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Harmful Impacts of Proposed House and Senate Budget Bills: What Is at Stake for the 10 States That Have Not Yet Expanded Medicaid

The House budget bill passed by congressional Republicans[1] will cut $1.1 trillion from health care spending and cause 16 million Americans to lose health care coverage,[2] impacting the health system we all rely on, in all 50 states. The Senate has now released its own proposal, largely following the House's lead in slashing Medicaid funding and cutting access to services. While some policies in the bill penalize the 41 states (including the District of Columbia) that expanded Medicaid to low-income adults under the Affordable Care Act (ACA) — including onerous work reporting requirements, more frequent eligibility checks and mandatory cost-sharing[3] — the the House-passed and Senate-proposed bills would harm Medicaid programs in *every state*, jeopardizing health coverage and care for *everyone*, including children, pregnant women, people with disabilities, veterans and older adults.

ACROSS THE 10 STATES THAT HAVE NOT EXPANDED MEDICAID ("NONEXPANSION STATES"), THE DRACONIAN CUTS PROPOSED BY CONGRESS WOULD MEAN:

- **846,000 people lose Medicaid coverage**[4] — greatly threatening the health and financial security of working Americans and families.[5]
- **Over 6 million become uninsured** *because they lose access to Medicaid and ACA marketplace coverage and do not have other affordable options*[6] — disproportionately impacting people in nonexpansion states who are more reliant on ACA marketplaces for affordable coverage and will lose private coverage under this bill.
- **$75.5 billion cut to Medicaid funding**[7] — slashing Medicaid budgets in nonexpansion states and putting health coverage to low-income Americans at great risk.
- **$39.17 billion in lost gross domestic product**[8] — driving economic instability for state and local health care systems from the cumulative impact of punishing cuts to Medicaid and expiring tax credits that help make ACA marketplace coverage affordable.
- **Over 361,000 health sector and related jobs are at risk**[9] — threatening employment and job security for people who work in sectors that will see direct reductions in patient volume when millions of newly uninsured people have to delay or forgo care.

BELOW ARE THE BIGGEST THREATS TO NONEXPANSION STATES AND THEIR RESIDENTS UNDER THE "ONE BIG BEAUTIFUL BILL ACT":

- **Reduced enrollment protections and increased paperwork burdens will lead to Medicaid and ACA marketplace coverage losses.** Adding enrollment barriers makes it harder for people in all states, including those that have not expanded Medicaid, to get the help they need to pay for health care. The act would reverse recent commonsense Medicaid policies that made it easier for people to enroll in Medicaid and the Children's Health Insurance Program (CHIP) (for example, policies like removing waiting periods and lifetime limits for CHIP-enrolled children).[10] If the act moves forward, **over 338,400 children, older adults and people with disabilities living in nonexpansion states are expected to lose coverage — more than 71,000 people in Texas alone.**[11]

  The bill also would postpone efforts to help connect Medicaid-enrolled older adults and people with disabilities to Medicare Savings Programs (programs that help individuals with limited resources afford rising Medicare costs).[12] **In Florida, over 900,000 people are enrolled in the Medicare Shared Savings Program — all of whom are at risk of losing coverage.**[13]

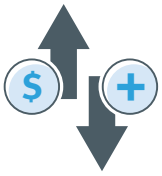
  Other provisions are aimed at curtailing ACA marketplace enrollment by reducing opportunities for special enrollment and increasing income verification requirements; in addition, the House-passed version would reduce open enrollment to a narrow 45-day window and terminate coverage altogether for people who fall behind on premiums. These enrollment barriers will be especially hard for people to overcome because the Trump administration has already slashed the navigator workforce that helps individuals enroll and maintain coverage.[14]

