



Monday, August 4, 2025

Last Friday, the Department of Healthcare and Family Services and the Department of Human Services held a virtual briefing providing updated information on the federal One Big Beautiful Bill Act that was recently passed by the Trump administration. IARF staff attended both the briefing and the Medicaid Advisory Committee meeting that was held prior to the briefing – below is a compilation of the information on OBBBA shared during both.

The Overall Impact of H.R. 1 – The One Big Beautiful Bill Act (OBBBA)

- Projected Coverage Loss for Individuals in the Medicaid Program:
 - The Kaiser Family Foundation estimates that approximately 544,000 Illinoisans will lose Medicaid coverage
 - Manatt estimates that approximately 330,000 Illinoisans will lose Medicaid coverage
 - HFS is internally estimating between 270,000-500,000 Illinoisans will lose Medicaid coverage due to the work requirement provisions included in OBBBA
- Projected Funding Loss for the Illinois Medicaid Program:
 - Manatt estimates Illinois will face an approximate \$51 billion reduction in Medicaid expenditures over the next 10 years
 - HFS is internally estimating at least a \$26 billion reduction in federal funding for Illinois over the next 10 years
- Changes to Supplemental Nutrition Assistance Program (SNAP)
 - OBBBA cuts federal funding for SNAP, limits future benefit increases, and increases work requirements for eligibility
 - DHS anticipates this will cause Illinois' annual liability to be \$705 million

Timeline for Provisions Included in OBBBA

- July 4, 2025 – the date the bill was signed into law
 - A freeze on current and prohibition of new provider taxes
 - A prohibition of Medicaid funding to Planned Parenthood for a year – this was contested through the filing of a lawsuit and the federal government was blocked from carrying out this provision
 - Caps new state-directed payments at 100% of Medicare payment rates
- December 31, 2025
 - Applications for the Rural Provider Relief Fund will be due and approved no later than December 31, 2025
- October 1, 2026

- Narrow the definition of “qualified aliens”
- January 1, 2027
 - New six-month Medicaid eligibility redeterminations for adults covered by the ACA
 - Work requirements for able-bodied individuals begin
- October 1, 2028
 - Cost-sharing begins for adults covered by the ACA
 - Phase down of the provider hold harmless threshold
- January 1, 2028
 - Reduce current state-directed payments by 10% points per year until they are no greater than 100% of Medicare rates

Additionally, there are several other eligibility-related proposals that would take place between January 1, 2027, and October 1, 2029

Mandatory Work Requirements – Effective January 1, 2027

- Medicaid customers will be required to prove they are working or involved in other “eligible activities,” including community engagement, education, and caretaking roles, in order to be eligible for Medicaid benefits
- Mandatory work requirements will apply to non-disabled Medicaid customers between the ages of 19 and 64 who do not have dependents under the age of 14
- HFS estimates that between 270,000 and 500,000 current Medicaid recipients will lose coverage due to these new work requirements
- States will be able to apply for a “good faith effort determination” exemption when the new provision begins, which would extend the timeline for beginning this requirement until January 1, 2029 – HFS has indicated they are looking into all possible options to ensure as many individuals continue to receive the coverage they need

Eligibility and Cost Sharing Requirements

- Effective January 1, 2027, states must conduct eligibility redeterminations for adults covered under the ACA expansion every six months – these are now done annually
- Reduces retroactive Medicaid coverage to one month prior to enrollment for ACA expansion adults and two months prior for other Medicaid categories and CHIP
- Effective October 1, 2028, states are required to impose co-payments (cost sharing) for adult individuals covered under the ACA expansion with income above the federal poverty level (\$15,560/year) on most services

Provider Tax Provisions

- Provider taxes are used by a vast majority of states as a way to levy taxes and assessments on a variety of provider types, including hospitals and nursing homes in Illinois – these taxes and assessments are used to churn Medicaid dollars by garnering federal matching dollars which are then put back into the states’ systems
- Effective immediately, OBBA freezes current provider taxes and prohibits new ones from being developed

- Starting October 1, 2028, Medicaid expansion states must phase down the hold harmless threshold for provider taxes from 6% to 3.5% of net patient revenues (excluding nursing home and intermediate care facilities)
 - HFS is anticipating a loss of \$4.8 billion in federal financial participation (FFP) over the first 5 years of implementation
- Effective immediately, OBBBA modifies the criteria used to determine if a “healthcare related tax” is considered “generally redistributive” - i.e. Medicaid businesses can’t be taxed at a higher rate than non-Medicaid businesses

State Directed Payments (SDPs)

- SDPs are used as a means to direct Medicaid managed care organizations to make specific payments to providers based on specific criteria
- Effective immediately, OBBBA caps new SDPs at 100% of Medicare payment levels for expansion states (Illinois) and 110% for non-expansion states
- Beginning January 1, 2028, expansion states must reduce their current SDPs by 10% points per year until they are no greater than 100% of Medicare levels
 - HFS anticipates this will reduce SDPs to hospitals by approximately \$3.4 billion over the reduction period

Rural Provider Relief Fund

- OBBBA establishes a \$50 billion Rural Health Transformation Program, or relief fund, that aims to offset some of the losses and costs related to other provisions of the bill
- In early September, federal CMS is expected to release an application process by which states must apply for in order to qualify to receive any funding through this fund
- Funding will be distributed over a period of 4 years as follows:
 - \$25 billion will be equally distributed amongst states whose applications have been approved by CMS
 - \$25 billion will be disbursed amongst approved states at the discretion of CMS
- CMS is required to approve or deny applications by December 31, 2025
- Rural providers include CCBHCs, CMHCs, FQHCs, and other hospitals and entities as outlined in the bill

Changes to SNAP Benefits

- Costs Shifted to States – SNAP has been federally funded since it began in 1960 – states will now incur some of the costs of the program based on their payment error rate
 - DHS anticipates this will cause Illinois’ annual liability to be \$705 million
- Reduction in federal funding related to administrative costs
 - DHS anticipates this will result in a loss of more than \$80 million in federal funding for the state
- Increased administrative burden
 - DHS anticipates 258 full time employees will be needed to address the corresponding eligibility and application changes, costing the state an additional \$20 million per year
- Eligibility changes to qualify for benefits

- The age range for Able-Bodied Adults without Dependents (ABAWDs) has been expanded from 18-54 years of age to 18-64 years of age
- The age for dependents has now been lowered from under 18 years of age to under 14 years of age
- Veterans, people experiencing homelessness, and former foster children are now subject to these work requirements
- Work requirement waivers will only be allowed if the county has an unemployment rate above 10% - no Illinois counties currently meet this standard
- Illinois' SNAP population that will be required to fulfill these new work requirements jumps from 10% to 24%, going from approximately 189,000 to approximately 446,000
- SNAP eligibility now limited to U.S. citizens, lawful permanent residents, Cuban and Haitian entrants, and individuals allowed to live and work in the U.S. under Compacts of Free Association (COFA) - This would remove 20,000 currently eligible legally present refugees, asylees, and humanitarian parolees from receiving benefits
- Eliminates funding for SNAP-Ed, a program that provides nutrition education and health promotion across Illinois – this program de-funding eliminates \$19.8 million in federal funding and limits access to healthy eating educational materials and other notifications of changes to the program

As HFS and DHS continue to work with federal CMS and others to understand the full impact of these new legislative changes and specifically how they impact Medicaid and SNAP beneficiaries in Illinois, we will continue to provide any and all additional information as it becomes available. In the meantime, please don't hesitate to reach out with any questions, comments, or concerns.