Health Care in Motion
Timely, Substantive Updates on Policy Shifts · Actionable Advocacy to Protect Health Care

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# Tracking the Impact of HR 1 on State Budgets and Health Care Access

The One Big Beautiful Bill Act, also known as HR 1, will result in significant cuts to Medicaid and shift more costs to the states, at a time when state budgets are already under strain. The hits to state budgets from HR 1 have already begun and will continue through the next few years as states hit new milestones and deadlines imposed by the law. In their spring 2026 legislative sessions, state governments began to grapple with how to respond.

A recent issue of Health Care in Motion highlighted some of the interplay between federal appropriations and state budgets. This issue will provide an overview of how states have responded to HR 1 so far, what we might see in the future, and how other actions by the Administration are making the problems facing state Medicaid programs worse.

## Challenges Facing States Right Now

Unlike the federal government, state governments must balance their budgets. State spending on Medicaid represents nearly 30% of state budgets overall—the largest portion of any state government function. Even before HR 1, state Medicaid programs were already experiencing budget pressures for reasons including increased reimbursement rates, higher utilization, and expanded benefits. HR 1 has added to these challenges, such that states may be forced to cut Medicaid benefits or eligibility to balance their budgets. Among the challenges states are facing currently are:

**The Chronic Illness and Disability Partnership (CIDP)** is a forum convened by CHLPI that brings together advocates for health care access for people with specific diseases, people with disabilities, people who are aging, and people with lower income more broadly.

A recent CIDP meeting brought together partners focused on these issues. Partner resources tracking the impacts of HR 1 on state budgets are highlighted in a table below.

**Implementing the policy changes required by HR 1**. In Medicaid, this includes the new work reporting requirements, more frequent eligibility re-determinations, and requirements for states to obtain more information on enrollees and providers—each of which require resources to implement. HR 1 also made changes to how states are allowed to finance their portion of Medicaid costs through provider taxes. And it shifted other costs to states simultaneously, including costs to administer the Supplemental Nutrition Assistance Program (SNAP).

**Key HR 1 Deadlines for States**

October 1, 2026 – Medicaid coverage ends for refugees and other lawfully present immigrants

January 1, 2027 – Many requirements begin, including:

- work reporting requirements;
- more frequent eligibility re-determinations;
- more data collection on enrollees and providers

October 1, 2028 – states must begin collecting cost sharing

October 1, 2029 – states must begin to report additional enrollee data to CMS

**Managing the state budget and preparing for upcoming fiscal challenges**. Right as states are being asked to implement significant policy changes from HR 1, they are also seeing the support from the American Rescue Plan Act of 2021 draw down. This double pressure on the budget is forcing state legislatures to make difficult decisions.

**Program oversight**. The intense focus that the Centers on Medicare and Medicaid Services (CMS) has placed on waste, fraud, and abuse is also forcing states to act. Recently, CMS announced that it would ask all states to re-validate "high risk" providers. Such an action will take a significant effort while states are already struggling to implement the policy changes from HR 1.

## How States Have Responded

About half of state legislative sessions have adjourned, and most will adjourn by the end of June. The changes that states have made this year provide a preview of what they will do in 2027 and 2028 as the fiscal pressures from HR 1 and other causes continue to escalate.

Some states are eagerly implementing HR 1 changes. Nebraska, Iowa, and Montana are implementing the work reporting requirements early before the January 1, 2027 deadline, and some states are planning to adopt other optional, more restrictive policies available under HR 1. Even states that are not eager to implement the changes from HR 1, such as Colorado, have considered reducing optional benefits (including coverage of home and community-based services) and provider rates due to fiscal pressures. Stricter budget neutrality rules for Medicaid Section 1115 waivers codified by HR 1 may also add to this pressure.

On the other hand, thus far, many states have found or explored ways to protect Medicaid enrollees from coverage losses. Wisconsin now provides 12 months of postpartum coverage. Kansas considered a bill on continuous eligibility for people with intellectual and developmental disabilities. Washington has funded some coverage for lawfully present immigrants and for services at Planned Parenthood that were disallowed in HR 1. Montana preserved Medicaid payments to doulas, after previously flagging that they had to pause these payments due to budget concerns. Other states, such as California, Connecticut, and Maryland have provided all or part of the enhanced premium tax credits that expired at the end of last year. At a recent meeting of the Chronic Illness and Disability Partnership (CIDP) advocates reported having found success defending Medicaid coverage using arguments about paperwork burden, administrative costs, impact on traditional Medicaid populations (i.e. those not enrolled through Medicaid expansion), and policies that would inadvertently increase error rates.

