



Medicaid & 119 HR 1

Kentucky Medicaid Oversight and Advisory Board

July 30, 2025



How NCSL Serves State Legislatures

The National Conference of State Legislatures (NCSL) is the **bipartisan** organization serving **legislators and legislative staff** in America's 50 states, D.C. and territories.

With a strong belief in the importance of the legislative institution, NCSL knows **when states are strong, our nation is strong.**



Source: NCSL

POLICY RESEARCH

NCSL provides trusted, nonpartisan policy research and analysis

CONNECTIONS

NCSL links legislators and staff with each other and with experts

TRAINING

NCSL delivers training tailored specifically for legislators and staff

STATE VOICE IN D.C.

NCSL represents and advocates on behalf of states on Capitol Hill

MEETINGS

NCSL meetings facilitate information exchange and policy discussions

Medicaid & HR 1

HR 1: Overview of Medicaid Provisions

HR 1: New Flexibilities and Funding Opportunities

HR 1: Major and Miscellaneous Provisions

Key Questions



Medicaid & HR 1

HR 1: Overview of Medicaid Provisions



119 HR 1- Medicaid Provisions – Four Takeaways

1. 119 HR 1 includes more than 20 policies specific to Medicaid.

2. Policies are **complex** and range in potential state impact:

- Changes to fed-state financing
- Limits on state flexibilities
- Coverage impact
- Funding opportunities and new waiver flexibility

3. Five policies account for **85%** of federal savings.

4. Policies address cost-drivers for the **federal government:**

- enrollment
- provider payments
- state financing

States may not realize same savings.

Five Policies Account for over 85% of Federal Savings

1. Work or community engagement requirements (\$326 billion)
2. Repeal of prior administration eligibility and renewal rules (\$122 billion)
3. Moratorium on provider taxes & reduction in hold harmless threshold (\$191 billion)
4. Limits on state-directed payments (\$149 billion)
5. Increasing the frequency of eligibility redeterminations for the expansion population (\$63 billion)

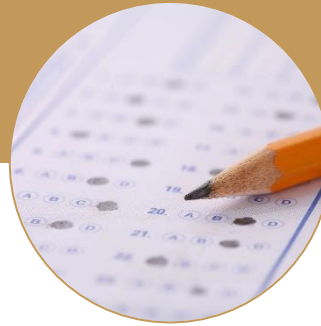
Source: [Estimated Budgetary Effects of 119-21](#) | CBO (July 4, 2025)

Timing



2025

- Prohibiting payments to certain providers (Section 71113) (*Litigation ongoing*)
- Rural Health Transformation Fund applications (Section 71401)
- Limits on new state directed payments (Section 71116)
- Limits on provider tax waivers (Section 71117) (*Three year transition at CMS discretion*)



2026

- Work or community engagement requirements (Section 71119)
- Increased frequency of eligibility determinations (Section 71107)
- Limits on new provider taxes (Section 71115)*
- Changes to immigrant eligibility (Section 71109, 71110)



2027 and Beyond

- Provider tax and state directed payments reductions (Sections 71115, 71116)
- Cost-sharing for expansion enrollees (Section 71120)
- New HCBS Waiver (Section 71121)
- Erroneous excess payments (Section 71106)

Tying it all together . . .

- Timeline and scope of impact varies by state and policy.
- The federal bill limits state tools and flexibilities to balance state Medicaid budgets . . . but state flexibilities still exist.
- Combined effects on provider payments are significant, but not all providers impacted equally.
- Medicaid is only one piece in the state budgetary puzzle.
- Stakeholder involvement and proactive planning may help.

Medicaid & HR 1

HR 1: New Flexibilities and Funding Opportunities



Rural Health Transformation Fund (Section 71401)

What it Does:

Appropriates \$50 billion in rural health transformation state grants over five years (\$10 billion / year)

50% of funds allocated to approved states equally

50% of funds allocated to at least one quarter of approved states based on rural factors (percent of population, rural health facilities, hospital status)



EFFECTIVE DATE

State applications due by December 31, 2025.

