



## The One Big Beautiful Bill Act (H.R. 1) – Historic Medicaid Changes Facing State Governments

H.R. 1 marks the most sweeping changes to Medicaid since the enactment of the Affordable Care Act, exacerbating already dangerous hospital financial instability and threatening access to essential healthcare services nationwide. H.R. 1 reduces national federal Medicaid spending by an estimated \$1.02T over the next 10 years, with estimated losses for Illinois totaling up to \$57 billion. The six largest Medicaid provisions that will hit state budgets include:

- ▶ **New work requirements:** Medicaid expansion enrollees to complete 80 hours per month of work or community engagement activities (\$325B).
- ▶ **Gradually lowers the provider tax cap** for expansion states to 3.5% of net revenue, down from the current 6% (\$191B).
  - Will lower Illinois' maximum allowable provider tax to approximately \$1.9B annually, compared to the current \$3.1B allowed.
- ▶ **Caps future state directed payments (SDPs)** at Medicare payment levels for expansion states, and 110% of Medicare for non-expansion states (\$150B).
  - Estimates show Illinois' current outpatient payment rates could be nearly \$2B over the allowable ceiling, thereby requiring reductions.
- ▶ **Medicaid eligibility verification every six months** in Expansion states (\$63B).
- ▶ **Narrows uniform tax waivers** by excluding certain taxes (e.g. Medicaid MCO taxes) from being considered "generally redistributive," pushing states toward broader, more uniform designs (\$34B).
  - Illinois' current MCO provider tax does not meet this uniformity requirement and state legislative action will be necessary to preserve a tax that currently generates over \$2B for the state's Medicaid program.
- ▶ **Reduces the federal match rate** to the standard rate for emergency services provided to individuals unlawfully present in the U.S. who would otherwise qualify under Medicaid expansion (\$28B)
  - Illinois currently receives the 90/10 federal/state match on this population. This provision will lower the federal-state match rate for this population to 51.8%.

If implemented as enacted, the loss of federal Medicaid revenue under H.R.1 would be nearly impossible for individual states to make up on their own. H.R.1 puts Medicaid coverage at risk for up to 500,000 of Illinois' children, seniors, and disabled residents and will **strip an estimated \$48 billion** in federal matching funds to Illinois over the next decade.

**The consequences are unavoidable:** a rising uninsured rate, exploding uncompensated care costs, potential service line closures, including obstetrics and mental health, and fewer healthcare options for communities across Illinois.

