IHS eligibility, institutionalization. • Monthly exemptions for short-term hardships include those receiving inpatient hospital services, nursing facility services, intermediate care facility IDD services, inpatient or acute outpatient psychiatric hospital services; long-distance travel for medical care, natural disaster region, high-unemployment region.
Eligibility Redeterminations	• Requires states to conduct eligibility redeterminations once every six months for individuals enrolled through the ACA Medicaid expansion.
Eligibility and Enrollment	• Suspends 2024 rule to simplify eligibility and enrollment processes for Medicaid.
Medicare Savings Programs (MSPs)	• Suspends 2023 rule that changed certain MSP enrollment processes to facilitate enrollment. Through MSPs, Medicaid covers certain Medicare expenses, including premiums and cost-sharing.
Retroactive Eligibility	• Limits coverage to one month preceding enrollment for Medicaid expansion beneficiaries and two months for traditional beneficiaries.

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Medicaid Provisions (cont.)	
Enrollment in Multiple States	• Requires HHS to establish a system to prevent simultaneous Medicaid enrollment in multiple states.
Deceased Individual	• Requires states to review the Social Security Administration's Death Master File at least quarterly to disenroll deceased individuals.
Alien Eligibility	• Qualified aliens are eligible for Medicaid after five years of US residency but may access emergency services within that period. Eligibility retained for lawful permanent residents (LPRs); certain Cuban and Haitian entrants; and Citizens of the Freely Associated States. Removed from eligibility are refugees; paroled aliens; asylum applicants; victims of trafficking or abuse. Match limited to standard FMAP for emergency Medicaid.
Funding	
Provider Tax Freeze	• Prohibits new provider taxes or raising the rate of existing taxes effective 2026 for all states.
Expansion-State Provider Tax Rate	• Beginning in 2028, the hold harmless threshold in expansion states for provider classes other than nursing or intermediate care facilities would be reduced by 0.5 percentage point annually (currently 6%) until the maximum hold harmless threshold reaches 3.5% in 2031.
State-Directed Payments	• Limits state-directed payments to 100% of Medicare in expansion states and 110% of Medicare in non-expansion states. Existing payments phased-down to new limits by 10 percentage points annually beginning 2028. State-directed payments are supplemental payments to providers by MCOs that may currently bring payment up to average commercial levels.
Provider Tax Uniformity	• Limits the definition of generally redistributive to qualify for a waiver of the uniform and broad-based requirement. Provider taxes must be both broad-based and uniform unless the net impact of the tax is generally redistributive and not directly correlated to Medicaid payments.

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Funding (cont.)	
Rural Health Program	• Allocates $50B over five years (2026–2030) to support rural healthcare. Funds to be distributed as block grants based on a formula developed by HHS. States must use the funds for specified activities, including payments to healthcare providers, recruiting clinicians, upgrading HIT, and supporting innovative care models.
Erroneous Excess Payments	• Reduces the amount of erroneous excess payments that the secretary may waive and expands definition of erroneous excess payments beginning in 2030. Federal Medicaid payments to states are reduced by the amount that exceeds an error rate of 3% subject to HHS authority to waive the penalty.
Medicaid Expansion Incentive	• Eliminates the 5 percentage-point increase to the traditional FMAP rate for states implementing ACA Medicaid expansion.
Budget Neutrality for Section 1115	• Strengthens budget neutrality requirements of section 1115 and requires CMS's chief actuary to certify budget neutrality.
Providers and Beneficiaries	
Staffing Rule	• Prohibits implementation of 2024 rule setting minimum staffing standards for long-term-care facilities, including requirements on nursing home personnel and minimum threshold of staff-to-resident ratios.
Home and Community-Based Services (HCBS)	• Creates a new standalone waiver option to provide HCBS to individuals who do not meet an institutional level of care beginning in July 2028.
Cost-Sharing Requirements	• Requires enrollees earning more than 100% of FPL to pay cost-sharing amounts up to $35 per service capped at 5% of individual's total income. Requirements do not apply to primary, prenatal, pediatric, mental health, SUD, or emergency care. Services by FQHCs and RHCs exempt.
Home Equity Limit	• Limits allowable home equity to $1M for long-term-care eligibility beginning in 2028.

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ACA Coverage	
Premium Subsidy for Legal Aliens	• Limits eligibility for premium subsidies to (1) LPRs; (2) certain Cuban immigrants; and (3) CoFA migrants lawfully residing in the United States. Other lawfully present individuals who are ineligible for Medicaid would be prohibited from receiving ACA premium subsidies.
Verification of Eligibility for Premium Subsidy	• Requires pre-enrollment verification of information to qualify for the premium subsidy including income, immigration status, health coverage eligibility, place of residence, and family size.
Special Enrollment Eligibility	• Disallows special enrollment period eligibility based on change of income alone.
Advance Payment of Premium Subsidies	• Disallows partial repayments of excess advanced premium subsidies, requiring repayment of the full amount of any excess except for individuals with actual income less than 100% of FPL.
Medicare	
Physician Fee Schedule	• 2.5% payment increase for CY2026.
Orphan Drugs and IRA Negotiations	• Orphan drugs with multiple indications will remain exempt from IRA negotiations. Provision changes the definition related to orphan drug exclusivity from "only one rare disease or condition" to "one or more rare diseases or conditions." Effective for pricing year 2028 (drugs selected for negotiations in 2026).
Alien Medicare Eligibility	• Retains eligibility for LPRs; certain Cuban entrants; and COFA immigrants. Removed from eligibility: refugees; paroled aliens; asylees; victims of abuse or trafficking; Haitian entrants.

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