Funds distributed \$10 billion per year for FYs 2026-2030.

KENTUCKY IMPACT

Kentucky is eligible.

Applications made through the governor's office.

Total dollar amount TBD.



OTHER CONSIDERATIONS

Applications must include a rural health transformation plan.

Funds cannot be used to make up the state share of Medicaid funding.

CMS administers – has discretion over approvals.



New Home- and Community-Based Services Waiver (Section 71121)

What it Does:

Allows states to establish 1915(c) waivers for individuals who do not need an institutional level of care.

Appropriates \$100 million in state grants to support HCBS systems.

Grants allocated based on proportion of HCBS population compared to all states.



EFFECTIVE DATE

Waiver option effective July 1, 2028

CMS allocates \$100 million in grants to states in FY 2027.

KENTUCKY IMPACT

TBD



OTHER CONSIDERATIONS

State has to attest that new waiver will not increase the average waitlist duration for individuals who need institutional care.

Details on grant applications TBD.

Medicaid & HR 1

HR 1: Major and Miscellaneous Provisions



Work or Community Engagement Requirements (Section 71119)

What it Does:

- Requires states to implement work or community engagement requirements for the expansion population.
- Prohibits 1115 waivers to waive requirement but permits 1115 waivers to implement ahead of schedule.
- Appropriates \$200 million in grant funds for state implementation.



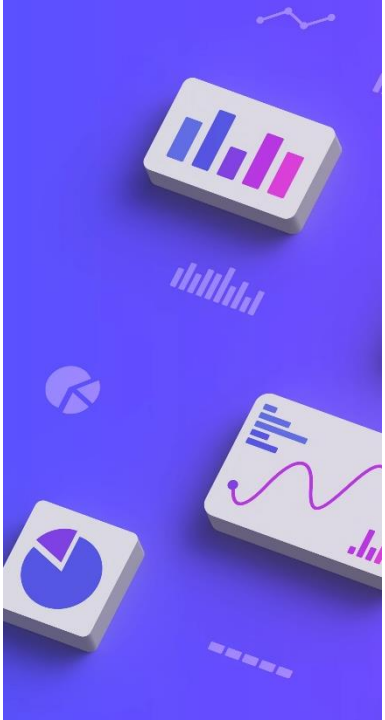
EFFECTIVE DATE

- CMS issues interim rule June 1, 2026.
- Grants allocated in FY 2026.
- Work requirements go into effect January 1, 2027.
- Good faith extension for implementation through December 31, 2028.



KENTUCKY IMPACT

- Kentucky subject to requirement as expansion state.
- Kentucky work or community engagement requirements **vary from** requirements in HR 1.



OTHER CONSIDERATIONS

- Savings result from coverage loss.
- Administrative costs may exceed grant funds.
- Effect on 1115 waivers that do not align with statute unclear.
- Good faith extension in CMS’s discretion.

Increased Frequency of Redeterminations & Cost-Sharing (Sections 71107, 71120)

What it Does:

Requires states to redetermine eligibility for the expansion population every six months (instead of annually).

For expansion adults with income up to 100% of FPL, requires states to impose copayments on all services except those exempted under existing law. Caps cost-sharing at \$35 dollars per service and 5% of total family income annually.



