PARAGON
GOVERNMENT RELATIONS

SAFETY NET PROVISIONS IN FINAL RECONCILIATION PACKAGE

On July 3, the U.S. House of Representatives narrowly passed a final budget reconciliation package advancing new and expiring tax cuts, investing hundreds of billions of dollars in border enforcement, rolling back clean energy initiatives and making significant cuts to the safety net. Previously passed by a simple majority in the U.S. Senate with Vice President J.D. Vance serving as the tie-breaking vote, the measure now heads to President Donald Trump's desk for signature.

While detailed cost estimates from the non-partisan Congressional Budget Office (CBO) are not yet available, its analysis of earlier iterations suggests that the measure would cut Medicaid spending by nearly $1 trillion over 10 years, which, combined with changes to the *Affordable Care Act* (ACA), will lead to nearly 12 million individuals losing their health insurance. Cuts to the Supplemental Nutrition Assistance Program (SNAP) are projected to be roughly $186 billion over 10 years, with nearly 3 million individuals losing access to the program. At the same time, the measure is expected to increase the deficit by $3.4 trillion dollars over the same period.

The table below outlines major safety net changes passed in the final reconciliation package as well as their timeline for implementation. Provisions are ordered by their effective implementation date.

Note – provisions with an asterisk have implications for county human services agencies responsible for enrolling eligible individuals in the SNAP and Medicaid programs

Provision	Details	Effective Date
Expanded SNAP Work Requirements*	• Expands the definition of "Able Bodied Adults Without Dependents (ABAWDs)" to include individuals up to age 64 (up from 54 currently) and individuals with children age **14** and up • Secretary may only waive SNAP work requirements for areas with an unemployment rate of 10%, with an exemption for Alaska and Hawaii if their unemployment rate is at or greater than 1.5 times the national average • Eliminates Fiscal Responsibility Act of 2023 (FRA) exemptions for veterans, former foster youth and homeless individuals through October 1, 2030	**Upon enactment** ***Alaska and Hawaii may request "good-faith" waivers for implementation of expanded SNAP work requirements through December 1, 2028***

SNAP Standard Utility Allowances*	Limits the automatic application of the Standard Utility Allowance based on receipt of $20 or more from the Low Income Home Energy Assistance Program (LIHEAP) and exclusion of utility assistance from countable income to elderly and disabled households	**Upon Enactment**
SNAP Treatment of Internet Expenses*	Households can no longer include internet service costs when calculating their excess shelter deduction for SNAP benefits	**Upon Enactment**
SNAP Immigrant Eligibility	Limits SNAP eligibility to U.S. citizens or lawful permanent residents (green-card holders), removing eligibility for certain longstanding or humanitarian statuses apart from certain Cuban and Haitian nationals	**Upon Enactment**
Moratorium on Medicaid and Children's Health Insurance Program (CHIP) Streamlining Regulations*	Delays until 2035 the implementation of a rule simplifying Medicaid application, enrollment, and renewal processes and removing access barriers for children who access CHIP, including waiting periods, lifetime limits on coverage, and lock-out periods for failure to pay premiums	**Upon Enactment**
SNAP-Ed Program	Eliminated	**October 1, 2025**
Rural Health Transformation Fund	• Establishes $10 billion to make available annually over 5 years to mitigate the effect of the measure's Medicaid cuts on rural hospitals • States must apply for the funds with a detailed transformation plan outlining strategies to expand rural access, improve outcomes, leverage technology, boost clinician recruitment, and stabilize hospital finances • The Centers for Medicaid Services (CMS) Administrator **has sole discretion to approve states for the fund.** • Of states approved, 50 percent of the funds will be distributed equally and 50 percent will allocated at the discretion of the Centers for Medicare & Medicaid Services (CMS) administrator.	**States must apply and the CMS administrator must approve applications by Dec. 31, 2025** **Funding will be distributed on an annual basis beginning in FY 2026 through FY 2030.**
Value of the Child Tax Credit (CTC)	Maximum value increased from $2,000 to $2,200 per child beginning in tax year 2025	**Tax Year 2025**

	with an inflation-adjusted increase starting in 2026. Refundable portion (currently $1,700) remains phased in at 15% for households earning more than $2,500 in annual income.	
Caregiver Social Security Number (SSN) Requirement for the CTC	In addition to the child, the parent filing for the CTC must also have an SSN. For married couples, just one spouse must have a SSN. *Note: An estimated 2.5 million U.S. citizen children would lose access to the credit due to the caregiver SSN requirement.*	**Tax Year 2025**
SNAP Administrative Cost Share	Reduces federal contribution from 50% to 25%, making states and counties liable for 75%	**October 1, 2026**
Medicaid Immigrant Eligibility*	Limits Medicaid eligibility to U.S. citizens or lawful permanent residents (green-card holders) after a 5 year waiting period, removing eligibility for certain longstanding or humanitarian statuses apart from certain Cuban and Haitian nationals	**October 1, 2026**
Expansion FMAP Penalty for Emergency Medicaid Services	Medicaid expansion states cannot receive the Medicaid expansion FMAP of 90 percent when reimbursing emergency medical care to low-income adults who are ineligible for full scope Medicaid because of their immigration status. *States must, under federal statute, reimburse providers for emergency medical services for individuals otherwise eligible for Medicaid apart from their immigration status.*	**October 1, 2026**
More Frequent Medicaid Eligibility Redeterminations*	States must conduct eligibility redeterminations at least every 6 months for Medicaid expansion population, rather than annually. Individuals receiving SSI benefits are exempt.	**December 31, 2026**
Limiting Retroactive Medicaid Enrollment*	Limit retroactive Medicaid coverage from three months before the application date to one month before the application date for Medicaid expansion enrollees, and to two months for traditional Medicaid.	**December 31, 2026**
Medicaid Work Requirements*	• Impose an 80/hour a month work, education or "community engagement" requirement for individuals aged 19 to 64 • Tribes, fully disabled veterans, parents or caregivers with children **age 13 and**	**Dec. 31, 2026** ***The HHS Secretary must issue guidance to states by June 1, 2026.***