- **A freeze on provider taxes will leave states with fewer policy tools to maintain current Medicaid eligibility, benefits and provider payment rates.** Health care provider taxes are a critical funding stream supporting Medicaid and the entire state budget in all nonexpansion states.[15] Generally, states that have not expanded Medicaid finance a larger portion of their Medicaid program through provider taxes.[16] **In Alabama, 68% of state Medicaid dollars come from provider taxes and other local taxes**, freeing up more general state tax dollars for other important budget items, such education and public safety.[17] The House-passed and Senate-proposed bills place a freeze on provider taxes at 2025 levels,* meaning states no longer have the flexibility to increase or expand their tax base going forward to help close Medicaid budget shortfalls or finance improvements to Medicaid programs and services.[18]

* The Senate bill imposes additional provider tax penalties on states that have expanded Medicaid, lowering the allowable tax threshold for many provider types, overtime, from 6% to 3.5%. Nonexpansion states are not subject to this cap, but many nonexpansion states are already at a lower percentage rate or do not have taxes in place in various provider categories. The tax "freeze" in place in both the House and Senate versions is enough to tremendously impact nonexpansion states.

Across all states, this moratorium would **reduce state Medicaid budgets by $89 billion over 10 years.**[19] Faced with this funding gap, all states — including nonexpansion states — would be forced to cut benefits, services or provider reimbursement. For nonexpansion states, this moratorium means they may not have the ability to generate the funding needed to adopt Medicaid expansion in future years.[20]

- **Expiring enhanced premium tax credits will leave people unable to afford ACA marketplace plans.** People who purchase health insurance through the ACA marketplaces are eligible for premium tax credits that lower their monthly premiums.[21] Residents of nonexpansion states are more reliant on these tax credits, because without access to the ACA's Medicaid expansion, there are no other affordable health insurance options. Since 2021, Congress has made ACA marketplace coverage more affordable for more people by making premium tax credits more generous. Unless Congress acts to extend the enhanced premium tax credits (EPTCs) before December 2025, premiums will become increasingly expensive, causing millions to forgo state marketplace coverage. The Senate and House bills fail to take action and assume those tax credits will expire, **resulting in 2.5 million residents in nonexpansion states becoming uninsured by 2034.**[22]
- **Increased out-of-pocket costs in the ACA marketplace will make health care more expensive.** Under the House-passed bill, marketplace-enrolled individuals who now pay $0 in premiums would be required to pay at least 2% of their income toward premiums, and **premiums could rise an additional $450 in the next year alone.**[23] In addition, the House version would raise deductibles and cost-sharing, forcing low-income seniors and families to pay more out of pocket for less coverage. Finally, both the House-passed and Senate-proposed versions penalize people for income fluctuations by eliminating the current cushion that protects against underestimating income — especially harmful for individuals with unstable or seasonal earnings — and directly impacting people in the coverage gap in nonexpansion states with no other affordable coverage options.[24]



The bill would raise premiums, deductibles and cost-sharing for children, pregnant women and low-income seniors and put more families at risk of medical debt.

- **Restrictions on retroactive coverage will increase people's risk of medical debt as they wait for Medicaid and CHIP enrollment.** Under current law, Medicaid offers a critical safeguard for new Medicaid enrollees by covering medical expenses up to three months prior to the official enrollment date. This ensures vulnerable populations — such as children and older individuals who experience a sudden health decline or newly pregnant women who need care immediately — do not go into insurmountable medical debt while waiting for their paperwork to be processed. The act would restrict retroactive coverage to one month (House-passed version) or two months (Senate-proposed version) prior to enrollment, putting Medicaid-eligible populations at a significantly higher risk of medical debt, particularly as the bill would create long backlogs of paperwork approvals. These policies would make the medical debt crisis much worse for people living in nonexpansion states, where residents are already more likely to have medical debt. **In Texas, for example, 32% of residents have medical debt in collections.**[25]
- **Limitations on provider payment will lower direct financial support for safety-net providers.** State directed payments (SDPs) are an important tool states use to offer payment increases to safety net providers who serve high volumes of Medicaid patients, including rural hospitals and clinics.[26] These payments are particularly important in non-expansion states, where rural hospitals experience greater financial challenges because they care for higher numbers of uninsured patients who do not have access to Medicaid and may struggle to pay for care. SDPs help these providers stay afloat.