EFFECTIVE DATE

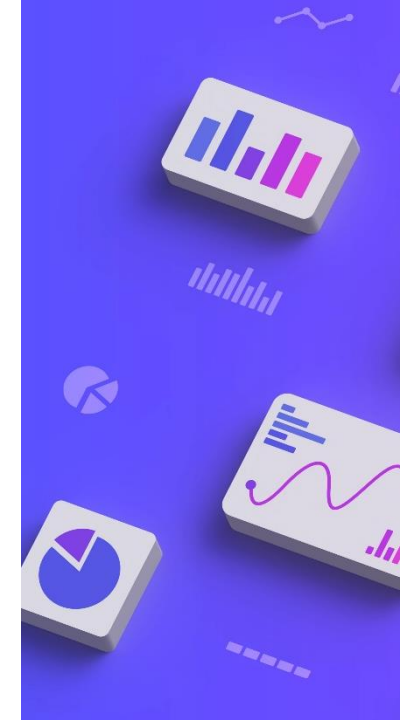
Increased frequency of redeterminations effective January 1, 2027.

Cost-sharing effective October 1, 2028.

KENTUCKY IMPACT

Kentucky subject to requirements as expansion state.

Current eligibility and enrollment practices will inform cost & coverage impacts.



OTHER CONSIDERATIONS

Costs depend on current state practice.

Ongoing costs associated with increased staffing.

County-based eligibility processes may be more complex to upgrade.

Tracking cost-sharing as a percent of income administratively challenging.

Provider Tax Limits (Sections 71115, 71117)

What it Does:

Hold harmless threshold for **new** taxes reduced to 0%, for all states.

Hold harmless threshold for **existing** taxes reduced from 6% - 3.5% for **expansion states**.

Nursing facilities and ICF-IDDs exempt from reduction.

Limits provider tax waivers.



EFFECTIVE DATE

Moratorium = October 1, 2026*

Reduction in hold harmless threshold = January 1, 2028.

Provider tax waiver limits = July 4, 2025, but states have three years to transition payment arrangements.

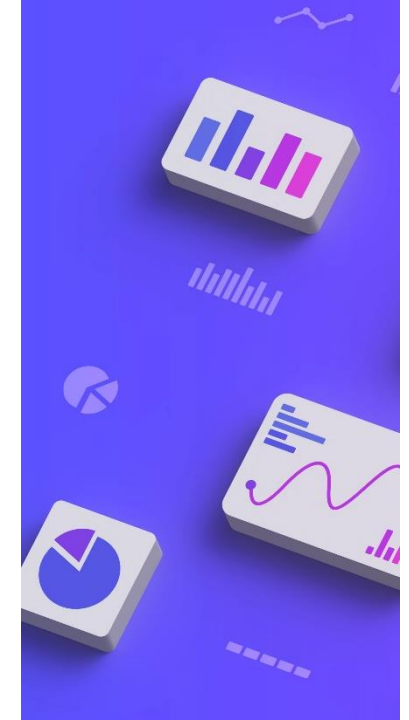
*Impact on state flexibilities between July 4, 2025 & October 1, 2026 complex.

KENTUCKY IMPACT

According to KFF, Kentucky has three or more provider taxes, none of which exceed 5.5% net patient revenue.

According to KFF, Kentucky hospital and/or managed care taxes are less likely to be affected.

Waiver information unknown.



OTHER CONSIDERATIONS

Reduces revenue and limits state tools to respond to budget conditions.

May reduce supplemental payments to providers.

Opportunity for new taxes that meet hold harmless requirements (no safe harbor for supplemental payments).

Limits on State Directed Payments (Sections 71116)

What it Does:

Caps new state directed payments at 100% of Medicare or equivalent Medicaid rate *for expansion states*.

Certain payment arrangements approved or submitted by July 4, 2025 are grandfathered.

Starting in 2028, grandfathered payments reduced by 10% annually for *all states* down to limit.



EFFECTIVE DATE

Cap on new payments started July 4, 2025.

Annual payment reductions start January 1, 2028.

