How OBBBA Punishes Medicaid Expansion States

The budget reconciliation law slashes Medicaid funding by more than $1 trillion and will have a devastating impact on patients, providers, and communities in every state. This chart identifies key provisions in which lawmakers imposed harsher cuts on states that have expanded Medicaid to low-income adults under the Affordable Care Act. These cuts will further erode access to health care for people residing in or receiving health care in the 41 expansion states.

For more information on implementation dates of all OBBBA's health provisions, see NHeLP's Budget Reconciliation Act Implementation Dates, Funding, and Authorities for Medicaid & Select Health Provisions.

Expansion State Penalty Provisions by Section

These provisions affect all states, but impose harsher cuts on expansion states.[1]

Section	Title	Implementation Date	Summary/Relevant Language	How Cuts Target Medicaid Expansion
71107	Eligibility Redeterminations	**1/1/27** **CMS Guidance no later than 12/31/25**	With respect to determinations for Medicaid expansion enrollees scheduled on or after 1/1/27, state must conduct redeterminations every 6 months.	**Requirements apply only to people enrolled in Medicaid expansion.**
71110	Expansion FMAP for Emergency Medicaid	**10/1/26**	Reimbursement for emergency-only Medicaid based on state's baseline FMAP, not 90% match for individuals who would have been eligible through Medicaid expansion.	**Requirements apply only to expansion states.**

[1] This chart refers to states that have expanded Medicaid under the Affordable Care Act as "expansion states".

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Section	**Title**	**Implementation Date**	**Summary/Relevant Language**	**How Cuts Target Medicaid Expansion**
71112	Reducing State Medicaid Costs	Applications made on or after **1/1/27**	Limits retroactive Medicaid to 1 month prior to application for expansion population and 2 months prior to application for non-expansion and CHIP.	**All states are affected but expansion states are further penalized.**
71114	Sunsetting Increased FMAP Incentive	**1/1/26**	Eliminates the 5% increase to the FMAP rate for states newly implementing Medicaid expansion.	**Removes an incentive for current non-expansion states to expand Medicaid.**
71115	Provider Taxes	**7/4/25:** Prohibition on new provider taxes; freeze on existing provider taxes; changes to uniform tax waiver (Secretary may provide up to 3-year transition for waiver changes). **10/1/27-9/30/32:** Expansion state provider tax reductions.	• **All states**: effectively prohibits new provider taxes by eliminating the "hold harmless" safe harbor for any new taxes; prohibits new and existing provider taxes that do not meet stricter new uniformity waiver requirements. • **Expansion States**: initially freezes provider taxes at current rates; beginning 10/1/27 (FY 2028), current 6% "hold harmless" safe harbor must be reduced by 0.5% per year until reaching 3.5% on 10/1/31 (FY 2032), exception for taxes on nursing or intermediate care facilities in effect on 5/1/25. • **Non-Expansion States**: freezes provider taxes at current rates (up to 6%).	**All states are affected but expansion states are further penalized.**

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Section	**Title**	**Implementation Date**	**Summary/Relevant Language**	**How Cuts Target Medicaid Expansion**
71116	State Directed Payments	**7/4/25:** Requirements for new SDPs **1/1/28:** Requirements for existing SDPs.	• **Expansion States:** 100% Medicare rate cap • **Non-Expansion States:** 110% Medicare rate cap • **All states**: - New SDPs subject to new payment rate cap. - Existing SDPs must reduce payment rates by 10% per year until reaching new cap.	**All states are affected but expansion states are further penalized.**
71119	Requirement for States to Establish Medicaid Community Engagement Requirements for Certain Individual	**6/1/26**: HHS Interim Final Rule (IFR) **12/31/26:** Deadline for states to begin outreach **1/1/27**: Deadline to implement; states may implement earlier under approved 1115 waiver or no later than **1/1/28** if granted one-time extension	Establishes work/community engagement requirements, provides limited exceptions; work requirement must be met prior to enrollment; verification frequency no less than at each required eligibility redetermination; requirements for states to establish ex parte verifications and states to notify applicable individuals on a periodic basis. • **Mandatory exceptions** for specific populations, including certain caregivers of children under 13 or disabled individuals; certain disabled veterans; people who are medically frail or otherwise have special needs, are participating in SUD treatment, or are pregnant/eligible for postpartum Medicaid. • **Optional exception at state discretion** for a short-term hardship event.	**Requirements apply only to people applying for or enrolled in Medicaid expansion.**

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Section	**Title**	**Implementation Date**	**Summary/Relevant Language**	**How Cuts Target Medicaid Expansion**
71120	Modifying Cost Sharing Requirements for Certain Expansion Individuals Under the Medicaid Program	**10/1/28**	Prohibits imposition of premiums or similar fees; requires states to impose cost-sharing greater than $0 and not to exceed $35 per service. Limits aggregate cost sharing to no more than 5% of family income (quarterly/monthly, at state discretion). Permits providers to condition provision of care on payment and to reduce or waive cost sharing. **Exceptions include:** • Services for individuals under 18 (or reasonable category over 18 at state discretion) • Services furnished to an institutionalized person receiving a personal needs allowance; • Primary, Prenatal, and Pediatric care, • Mental health/SUD services, • Emergency room services; and • Services provided by Federally qualified health centers, certified community behavioral health clinic, or rural health clinic.	**Requirements apply only to people enrolled in Medicaid expansion and their health care providers.**