  The act proposes to restrict SDPs, hindering states' abilities to pay providers on par with existing commercial rates. This change would drastically reduce payment rates in most states, exacerbating existing financial challenges for safety net providers. **Hospitals in nonexpansion states would see a large drop in Medicaid payments, with South Carolina (48% reduction in Medicaid payments) and Tennessee (33% reduction) leading the pack.**[27] Cutting SDP rates will force hospitals to cut back on services, diminishing access to care for Medicaid enrollees and others who rely on rural and safety net providers.
- **Termination of incentive payments will make it more difficult for nonexpansion states to expand Medicaid.** The American Rescue Plan Act offers a 5% increase in the regular federal Medicaid match for two years to any state newly adopting Medicaid expansion.[28] If this funding boost is no longer in place, as the act proposes, the remaining nonexpansion states would have fewer resources to expand Medicaid to low-income adults, unless they are able implement expansion before the provision sunsets on January 1, 2026.

If the House-passed or Senate-proposed bills move forward, millions more Americans will become uninsured while lawmakers in every state — nonexpansion states included — will be forced to make significant cuts to Medicaid services and programs. The end result will be fewer health care services delivered to vulnerable Americans and greater instability for state and local health care systems.

Estimated Losses in Federal Medicaid Funding, State Gross Domestic Product and Health Sector Jobs in Nonexpansion States

This chart pulls together estimates from three different reports outlining cuts to nonexpansion states if Medicaid cuts (similar to what is included in the House-passed and Senate-proposed bills) are implemented and enhanced premium tax credits (EPTC) expire in 2026.[29]

State	Federal Medicaid cuts (2025-2034) (billions)	State GDP loss in 2026:			Job loss in 2026:		
		From EPTC cuts (billions)	From Medicaid cuts (billions)	Total GDP loss (billions)	From EPTC cuts	From Medicaid cuts	Total job loss
Total non-expansion states	**-$75.52**	**-$22.86**	**-$16.31**	**-$39.17**	**-194,300**	**-167,300**	**-361,600**
Alabama	-$3.46	-$1.14	-$0.90	-$2.04	-10,000	-9,700	-19,700
Florida	-$15.85	-$5.53	-$0.32	-$8.71	-49,200	-33,200	-82,400
Georgia	-$7.32	-$3.28	-$1.62	-$4.90	-28,400	-16,800	-45,200
Kansas	-$2.85	-$0.43	-$0.48	-$0.91	-3,500	-4,900	-8,400
Mississippi	-$3.01	-$0.88	-$0.86	-$1.74	-8,500	-9,900	-18,400
South Carolina	-$4.17	-$1.24	-$1.03	-$2.27	-10,900	-10,700	-21,600
Tennessee	-$6.03	-$1.77	-$1.69	-$3.46	-13,300	-15,700	-29,000
Texas	-$27.85	-$8.4	-$5.40	-$13.84	-69,300	-54,600	-123,900
Wisconsin	-$4.77	-$0.02	-$1.09	-$1.12	-100	-11,000	-11,100
Wyoming	-$0.23	-$0.12	-$0.06	-$0.18	-1,100	-800	-1,900

Sources: Rhiannon Euhus et al., "Allocating CBO's Estimates of Federal Medicaid Spending Reductions and Enrollment Loss Across the States," KFF, June 4, 2025, https://www.kff.org/medicaid/issue-brief/allocating-cbos-estimates-of-federal-medicaid-spending-reductions-and-enrollment-loss-across-the-states/; Leighton Ku et al., "How Potential Federal Cuts to Medicaid and SNAP Could Trigger the Loss of a Million-Plus Jobs, Reduced Economic Activity, and Less State Revenue," The Commonwealth Fund, March 2025, https://www.commonwealthfund.org/sites/default/files/2025-03/Ku_impact_medicaid_snap_cuts_Tables.pdf; and Leighton Ku et al., "The Cost of Eliminating the Enhanced Premium Tax Credits," The Commonwealth Fund, March 3, 2025, https://www.commonwealthfund.org/publications/issue-briefs/2025/mar/cost-eliminating-enhanced-premium-tax-credits.

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