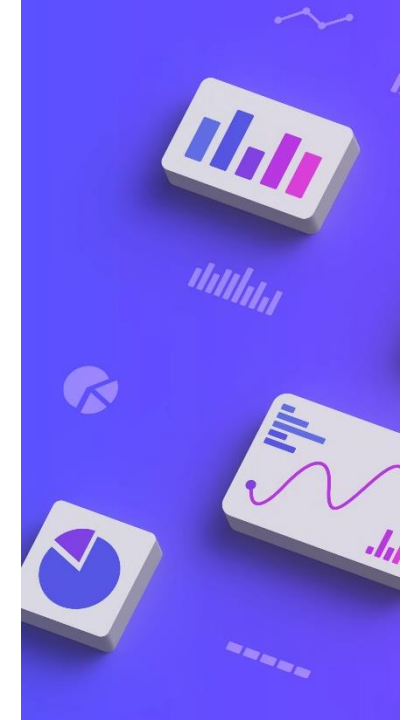
Overlap in timing between distribution of rural health fund and phasing down directed payments (2028-2030).

KENTUCKY IMPACT

Kentucky subject to 100% cap.
According to KFF, Kentucky would likely need to reduce hospital or nursing facility payments to comply with reduced rates.

Kentucky has 11 approved state directed payment preprints.

Kentucky CHFS estimated \$5.5 billion dollars at risk.



OTHER CONSIDERATIONS

Potential state savings, but limits state flexibility.

State use of Medicaid equivalent rates TBD, but unlikely to be available to hospitals

Impacts vary by provider type and purpose of directed payment.

Prohibiting Payment to Certain Providers (Section 71113)

What it Does:

Prohibits federal Medicaid payments to Planned Parenthood and similarly situated providers for one year.



EFFECTIVE DATE

Effective July 4, 2025*

*Subject to ongoing litigation



KENTUCKY IMPACT

May limit Medicaid beneficiary access to preventive services covered by the state Medicaid program (like wellness checks or STI screenings) provided at Planned Parenthood clinics or similarly situated providers.



OTHER CONSIDERATIONS

Currently subject to ongoing litigation.

Immigrant Eligibility and Federal Match (Sections 71109, 71110)

What it Does:

Reduces federal match for emergency Medicaid benefit to state base rate for ***expansion states***.

For ***all states*** certain categories of immigrants are no longer eligible for Medicaid as “qualified non-citizens” (e.g. refugees, asylees, victims of human trafficking or domestic violence, etc.)



EFFECTIVE DATE

Effective October 1, 2026.

KENTUCKY IMPACT

Kentucky will have emergency Medicaid federal match reduced from expansion rate to state base rate for certain beneficiaries.

Kentucky will need to update eligibility systems for immigrants who were previously qualified.



OTHER CONSIDERATIONS

Applies to immigrants with legal status who previously qualified for Medicaid.

Implementation of eligibility will impact erroneous excess payments.



Erroneous Excess Payments (Section 71106)

What it Does:

Under current law, payments in excess of the 0.03 allowable rate can be recouped by federal government.

Expands the scope and type of information used to calculate a state's "erroneous excess payments."

Limits Secretary's authority to waive excess payments that exceed the allowable rate.



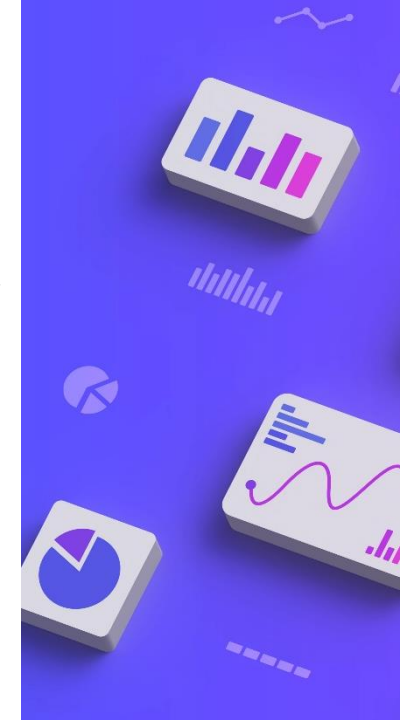
EFFECTIVE DATE

Effective October 1, 2029.

