Top 10 Reasons Why the Senate Finance Committee's Reconciliation Bill Is Worse than the House-passed Bill Regarding Health Coverage

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Republicans on the Senate Finance Committee recently released their draft of the so-called "One Big Beautiful Bill Act", proposing to cut even more Medicaid funding than the House-passed bill (which included $1 trillion in health cuts and would terminate over 16 million people from health insurance). The Senate bill will result in increased coverage losses. It is not about supporting those who depend on Medicaid including children, pregnant people, older adults, and people with disabilities. Instead, the bill would rack up even higher health cuts than the House to spend on tax cuts for billionaires and corporations the expense of the most vulnerable.

Here are the Top 10 Reasons why the Republican Finance Committee's reconciliation bill is even worse than the House-passed version:

1. **Squeezes states that adopted Medicaid expansion:** A number of the Senate provisions differentiate their application to apply more punitively and harshly to the 40 states that adopted Medicaid expansion, creating significant disincentives to maintain expansion. Provisions punishing Medicaid expansion states more than non-expansion states include provider taxes, state directed payments, retroactive coverage, and states operating both Medicaid expansion and state-funded programs covering immigrants. The additional funding cuts proposed in the Senate bill would be exacerbated in expansion states. This cynical ploy to apply harsher rules for expansion states is a transparent attempt to force states to drop expansion, causing millions more to become uninsured.

2. **Limits states ability to fund Medicaid:** The Senate bill would dramatically reduce Medicaid expansion states' ability to use provider taxes, even more than the House-passed bill. The House-passed bill would limit currently approved provider taxes to 2025 levels with no further increases. The House bill also added additional restrictions that would likely end several currently approved provider tax arrangements. The Senate bill keeps all this, and would also cut the effective cap on key provider taxes in the 41 expansion states nearly in half by 2031. Currently, **22 of the 41 expansion states** have at least one hospital or managed care organization tax above the Senate's proposed new threshold. Constraining states' flexibility to use provider taxes would significantly limit all states' ability to pay their share of Medicaid costs and would pressure states to cut eligibility and/or services. The majority of optional Medicaid spending (86%) is on services that support people with disabilities and includes home- and community-based services (HCBS). The last time federal funding dropped (2010-2012), every state and D.C. cut one or more HCBS programs, leading to fewer people enrolled and expanding waitlists. The additional funding cuts proposed in this Senate bill would be enormous in expansion states.

3. **Undercuts support to rural and safety net providers:** States use "state directed payments" (SDPs) to provide supplemental funding under managed care contracts. Under current law, the total payment rate for SDPs cannot exceed the average commercial insurance rate. The Senate bill would change from the average commercial rate to 100% of the Medicare rate for Medicaid expansion states and 110% for non-expansion states. Not only would this provision cut states' abilities to support certain providers, but it again penalizes states that expanded Medicaid. Current SDPs would be reduced by 10% per year until the allowable Medicare-related payment rate is met.

4. **Removes medical debt protections:** The Senate bill specifically targets Medicaid expansion states by limiting Medicaid retroactive coverage to 1 month prior to application while individuals in non-expansion states would receive 2 months. For decades, Medicaid has guaranteed up to 3 months of retroactive Medicaid coverage in recognition that individuals may be unaware they are eligible or that the sudden onset of illness often prevents individuals from applying. As recently as June 2024, CMS noted that retroactive eligibility protects low-income individuals from medical debt and mitigates adverse health outcomes while ensuring the financial stability of hospitals and safety net providers. Without retroactive coverage, some individuals incur significant medical expenses. In other instances, individuals are not able to access care at all or experience a substantial delay in receiving necessary services. Reducing retroactive coverage would only increase the massive medical debt Americans already face.

5. **Eliminates measures to help people enroll and stay in coverage:** The Senate bill imposes an **indefinite** moratorium on implementation of recent HHS rules that were adopted to streamline Medicaid eligibility and enrollment, reduce administrative burdens on state Medicaid agencies, and improve access to coverage for low-income Medicare recipients. The House-passed bill included 10-year moratoria. These regulations reflect lessons learned by states during the "unwinding" of continuous coverage provisions following the end of the Public Health Emergency. This process laid bare the weaknesses and inefficiencies of the various state eligibility systems that were covered widely by the media and led to millions of individuals losing their health coverage. The current regulations targeted these problems by allowing states to tailor the solutions to their own programs. Prohibiting the adoption of these rules entrenches failed policies and practices and perpetuates enrollment problems for children, people with disabilities, and low-income seniors, particularly those enrolled in Medicare.

