

July 10, 2025

New York Will Lose \$23 Billion Per Year Under The “One Big Beautiful Bill Act”

1.5 million New Yorkers will lose their health insurance

Last Friday, July 4, 2025, President Trump signed a sprawling piece of legislation —referred to as the “One Big Beautiful Bill Act” (“OBBBA”) — that enacts one of the most regressive set of tax and spending cuts seen in United States history. In addition to redistributing towards the wealthy and cutting programs that support the health and wellbeing of low- and middle-income families, the bill adds significantly to the federal debt and reverses important progress that has been made towards stemming climate change.

The OBBBA reduces tax revenue by \$4.5 trillion over the next 10 years and cuts spending by \$1.5 trillion. Combined with added spending on programs like the ramping up of the budget for Immigration and Customs Enforcement (ICE), the OBBBA adds \$3.3 trillion to the federal deficit over the next 10 years.

The OBBBA spending cuts are concentrated in Medicaid and food stamps (SNAP), with devastating effects for New Yorkers. The bill will cut federal funding to the New York State budget by approximately \$10 billion *annually* and kick 1.5 million New Yorkers off their health insurance, more than doubling the statewide uninsured population. On top of the direct fiscal costs to New York State, the OBBBA will cut an additional \$13 billion in funding to New York’s healthcare system. Cuts to healthcare funding will hit New York’s many financially distressed hospitals, forcing [closures across the state](#). FPI [previously estimated](#) that cuts to healthcare spending will eliminate 215,000 jobs statewide, raising the unemployment rate by 50 percent.

The OBBBA will also reduce federal funding for food stamps (SNAP) – a program that keeps 3 million low-income New Yorkers from going hungry – but it requires state governments to fill in these spending gaps, which would cost New York State up to \$1.4 billion annually.

Ultimately, New York’s elected leaders will be forced to make hard choices between new tax measures to fund these obligations and spending cuts to the State’s most important safety-net programs. To protect New Yorkers from the draconian cuts coming from Washington, New York lawmakers must convene a special session and establish new revenue measures to pay for funding gaps.

Impact of Federal Cuts to New York

Provision	Cost to New York	Cost to Healthcare System	Timing
Essential Plan State Takeover	\$2.7 billion		1/1/26
Essential Plan Loss of Funding (Net of State Takeover)		\$4.9 billion	1/1/26
Cancelling the MCO tax	\$1.6 billion		1/1/26
Medicaid work requirements	\$500 million	\$8.1 billion	As early as 12/31/26
Cut to Disproportionate Share Hospital cap	\$1.8 billion		9/1/25 (unless cancelled)
Changes to State-Directed Payments and Provider Taxes	~ \$1.6 billion over time		Starting in 2030
SNAP benefits cost shifting	\$1.1 billion		Starts 10/2027; increases 10/2028
SNAP administrative cost shifting	\$266 million		10/2026
TOTAL CUTS	~ \$10 billion	~ \$13 billion	

Note: Some cuts will directly impact the state budget, while others will impact the state's healthcare system. For example, implementing work requirements will cost the state \$500 million directly, while the Medicaid coverage loss associated with those requirements will cost healthcare providers \$8.1B.

Major Changes to Medicaid and Healthcare Funding

Provision	State Budget Impact	Health System Impact	Health Insurance Coverage Impact	Timing
Essential Plan Changes	\$2.7 billion	\$4.9 billion	-225,000	Begins 1/1/2026
MCO tax cancellation	\$1.6 billion			Begins 1/1/2026
Medicaid Work Requirements	\$500 million implementation cost, potential \$1.4 billion benefit savings	\$7.6 billion	-1.2 million	As early as 12/31/2026
Cut to Disproportionate Share Hospital (DSH) cap	\$1.8 billion			9/1/25 (unless cancelled)
Changes to ACA exchange		\$200 million	-80,000	As early as 1/1/2026
Changes to State-Directed Payments and Provider Taxes	Perhaps \$1.6B over time			Starting in 2028
Total	\$8.4 billion	\$12.7 billion	-1.5 million	

Major Changes to SNAP

Provision	Description	Fiscal Cost to New York	Timing
Administrative cost sharing with states	Increasing states' share of administrative costs from 50% to 75%	\$266 million	October 2026
State cost sharing for benefits/entitlements	Requiring states to pay for up to 15% of SNAP benefits, based on their payment error rates	\$1.1 billion	Begins October 2027 (with possible increase in October 2028)
Increased eligibility restrictions for SNAP	Imposing time limits and work requirements on adults of school aged children (over 14), adults ages 55-64, veterans, refugees, asylum seekers, etc.	No major cost to state; New Yorkers will lose benefits.	Begins immediately