KENTUCKY IMPACT

Kentucky payment error rate measures (PERM) and any other audit results could impact Kentucky payments in the future.

Kentucky's implementation of eligibility provisions in HR 1 could impact erroneous excess payments.



OTHER CONSIDERATIONS

Provision is complex.

As enacted, "erroneous excess payments" could include all audit results (PERM, OIG, etc.), insufficient documentation for eligibility, and certain payments for non-citizens.

Erroneous excess payments can be recouped in a variety of ways.

Miscellaneous Provisions

While every state is different, the following provisions are less likely to have significant impact on state budgets, coverage or operations.



PROGRAM INTEGRITY

- **71103.** Reducing duplicate enrollment under Medicaid and CHIP
- **71104.** Ensuring deceased individuals do not remain enrolled
- **71105.** Ensuring deceased providers do not remain enrolled

ELIGIBILITY

- **71108.** Revised home equity limit for determining eligibility for long-term care services under the Medicaid program
- **71112.** Reducing state Medicaid costs (retroactive coverage)

OTHER

- **71114.** Sunsetting increased FMAP incentive
- **71118.** Requiring budget neutrality for Medicaid demonstration projects under section 1115*

*Newly determined by CMS Actuary, which could affect approvals and processing time.

Medicaid & HR 1

Key Questions



Key Questions

SCOPE OF IMPACT

- **Who is impacted** (providers, beneficiaries, state agency)?
- **What is the fiscal impact** (scope and purpose of provider taxes & state directed payments, impact on state financing, cost of implementation, savings)?

STAKEHOLDERS

- **Who is impacted** (providers, beneficiaries, state agency)?
- **Who has the data needed** (employers, managed care, state agencies, beneficiaries)?
- **Who needs to work together to implement?**
- **Who is responsible for applying for state grants** (governor, Medicaid agency, other)?

RESOURCES & TIMING

- **What is the most pressing timeline?**
- **Special session needed?**
- **Are there grant funds to address the scope of impact?**
- **What long-term provisions can we plan for now?**
- **How could elections in 2026 potentially impact long-term planning?**

Key Question:

What are Other States Doing?

NCSL Database: [Health Costs, Coverage and Delivery](#)

Upcoming NCSL Resource: 2025 Medicaid Legislative Trends Brief


- Medicaid: Eligibility and Benefits**

State legislation related to Medicaid eligibility expansion or modifications, benefit expansion or modification of newly eligible groups and newly covered Medicaid benefits.
- Medicaid: Payment and Delivery Reforms**

State legislation related to Medicaid value-based payment arrangements, alternative payment models, managed care models, provider taxes and fees, and other Medicaid payment and delivery reforms.
- Medicaid: Providers**

State legislation related to newly authorized provider types, scope of practice changes and other Medicaid provider topics.
- Medicaid: Other**

State legislation broadly related to other Medicaid topics not captured in other tags.



