

Fiscal Policy Institute

# Emergency Briefing on Healthcare Provisions of the House Reconciliation Package

May 16, 2025



# Agenda

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- I. Introduction
- II. Timeline for Reconciliation
- III. Key impacts on New York:
  - Essential Plan
  - Medicaid
- IV. Timeline of impacts
- V. Q&A

# I. Introduction

# Introduction

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- This bill would be catastrophic for New York.
- Our coalition pressured Republicans into dropping some of the most devastating cuts so far (defunding the ACA expansion, per capita caps).
- But those cuts have been replaced with things that are just as bad – especially for New York.
- New York faces potential funding cuts in the multiple billions starting as soon as 2026 and increasing from there.
- New York's 1.8 million non-citizen immigrants (most of whom are lawfully present) are especially at risk.

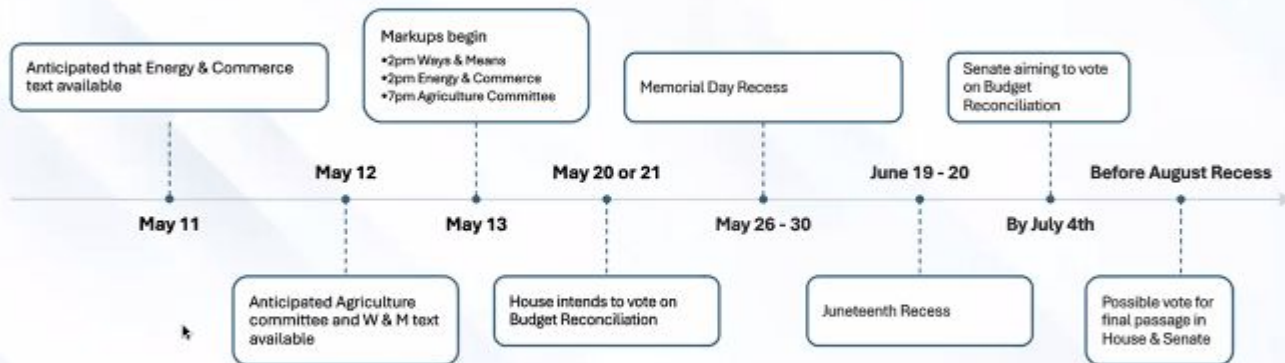
# This Isn't Over

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- The bill is still in active negotiation
- Swing district Republicans in New York likely don't understand how bad this will be for the state.
- The caucus is deeply divided.
- Healthcare cuts are incredibly unpopular.

# This Isn't Over

## Budget Reconciliation *current tentative timeline*



## II. The Cuts

## What's at Risk

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1. The Essential Plan: Proposed changes could destabilize the entire program, cost the state \$7.5 billion per year and put coverage for 1.6 million enrollees at risk, beginning as soon as January 2026.
2. Coverage for undocumented immigrants: New York would see its federal funding cut by ~\$2 billion a year as punishment for covering undocumented immigrants (mostly children) with state-only funds.
3. New York's MCO tax could be cancelled as soon as January 2026, throwing our recently passed budget into disarray.
4. Mandatory work requirements would cost the state up to \$500M to implement and cause millions to lose coverage.
5. Moratorium on State Directed Payments could create a major budget hole for NYC H+H



# **1. The Essential Plan**

## Background

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- The Essential Plan covers 1.6 million low-income people in NYS.
- Essential Plan enrollees fall into two categories:
  - US citizens who earn too much for Medicaid (138% of FPL) but less than 250% of FPL.
  - Non-citizen (but lawfully present) immigrants who make less than 250% of FPL but aren't eligible for Medicaid because of their immigration status.
- The Essential Plan *replaces the ACA exchange* in NYS for people who earn <250%.
- In other states, these people would get Premium Tax Credits. In NYS, the federal government gives the PTC to the state and the state operates the Essential Plan
- Total federal funding: \$13.2B projected.

# Essential Plan Impact

Essential Plan Category	Income	Enrollment (April 2025)	Notes
EP 1	150-200% of FPL	561,330	Mix of citizens and non-citizens
EP 2	138-150% of FPL	195,649	Mix of citizens and non-citizens
EP 3	100-138% of FPL	84,549	Mostly legally present non-citizens
EP 4	<100% of FPL	421,054	Mostly legally present non-citizens
EP 200-250	200-250%	427,304	Mix of citizens and non-citizens

- House bill would render most legally present non-citizens ineligible for PTC – impacting at least 500,000 EP enrollees.
- No PTC means no EP funding for those individuals.
- Likely cost to EP: \$7.5 billion (more than half of EP funding)
- Effective January 2026 for <100% FPL, January 2027 for others.

## State Impact

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- \$7.5 billion in lost federal funding for the Essential Plan.
- The state Constitution obligates us to provide state-funded Medicaid to lawfully present immigrants with incomes under 138% of FPL – so Medicaid population would grow by ~500k
  - State cost of ~\$2.7B
- The loss of federal funding for low-income immigrants would likely destabilize the Essential Plan as a whole, forcing many of the remaining enrollees onto the exchange (for US citizens) or leaving them uninsured (for lawfully present immigrants).
- Increase in Medicaid/uninsured population would cost safety net hospitals ~\$1.4 billion

## But that's not all!

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- Republicans are also proposing to allow the enhanced premium tax credits to expire which will:
  - Decrease funding for the Essential Plan, if it survives
  - Make individual market insurance dramatically more expensive for the 260k people who currently rely on it and any additional people forced off the Essential Plan onto the exchange.

