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One Big Beautiful Fiscal Crisis

The healthcare provisions in the Senate’s reconciliation bill will put a massive strain on New York’s budget and healthcare system – starting this fiscal year.

Introduction

Yesterday, in a 51-49 vote, Senate Republicans passed the “One Big Beautiful Bill Act” (OBBBA), which, if passed by the House this week, will increase the national debt by approximately \$4 trillion while leaving 11 million more Americans uninsured by 2035.¹ The bill is significantly more draconian in its Medicaid cuts than the version passed by the House in May, cutting the program by \$1 trillion over 10 years, rather than the \$800 billion proposed in the House bill. The impact on New York will be dramatic; the state has estimated that the bill will have a \$13.5 billion annual impact on the state budget and leave 1.5 million additional New Yorkers uninsured, returning the state’s uninsurance rate to levels not seen since before the passage of the Affordable Care Act.²

Some of these impacts will phase in over time as various provisions go into effect over the next three years. But others – including the changes to the Essential Plan which represent the single largest threat to New York’s health system and budget – will begin almost immediately, effective January 1, 2026. This brief describes the timeline of the most immediate impacts.

\$4.7 billion in Annual Budget Impacts, Starting January 1, 2026

Three of the most significant provisions in the bill will go into effect in less than six months: Cuts to the Essential Plan and elimination of the MCO tax.

Essential Plan: Beginning January 1, 2026, the 506,000 lawfully present immigrants (mostly green card holders) currently enrolled in the Essential Plan and earning less than 138 percent of the federal poverty level will lose eligibility for that plan. (On January 1, 2027, a further 250,000 immigrants with incomes above that level would see cuts.) As FPI has [previously written](#), these cuts would have a triple impact on New York. First, New York would lose a total of \$7.6 billion in federal funding to cover this population (with most of that loss starting in 2026). Second, because lawfully present New Yorkers have a

¹ <https://www.crfb.org/blogs/senate-obbbba-charts>, <https://www.healthcaredive.com/news/11-million-uninsured-gop-reconciliation-congressional-budget-office-cbo/749871/>

² <https://www.governor.ny.gov/news/governor-hochul-updates-new-yorkers-impact-house-republican-budget-bill-new-york-states-health>

Constitutional right to Medicaid if they are income-eligible for the program, the state would need to enroll the 506,000 people who earn less than 138 percent of the poverty line in state-funded Medicaid, at a cost of \$2.7 billion. Third, the loss of so much funding and enrollment could destabilize the Essential Plan for its remaining 850,000 enrollees. (All seven New York Congressional Republicans asked the Senate to delay EP changes until 2029, but their request was ignored, and none have committed to vote against the bill.)

MCO Tax: New York initiated a provider tax – [the MCO tax](#) – at the beginning of 2025, projected to raise \$1.5 billion annually. This form of tax – which is used by every state but Alaska to fund Medicaid – will be heavily impacted by the reconciliation bill. New York’s tax in particular could be eliminated by January 1, 2026, at a cost of \$1.5 billion in annual revenue.

Implementation of Work Requirements: Work requirements for Medicaid are set to begin January 1, 2026, as well, although states may apply for extensions which the federal government can grant at its discretion. Experience in other states has shown that implementing work requirements will require a vast and expensive bureaucracy. New York State has estimated that they would cost \$500 million to implement here. New York will need to undertake that spending immediately, or risk losing federal Medicaid funding next year.

Summing up the impacts: The *state budget* impacts of the OBBBA will be enormous beginning in calendar year 2026 – totaling at least \$4.7 billion in annual terms, including \$2.7 billion in Medicaid costs stemming from the shift from EP to Medicaid, \$1.5 billion in lost MCO tax revenue, and \$500 million in work requirement implementation costs. The impacts on New York’s *healthcare system* – the healthcare providers who offer care and the workers and local economies they support – are more difficult to calculate but will ultimately be larger. As individuals become uninsured due to EP changes and Medicaid work requirements, those people will stop seeking preventive care – but they’ll still be forced to go to the ER in emergencies, and when they do, providers will not be paid for their treatment. Medicaid funding, after all, does not typically go to *Medicaid beneficiaries* – it goes to the providers who treat them. When Medicaid funding is slashed dramatically, those providers will struggle to keep the lights on.

