



OBBBA Slashes Retroactive Coverage for Medicaid Beneficiaries

[Catherine McKee](#) and [Jane Perkins](#)

In the name of “reducing state Medicaid costs,” Congress has imposed significant restrictions on retroactive coverage—a move that will harm Medicaid beneficiaries and providers.¹

Currently, states must provide beneficiaries with coverage for health services “furnished in or after the *third month* before the month” of their Medicaid application (if they would have been eligible for coverage at the time the services were provided).² The OBBBA shrinks the period of retroactive coverage for beneficiaries who apply **on or after January 1, 2027**.

The rollback affects all beneficiaries, but is particularly harsh with respect to those in the Medicaid expansion population:

- Beneficiaries enrolled under the Medicaid expansion eligibility category will receive one month of retroactive coverage.
- All other beneficiaries will receive two months of retroactive coverage.³

These reductions in coverage shift costs from the federal and state governments to beneficiaries and providers. As Congress has previously recognized, full retroactive coverage protects individuals who do not know that they are eligible for Medicaid or are not able to apply until after they receive care for a sudden medical need.⁴ Without it, many beneficiaries will incur substantial medical debt.⁵ In addition, full retroactive coverage reduces uncompensated care costs for hospitals and other safety net providers, helping to ensure their financial stability and, ultimately, their ability to serve individuals who are eligible for Medicaid or who are uninsured.⁶

Roughly one year ago, CMS acknowledged the importance of the full retroactive coverage requirement, indicating that it was not inclined to grant any future state requests to waive the requirement under Section 1115 of the Social Security Act.⁷ That long-overdue conclusion was sound, as the existing waivers do not meet the Section 1115 criteria.⁸ With the enactment of the OBBBA, Congress has now abandoned its own reasoning and that of the federal agency.

ENDNOTES

¹ An Act to provide for reconciliation pursuant to title II of H. Con. Res. 14, Pub. L. No. 119-21, § 71112 (2025) [“OBBBA”].

² 42 U.S.C. § 1396a(a)(34) (emphasis added); *see id.* § 1396d(a).

³ OBBBA, § 71112(a), (b) (amending 42 U.S.C. §§ 1396a(a)(34), 1396d(a)); *id.* § 71112(d) (setting effective date).

⁴ H. Rep. No. 92-231, 92d Cong., 2d Sess., reprinted in [1972] U.S. Code Cong. & Admin. News 4989, 5099.

⁵ *See, e.g.*, Natalie Keen, Justice in Aging, *Medicaid Retroactive Coverage: What’s at Stake for Older Adults When States Eliminate this Protection?* (2019), <https://justiceinaging.org/wp-content/uploads/2019/09/Medicaid-Retroactive-Coverage-Issue-Brief.pdf>; N.H. Dep’t of Health & Hum. Servs., *Retroactive Coverage Waiver Submission* (2015), <https://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/nh/health-protection-program/nh-health-protection-program-premium-assistance-retro-cov-waiver-submission-12212015.pdf> (noting that during one 16-month period, retroactive coverage paid for over \$5 million in medical expenses for 4,657 individuals in the expansion population); Letter from Vikki Wachino, Dir., Ctr. for Medicaid & CHIP Servs., to Tyler Ann McGuffee, Ins. & Healthcare Pol’y Dir., Off. of Governor Michael R. Pence (July 29, 2016), <https://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/in/Healthy-Indiana-Plan-2/in-healthy-indiana-plan-support-20-lockouts-redetermination-07292016.pdf> (noting that 14% of parents/caretaker relatives used retroactive coverage, with the amount paid averaging \$1,561 per person).

⁶ *See, e.g.*, Virgil Dickson, *Hospitals Balk at Iowa’s Proposed \$37 Million Medicaid Cut*, MODERN HEALTHCARE (Aug. 8, 2017), <https://www.modernhealthcare.com/article/20170808/NEWS/170809906/hospitals-balk-at-iowa-s-proposed-37-million-medicaid-cut/>.

⁷ Letter from Daniel Tsai, Deputy Adm’r & Dir., Ctr. for Medicaid & CHIP Servs., to Stephen Smith, Dir. of TennCare (June 21, 2024), <https://www.medicaid.gov/medicaid/section-1115-demonstrations/downloads/tn-tenncare-iii-cms-ltr-to-state.pdf>; *see* 42 U.S.C. § 1315 (authorizing the HHS Secretary to waive requirements in § 1396a for experimental projects likely to promote the objectives of the Medicaid Act).

⁸ *See* Jane Perkins & Catherine McKee, Nat’l Health Law Program, *Medicaid Retroactive Coverage: Stop these Waivers* (2021), <https://healthlaw.org/resource/medicaid-retroactive-coverage-stop-these-waivers/>.