## **2. Punishing States that Cover Undocumented Immigrants**

## Punishing State Coverage of Immigrants

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- NYS is one of 14 states that offer Medicaid/CHIP coverage to some categories of undocumented immigrants.
- This coverage is provided *at state expense*, with no federal funding.
- In New York, the largest category receiving coverage is undocumented children. Undocumented senior citizens are also eligible.
- Republicans are proposing to cut the ACA expansion population FMAP by 10 percentage points for states that offer *any* coverage to undocumented people through *any* program.
- Note that this FMAP cut is for spending on citizens – Republicans are not cutting funding to undocumented immigrants, there is no such funding.
- Likely cost to NYS is \$1.9 billion per year, starting in FY2027.

### **3. Ghosting Us on the MCO Tax**



## Cutting the MCO Tax by Regulation and Legislation

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- The state enacted an MCO tax in the FY25 state budget, and this tax was approved in December 2025.
- The tax is expected to support a total of \$7.9B in FYs 26-28. (Net of reimbursement to MCOs.)
- The FY26 budget relied on this funding to support:
  - \$500M of general Medicaid spending
  - \$300M Safety Net Transformation Program
  - Rate increases to hospitals, nursing homes, FQHCs, etc.
- The reconciliation bill threatens to cut this funding *immediately*, as soon as late CY2025 / January 2026.
- This would threaten to put NYS over the global cap, force revocation of rate increases, etc.
- Even if this isn't in the reconciliation it may happen through regulation anyway.

## **4. Work Requirements and Other Eligibility Changes**

# The Weaponization of Paperwork to Cut Healthcare

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- Republicans are proposing several key eligibility changes:
  - Work requirements
  - Eligibility checks twice a year
  - Mandatory copays
- One estimate suggests that work requirements could force 900k New Yorkers off insurance – even though 94% of Medicaid recipients already meet the requirements.
- These requirements are expensive to implement (state estimates \$500M).
- As of now, work requirements are the single biggest saver in the bill (\$300B)
- As of now, they won't be effective until January 2029 – but that could change on Monday!

## **5. Changes to State Directed Payments**

## State Directed Payments and Safety Net Hospitals

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- State directed payments (SDPs) allow state Medicaid programs to require Medicaid MCOs to pay higher rates to hospitals that need it.
- NYS currently uses this mechanism to provide \$1.6B in safety-net hospital funding.
- Existing SDPs would likely be “grandfathered in,” at least for now.
- BUT NYC H+H is currently waiting on federal approval of an SDP – which will now not happen, causing an immediate budget hole likely in the hundreds of millions of dollars.

## Reviewing the Cuts

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1. **The Essential Plan:** Proposed changes could destabilize the entire program, cost the state \$7.5 billion per year and put coverage for 1.6 million enrollees at risk, beginning as soon as January 2026.
2. Coverage for **undocumented immigrants:** New York would see its federal funding cut by ~\$2 billion a year as punishment for covering undocumented immigrants (mostly children) with state-only funds.
3. New York's **MCO tax** could be cancelled as soon as January 2026, throwing our recently passed budget into disarray.
4. Mandatory **work requirements** would cost the state up to \$500M to implement and cause millions to lose coverage.
5. Moratorium on **State Directed Payments** could create a major budget hole for NYC H+H

## There Are Even More Cuts

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1. Proposed asset test for LTSS could force elderly New Yorkers out of their homes.
2. Limited opportunity for NYers to prove immigration status.
3. Moratorium on new provider taxes and state directed payments limits ongoing flexibility to support safety net providers.
4. Changes to ACA enrollment and eligibility rules.
5. Ban on federal funding for gender-affirming care for minors.
6. Etc.

# Timeline

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- Current state fiscal year (FY26): MCO tax, Essential Plan risk, H+H SDP.
- Next fiscal year (FY27): Full impact of Essential Plan threat, cut related to undocumented immigrants.
- Farther in the future (so far): Work requirements.



## Assessing Overall Impact

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- Over 1 million more New Yorkers would be uninsured
  - Initial impact mostly from Essential Plan defunding, followed by work requirements.
- Increase in uninsured rate and downward pressure on provider rates would likely lead to widespread hospital closures.
- Overall budgetary impact would put enormous pressure on LTSS Medicaid, education funding, everything else.
- Potential total loss to state on the order of \$10B a year, primarily Essential Plan defunding and penalty for covering undocumented immigrants.

# Debunking the Myths 1

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- Proponents of the bill say that it achieves savings by ending Medicaid coverage for undocumented immigrants and lazy able-bodied adults. In fact:
  - The federal government DOES NOT CURRENTLY FUND Medicaid for undocumented immigrants.
  - 94% of Medicaid recipients already work, are in school or take care of a loved one. (It's hard to get by in NYS without a job.)
  - The vast majority of people who would lose coverage would be lawfully present immigrants and US citizens who are currently working.

## Debunking the Myths 2

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- Republicans say they are protecting the most vulnerable
  - Arguably immigrant children (lawfully present or otherwise) are vulnerable and this bill is a direct attempt to defund their healthcare.
  - LTSS Medicaid for the elderly and disabled is the largest component of NYS Medicaid funding and is growing quickly. Sending the state into a budget crisis will lead to huge cuts to this category of spending.
  - A less healthy state, hospital closures, chronic illness, and job losses will leave all New Yorkers worse off.

## The Good News

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- We have already beaten back some of the worst proposals:
  - No overall change to FMAP, no elimination of provider taxes, no block grants or per capita caps.
  - Many of the worst provisions are delayed until after the midterms – Rs know that they're unpopular.
  - New York Republicans likely don't fully understand the impact on their districts.
- The next month is critical!

# Q&A

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