NATIONAL CONFERENCE OF STATE LEGISLATURES

Health Costs, Coverage and Delivery State Legislation

Topic Search

▼ ☐ Market

▲ ☒ Medicaid

- Eligibility and Benefits
- Other
- Payment and Delivery Reform
- Providers

▼ ☐ State-Run Programs

▼ ☐ Telehealth

Summary Text Search

Filters

Years

☐ 2022

☐ 2023

☐ 2024

Status

☐ Adopted

☐ Enacted

States

☐ Select all

☐ Alabama

☐ Alaska

☐ American Samoa

☐ Arizona

☐ Arkansas

☐ California

☐ Colorado

☐ Connecticut

☐ Delaware

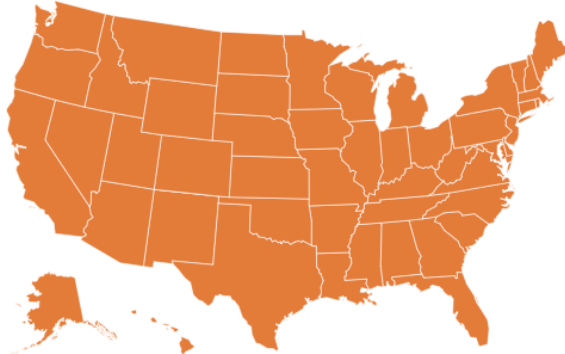
Bills

836

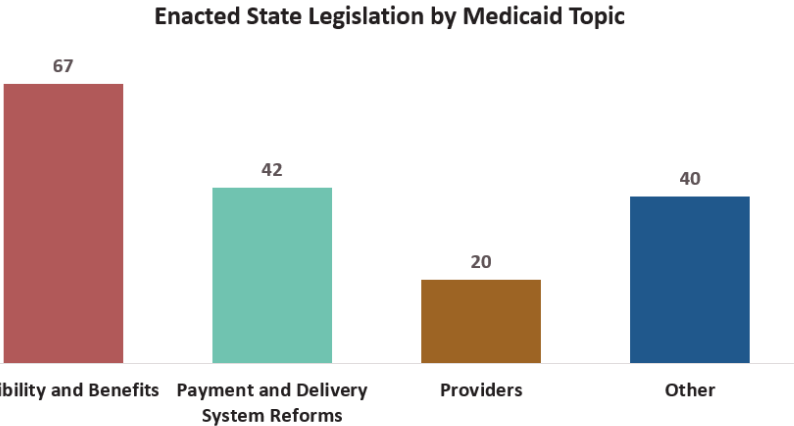
States

52

Clear Filters



Enacted State Legislation by Medicaid Topic



Topic	Count
Eligibility and Benefits	67
Payment and Delivery System Reforms	42
Providers	20
Other	40

Themes:

- Maternal health
- Eligibility
- Long-term services
- Emerging trends:
 - Fraud
 - Budget funds

Source: [Health Costs, Coverage and Delivery Database](#) | NCSL (July 17, 2025)

ADDITIONAL RESOURCES

- [Medicaid Toolkit](#) | NCSL
- [Health Costs, Coverage and Delivery State Legislation](#) | NCSL Database
- [Balancing State Medicaid Budgets](#) | NCSL
- [Budget Reconciliation Implementation Roadmap](#) | SHVS (July 25, 2025)
- [Health Provisions in the 2025 Federal Budget Reconciliation Bill](#) | KFF (July 8, 2025)
- [Medicaid Cuts and the States: Tracking State-Specific Estimates of the Impacts of Proposed Changes](#) | SHVS (July 11, 2025)





Kathryn Costanza

Program Principal, Health Program



www.ncsl.org



Kathryn.costanza@ncsl.org



Denver, Colorado

The logo features a stylized dome icon to the left of the text. The text is arranged in three lines: 'NCSL' in a gold serif font, 'LEGISLATIVE' in a smaller gold sans-serif font, 'SUMMIT' in a large blue sans-serif font, and 'BOSTON' in a large black sans-serif font with the '5' in gold.

NCSL LEGISLATIVE SUMMIT BOSTON

CELEBRATING 50 YEARS | **AUG 4-6, 2025**



What is Medicaid? Federalism in action.

1. Medicaid provides ***health coverage*** to ***people with low incomes***
2. Medicaid is ***jointly funded and regulated*** by both the federal and state / territorial governments
 - ***Federal share*** determined by the federal medical assistance percentage (FMAP) or federal matching rate
 - ***State share*** funded through general fund, provider taxes, certified public expenditures, intergovernmental transfers

- Minimum requirements
- Funds

- **Administers program**
- **Funds**
- **Oversees**
- **Regulates**
- **Innovates**

- Receive services
- Provide services
- Contract with the state
- Paid by state
- Tax base