Table 1. On- and Off-Budget Impacts in CY 2026

Policy	State Budget Impact	Health System Impact	Total Impact	Notes
Essential Plan Cuts	\$2.7 billion	At least \$4.9 billion	\$7.6 billion	Most health system impact will begin in CY 2026, but the full impact will not begin until CY 2027.
MCO Tax	\$1.5 billion		\$1.5 billion	Beginning CY26.

Implementation of Work Requirements	\$500 million	~1 million uninsured, several billion dollars in uncompensated care	Unknown – at least several billion.	
Total	\$4.7 billion	Unknown, as much as \$10 billion over time.	Unknown	Total long-term health system impact will be driven by loss of coverage.

The impact of these cuts, then, will extend well beyond the individuals who lose coverage. Whole communities rely on hospitals funded by Medicaid and the Essential Plan; as FPI has [previously shown](#), Medicaid cuts could put dozens of state hospitals at risk of closure.

Billions More in Impacts in 2027-28

New York's state budget and healthcare system will struggle to absorb the immediate impacts of OBBBA in its first year – but the picture will continue to darken in future years. Among many changes expected over the next several years:

- **Further cuts to the Essential Plan:** As described above, 250,000 New Yorkers enrolled in the Essential Plan who earn over 138 percent of the federal poverty level will lose coverage on January 1, 2027. This group is not eligible for Medicaid and will become uninsured.
- **Coverage drops and uncompensated care:** The state has estimated that 1.5 million New Yorkers will lose coverage due to the bill, through changes to Medicaid, the Essential Plan and individual market coverage. This coverage loss will face hospitals across the state with skyrocketing uncompensated care costs. Many hospitals are already in shaky fiscal condition and will be forced to close absent further state support.
- **State-directed payments:** The state's largest source of safety net hospital funding, the State Directed Payment program, will face annual cuts beginning in 2028.
- **Provider taxes:** While New York's MCO tax will be eliminated almost immediately, the Health Facility Cash Assessment program, which it uses to fund safety net hospitals, will be phased out over time beginning in 2028, at a further cost of billions of dollars.
- **Rising safety net hospital needs:** The state will face a perfect storm of financial pressures on rural and urban hospitals: Hospitals will be asked to provide more uncompensated care, while federal funding to support them will be cut. The state will face enormous pressure to use state tax dollars to keep hospitals open, at the cost of other programs.

It is not possible to assess the full impact of these changes, but state budget and health system impacts will be on the order of \$15-20 billion annually.

A Fiscal Crunch Will Impact the Elderly and Disabled

Conservatives have sought to argue that the OBBBA cuts are targeted at healthy adult Medicaid beneficiaries, but as we have shown, the bill's provisions amount to a massive cut to aggregate funding for the state's healthcare system. Lawmakers will need to make tough choices about how to make up for billions of dollars in cuts – whether to provide state funds to keep people insured or let the uninsured rate skyrocket, whether to prop up distressed hospitals or let them close, whether to pay providers fairly or cut rates, etc.

In these circumstances, it is inevitable that community-based long-term care for the elderly and disabled will face significant cuts. Long-term care accounts for nearly half of all New York State Medicaid spending and is growing rapidly as the population ages; in a much darker fiscal environment, this growth won't be sustainable, and the state may have little choice but to cut eligibility and benefits.

What's in it for New York?

As of this writing, House Republicans may still vote down the bill in its current form and go back to the bargaining table. New York representatives alone have the votes to block passage in the narrowly divided House.

Such a course would be wise. The bill in its current form will throw the state into an immediate fiscal crisis, cause millions of New Yorkers to lose insurance coverage while closing down community hospitals, and likely force the state to raise taxes. FPI has previously estimated that the House bill would cost New York [215,000 jobs](#); the Senate bill's impact will likely be even larger. OBBBA will be harmful nationwide, but New York is uniquely at risk given its high immigrant population. New York House Republicans have failed to mitigate those risks, and their demand that the Essential Plan be protected has been ignored.