Looking forward to 2027, the Center on Budget and Policy Priorities has put together a list of State and Local Revenue Options for Advancing a Brighter Future that can inform where states could look for additional revenue to minimize cuts.

| Tracking the Impacts of HR 1 | | |
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| **Many organizations have published tools, such as the following resources, to help advocates keep up with state readiness, decisions, and policy changes while implementing HR 1.** | | |
| **Resource** | **Author** | **Notes** |
| Home and Community Based Services (HBCS) Impacts Tracker Project | George Washington University, ATI Advisory, the Human Services Research Institute, and the LeadingAge LTSS Center at UMass Boston | Tracks the impact of HR 1 on proposed and implemented state policy changes regarding HCBS programs and the impacts on older adults and people with disabilities. |
| Medicaid Work Requirements Implementation Tracker | KFF | Tracks the implementation of the Medicaid work requirements required by HR 1, including data, state and federal policy decisions, current guidance, outstanding questions, and the status of state plan amendments and waivers |
| State by State Medicaid and CHIP Enrollment Data | Georgetown University Center for Children and Families | Provides up to date enrollment data for Medicaid and CHIP and provides comparisons to track changes in enrollment. |
| Tracking State Readiness to Implement HR 1 | Georgetown University Center for Children and Families | Reports on eight state-reported Medicaid and CHIP performance indicators that will show state readiness to implement the changes required by HR 1 |
| HR 1 Cuts and Changes to Medicaid and SNAP in 2026 State Legislative Sessions | Georgetown University Center for Children and Families | Provides an overview of how state legislatures have responded to the policies of HR 1 |

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| SNAP Changes Tracker | Center on Budget and Policy Priorities | Follows state-by-state decline in SNAP enrollment following HR 1 |

## States Await Guidance from CMS; CMS Shifts its Focus to Fraud

As states are barreling toward the HR 1 deadlines, they are waiting for additional information from CMS on how CMS will interpret key provisions in the new law. HR 1 requires CMS to publish an interim final rule implementing work requirements by June 1, 2026. That rule is currently pending at the White House. It is possible that the rule will be delayed, given CMS's delays thus far in issuing key guidance interpreting HR 1:

- HR 1 required CMS to issue guidance on eligibility determinations by December 31, 2025, but CMS didn't release it until March 6, 2026.
- In April, CMS issued guidance on changes to immigrant eligibility for Medicaid that has to be implemented by October 1.

Also pending at the White House is a rule governing how states may use state directed payments (additional payments to certain providers) in Medicaid managed care and the use of provider taxes that states use to finance their share of Medicaid payments.

Meanwhile, CMS is requiring even more actions from states due to its new focus on waste, fraud, and abuse. In addition to the letters requiring revalidation of certain providers, CMS has also launched inquiries into five states (California, New York, Maine, Minnesota, and Florida). CMS has devoted significant attention to Minnesota. In response to concerns about fraudulent providers, the state submitted a corrective action plan in December of 2025. In March, CMS accepted the corrective action plan. However, CMS has continued to defer hundreds of millions in federal matching payment and threaten to withhold more.

## What's Next?

States are facing a difficult fiscal environment, due to direct cuts and new mandates from HR 1 and from CMS. However, advocates in states have seen some successes in protecting or even expanding health care access. The next few years will present challenges for states, but advocates can look to the trackers and options listed above for resources on how to protect access to care.

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*Health Care in Motion is written by Carmel Shachar, Health Law and Policy Clinic Faculty Director; Kevin Costello, Litigation Director; Elizabeth Kaplan, Director of Health Care Access; Maryanne Tomazic, Clinical Instructor; John Card, Staff Attorney; and Rachel Zacharias, Clinical Fellow. This issue was written with the assistance of Rachel Patterson and Sarah Meek of Patterson & Meek.*

*For further questions or inquiries please contact us at **chlpi@law.harvard.edu**.*