Explanation of Provisions

1. **Essential Plan:** New York State offers Medicaid-like health insurance to 1.6 million people through the Essential Plan, which is completely funded by the federal government under the Affordable Care Act (also known as “Obamacare”). The Essential Plan covers both US citizens and lawfully present immigrants whose incomes fall below 250% of the federal poverty line.¹ The OBBBA would eliminate federal funding for hundreds of thousands of legal immigrants enrolled in the Essential Plan, including green card holders, with the following consequences:
 - a. New York State will lose \$4.9 billion annually in federal funding.
 - b. New York State will have to spend an additional \$2.7 billion annually to cover immigrants who are currently eligible for the Essential Plan, but, upon losing Essential Plan coverage, will be moved onto the State’s Medicaid rolls and paid for exclusively through state spending.²
 - c. 250,000 lawfully present immigrant New Yorkers will lose their health insurance because they earn more than 138% of the federal poverty line and are not eligible for state-funded Medicaid.
 - d. New Yorkers who buy private health insurance on the individual market will see increased costs, and the Essential Plan will offer reduced benefits, as healthy individuals choose not to buy private insurance and the remaining insured population becomes older and sicker overall.
2. **Cancellation of the \$1.6 Billion MCO Tax:** As of 2025, New York funds a portion of its Medicaid program with a tax on managed care organizations that was recently authorized by the federal government.³ The OBBBA would reverse this federal authorization and ban such funding mechanisms effective as soon as late 2025, which could cost the state up to \$1.6 billion in the current state fiscal year. This funding is currently used to support healthcare provider rate increases, keep financially distressed hospitals open, and support general Medicaid expenses.
3. **Medicaid Work Requirements:** The OBBBA would force states to impose a complex system of bureaucratic eligibility checks on its Medicaid population. The State has estimated that this system would cost as much as \$500 million to implement. Experience in other states demonstrates that such systems lead many Medicaid recipients to be kicked off the rolls for paperwork issues, even though the vast majority of Medicaid beneficiaries already work or are otherwise exempt from the requirements.
4. **Job Losses and Hospital Closures:** The impact of cuts to Medicaid and the Essential Plan will have large impacts on the state economy including healthcare employment and the financial sustainability

¹ 250 percent of the federal poverty line is \$39,000 for a single individual, \$53,000 for a two-person household, \$67,000 for a three-person household, and \$80,000 for a four-person household. The federal poverty line is notoriously low, leaving the Essential Plan to cover many low-income New Yorkers who are ineligible for Medicaid.

<https://info.nystateofhealth.ny.gov/EssentialPlan>.

² Under New York State law, the State has a constitutional obligation to cover this population regardless of whether the federal government contributes to the cost of their health insurance coverage.

³ The tax is used to generate additional federal funding, as it allows the State to spend more on Medicaid and then receive a larger allocation of matching federal funding.

of hospitals in New York. With sweeping cuts to Medicaid, New York could see dozens of hospital closures across both the New York City metropolitan area as well as upstate. Medicaid cuts will also cause major disruption to the overall workforce in New York, potentially eliminating over 75,000 healthcare jobs and over 200,000 overall jobs in the state.

5. **Cut to DSH Cap, State-Directed Payments, and Provider Taxes:** The Disproportionate Share Hospital (DSH) program provides funding for safety-net hospitals that serve a large share of Medicaid patients. The Affordable Care Act, as enacted, proposed significant cuts to DSH which would have had a dramatic effect on New York safety net hospitals. However, these cuts have been deferred by Congress for over a decade, and DSH funding has remained at its original level. The House version of the reconciliation bill proposed a further deferral of the cuts through 2028, but the Senate eliminated this provision, so under current law cuts are expected to take place beginning in September 2025. However, it is possible that a future federal appropriations bill could defer this cut once again. Over the longer term, changes to State-Directed Payments and restrictions on the use of provider taxes to raise federal funds will likely decrease federal funding to New York by an additional \$1.6 billion. These cuts won't take effect until 2028.
6. **\$1.4 Billion in State SNAP Costs:** The OBBBA substantially reduces federal spending on SNAP – also known as food stamps – by shifting costs to states. That is, it reduces federal funding for the program while assuming that state governments can simply absorb billions of dollars in additional program expenses. In New York, these additional expenses will total \$1.4 billion annually. The costs will start to hit New York in October 2026 and will fully phase in by October 2027. Additionally, the OBBBA adds more stringent work requirements for SNAP eligibility that will immediately cause hundreds of thousands of New York adults and children older than age 14 to lose access to benefits. Further, research shows that [work requirements reduce SNAP participation even for those who remain eligible](#). That is, a significant number of vulnerable New Yorkers will go hungry simply due to bureaucratic red tape.