6. **Ostracizes lawfully present immigrants:** The Senate goes even farther than the House-passed bill in penalizing lawfully present immigrants. First, the Senate bill eliminates Medicaid eligibility for asylees, refugees, certain victims of domestic violence and sex and labor trafficking, Haitian entrants, and individuals granted humanitarian protection. Second, the Senate bill reduces the federal share of payments that reimburse hospitals for emergency services provided to immigrants who would be eligible for Medicaid expansion but for their immigration status. Instead of a 90% federal match, states would only receive their "regular" services match. This adds to the House-passed bill that penalizes states that choose to cover undocumented individuals using only state funding and prohibits federal payments during the period when eligible immigrants need to verify their immigration statuses. These provisions, which remains in the Senate bill, slashes their federal funding for Medicaid expansion and would effectively force states to drop their state-funded coverage programs.

7. **Eliminates public input when implementing work requirements:** The proposed work requirement included in both the Senate and House bills is more radical and punishing than any proposal we have seen before. The Senate bill would further limit the exemptions included in the House passed bill, forcing more parents to work and removing an exemption for individuals who are unhoused. But the Senate bill goes even farther by eliminating current procedures for public comment as CMS implements work requirements. For examples of the individuals who would be impacted by work requirements, see NHeLP's Conditional Care: The Real Costs of Medicaid Work Requirements.

8. **Defunds Planned Parenthood:** The Senate bill lowers the federal funding threshold for "defunding" certain abortion providers from Medicaid, reducing it from $1,000,000 to $800,000 and changing the fiscal year used to assess the total payments to FY 2023. These providers will be excluded from the Medicaid program for no reason other than that these health centers provide basic, necessary health care. It would force health centers across the country to close and cut off access to essential health care. By expanding the application of this provision, the Senate bill would likely impact more individuals seeking care and further strain an already overburdened provider network. The provision would irreparably harm access to sexual and reproductive health care in rural areas, medically underserved areas, and areas facing provider shortages, as over 60% of Planned Parenthood health centers are located in these areas. In many communities, Planned Parenthood health centers are the only affordable provider with expertise in sexual and reproductive health. Blocking Medicaid enrollees from getting care at these trusted health centers would hurt patients and weaken the health care system.

9. **Makes marketplace coverage less affordable**: Both the Senate and House bills include numerous provisions that would threaten coverage available under the Affordable Care Act (ACA), aiming to coerce states to drop Medicaid expansion while worsening marketplace coverage, a double-whammy for low- and middle-income consumers. People who lose Medicaid expansion coverage due to harsh new Medicaid work requirements would also be barred from using premium tax credits to purchase marketplace coverage for which they are otherwise eligible – effectively cutting them off from any avenue for affordable coverage. Since more people are subject to Medicaid work requirements in the Senate bill, the marketplace lock-out would impact more individuals, increasing coverage losses.

10. **Increases States' Costs:** Overall, the Senate bill will result in a greater cost-shift of health care costs to states. The combination of reducing state directed payments and provider taxes, limiting lawfully present immigrants' eligibility for Medicaid and CHIP, adding penalties to Medicaid expansion states and tightening eligibility for marketplace coverage mean more people will be left uninsured. States will be forced to pick up the costs for providing care and to prevent closures of hospitals and reduced rural health care access. Care for the uninsured will likely be costlier as people who do not have access to primary and preventive care often seek care in emergency rooms. Hospitals will already be under severe stress from reductions in payments and increased numbers of uninsured.

Conclusion

Over $1 trillion dollars of cuts to Medicaid and the ACA proposed by the House is only increased in the Senate bill. The Senate bill would cause millions of people to lose access to health insurance, strain state budgets, lead to closures of hospitals and clinics in rural areas, reduce payments to providers, and add incredible strain to our already stretched health care system. To what end? Paying for massive tax cuts to wealthy individuals and corporations. We must ensure this bill does not become law.