



## **NDMA 2025 Policy Forum**

**October 3, 2025**

### **Policy No. 3**

**Submitted By:** NDMA Council

**Subject:** Impact on State Budgets with Proposed Medicaid Reductions

**Summary:**

Proposed Medicaid reductions could significantly strain state budgets, forcing states to cut benefits, reduce provider payments, or increase the number of uninsured residents to offset lost federal funding. States with higher poverty rates and more vulnerable populations, such as those with more people with disabilities, would be hit harder, as they have greater Medicaid needs and face more difficulty cutting services.

**Relevant Information:**

On July 4, 2025, President Trump signed the One Big Beautiful Bill Act (OBBBA) into law. This budget package will have sweeping impacts across Medicaid, the Affordable Care Act (ACA), food nutrition programs, and more. The Congressional Budget Office (CBO) estimates the bill's health provisions will result in 11.8 million people losing health coverage by 2034. The CBO also estimates that an additional 5.1 million people would lose health coverage due to two policy changes outside the bill, including: 1) the final 2025 CMS marketplace rule implementing eligibility changes, and 2) the expiration of the ACA

expanded premium tax credits. In total, CBO estimates 16.9 million people could lose coverage.

The new law may impact states in several ways:

Increased Medicaid and ACA coverage loss for noncompliance with work requirements, eligibility changes (Medicaid), and limits on coverage for certain noncitizens (ACA and Medicaid). The states' burden is summarized in these points:

- Limited ability to fund the state share of Medicaid and overall decreased federal funding for state Medicaid programs.
- Increased administrative burden for state eligibility staff
- Increased costs for technology systems to implement work requirements.

**OBBBA Highlights:**

**Medicare Physician Payment:** 2.5% increase to the Medicare Physician Fee Schedule for one year (Jan. 1, 2026-Dec. 31, 2026).

**Medicaid Provider Tax:** Gradually reduces by 0.5% annually, the tax rate to 3.5% by fiscal year 2032. Applies to states that have adopted the ACA expansion.

**Medicaid Work Requirements:** Requires states to condition Medicaid eligibility for individuals ages 19-64 applying for coverage or enrolled through the ACA expansion group (or a waiver) on working or participating in qualifying activities for at least 80 hours per month. Exempts certain adults, including parents with dependent children under age 14 and those who are medically frail.

**Medicaid Retroactive Coverage:** Limits retroactive coverage to 1 month prior to application for coverage for Medicaid expansion enrollees and 2 months prior to application for coverage for traditional enrollees. Provides \$15 million in implementation funding for FY 2026.

**Medicaid Eligibility Determinations:** Requires states to conduct eligibility redeterminations at least every 6 months for Medicaid expansion adults.

**Rural Health Care Access:** \$50 billion fund to support rural hospitals over five years, starting in 2026.

**Grad PLUS Loans:** Eliminates federal graduate PLUS loans for new borrowers. Effective date for elimination is July 1, 2026.

**Federal Direct Unsubsidized Loan Cap:** \$100,000 cap for graduate education and \$200,000 for professional programs (e.g., MD, DDS, JD).

**Student Loan Repayment:** Elimination of the current income-driven repayment (IDR) plan, replaced by a new Repayment Assistance Plan. Repayment terms under a new Repayment Assistance Plan will be tied to the loan size, ranging from 10 to 25 years. Effective July 1, 2026.

**Debt Ceiling Increase:** Raises limit by \$5 trillion.

**Proposed Action:**

NDMA shall support preservation of funding and eligibility for Medicaid as an urgent and top legislative advocacy priority.

*Adopted November 25, 2025*

*Joan M. Connell, MD*

*Policy Forum Chair*