	under or of disabled individuals, pregnant women, former foster youth, and those deemed "medically frail" or with special medical needs (including substance use disorder) are exempt. • Individuals must demonstrate compliance with the work requirement for the month preceding enrollment, though states may choose to expand to 3 months prior • Individuals may be granted hardship exemptions for periods when they receive inpatient or similarly acute outpatient services or live in areas with federal disaster declarations • The Secretary may grant waivers to areas (including units of local government) with an unemployment rate of 8% or higher or 1.5 times the national average • $200 million in implementation grants will be allocated by formula to states in FY 2026	***States may request "good-faith" waivers to delay implementation through December 1, 2028.***
More Frequent Address Verifications*	To prevent duplicate enrollment across states, Medicaid state plans and waivers must provide a process to regularly obtain address information for individuals enrolled in Medicaid/CHIP from specific data sources	**January 1, 2027**
Medicaid Section 1115 Demonstration Waivers	Must be determined by the Centers for Medicare and Medicaid Services (CMS) to be budget neutral for approval. This applies to waivers up for renewal.	**January 1, 2027**
Medicaid State Directed Payment (SDP) Rate Freeze and Reduction	• New SDPs cannot exceed 100% of the Medicare rate in Medicaid expansion states or 110% in non-expansion states. • Existing SDPs must reduce by 10 percentage points annually until they equal 100% of the Medicare rate for expansion states and 110% of the Medicare rate for non-expansion states	**For new SDPs, upon enactment** **For existing SDPs, rate reduction must begin effective 2027**
SNAP Benefit Cost Share for States	• Payment error rates (PER) below 6% - states have no cost share • PER 6% - 7.99% - states pay **5%** share • PER 8% to 9.99% - states pay **10%** share	**October 1, 2027 (FY 2028) –** states may choose their PER from FY 2025 or FY 2026

	• PER 10% or higher -- states pay **15% share**	**FY 2029** on **–** PER from 3 fiscal years prior will inform cost share ***States with a SNAP PER above 13.3% in FY 2025 and/or FY 2026 can delay implementation of the cost-share until FY 2029 or FY 2030, respectively.***
SNAP Thrifty Food Plan Re-Evaluation	Future U.S. Department of Agriculture (USDA) re-evaluations of the Thrifty Food Plan (TFP) (which informs the value of SNAP benefits) must be cost-neutral	The next re-evaluation of the TFP can occur no earlier than **October 1, 2027 (FY 2028)**
Medicaid Provider Tax "Hold Harmless Threshold" Moratorium and Reduction	• States without provider taxes upon enactment of the bill may not impose them • Non-expansion states with provider tax rates will have their "hold harmless" threshold capped at 6% • In expansion states, incrementally lower the "hold harmless" threshold by 0.5 percentage points from 6% until capping it at 3.5% in FY 2032 • The dial-down would not apply to nursing or intermediate care facilities so long as the current threshold does not exceed 6%	**Upon enactment, states may not impose new provider taxes or increase their hold harmless threshold above 6%** **October 1, 2027, expansion states must begin the annual reduction of their "hold harmless" threshold**
Cost-Sharing for Expansion Population	Require states to charge expansion individuals earning over 100 percent of the Federal Poverty Level a co-pay of more than $0, but no more than $35 per service. Exempts requirement for primary, prenatal, pediatric, or emergency care, but allows cost-sharing for nonemergency medical transport under certain conditions.	**October 1, 2028**

Key Provisions Removed From Final Legislation

In order to adhere to certain parliamentary rules in the Senate, certain proposals were removed from the final text of the reconciliation package. This includes a provision that would have reduced the Federal Medicaid Assistance Percentage (FMAP) for the Medicaid expansion population by 10 percentage points for any states using state dollars to expand Medicaid coverage to undocumented.

Sequestration Cuts

Because this legislation is not paid for in its entirety, if it is enacted, the Office of Management and Budget must, under a 2010 law, make commensurate sequestration cuts to eligible mandatory programs unless Congress acts to waive these requirements, which are referred to as "S-PAYGO." Due to the size of the deficit increase enacted under the bill, if Congress does not waive PAYGO, Medicare may see $500 billion in cuts over 10 years. Additionally, sequestration cuts could end up eliminating the Social Services Block Grant, the Maternal, Infant and Early Childhood Home Visiting Program, and mandatory portion of the Promoting Safe and Stable Families programs through 2034. It is important to note that PAYGO does not kick in immediately upon enactment of legislation. OMB typically issues its PAYGO notice within 14 days of the end of a Congressional session. Thus, Congress will have several months to waive PAYGO requirements.