Federal Budget Reconciliation Legislation H.R. 1

DSS Preliminary Analysis

MAPOC

July 11, 2025

H.R. 1 – Final Federal Law – Major Federal Changes to DSS Programs

1. Supplemental Nutrition Assistance Program (SNAP)
    A. State cost-sharing tied to payment error rates
    B. Increased state cost-share for SNAP administration
    C. Stricter work requirements
2. Medicaid work requirements ("community engagement")
3. Stricter limits on provider taxes
4. More frequent Medicaid eligibility reviews
5. Cuts to legal immigrant benefits
6. Reduced access to Medicaid family planning services
7. No extension of enhanced premium tax credits for Covered CT

State Budget Impact Estimates for Select Major Federal Changes

	Federal Policy/Program Change	Estimated Budget Impact (state dollars)
1	**SNAP** Administration cost increase (Oct. 2026)	Annualized estimated cost shift from federal to state: $40 million
2	**SNAP** Benefit Cost Sharing based on payment error rate (Oct. 2027)	Annualized estimated impact: $44 to $133 million
3	**Work Requirements**: Expansion population beneficiaries 19 – 64 must meet "community engagement" requirements (Jan. 1, 2027, with a potential 2-year extension for a good faith waiver)	• 100k-200k people could lose coverage • Reductions in Medicaid costs due to reduced enrollment • Costs elsewhere in the healthcare system for uncompensated care • Increased admin costs for new systems and operational work
4	**Planned Parenthood:** Medicaid cuts – no federal reimbursement on Medicaid payments to Planned Parenthood for 1 year UPDATE – Preliminary Injunction granted by federal court on July 7, further legal action pending	Estimated $6.5 million (assuming state maintains current coverage for Planned Parenthood)
5	**Provider Tax**: Freeze hospital tax rates at levels before enactment of federal legislation (effective on passage); from 2028-2031, reduces the hold harmless level for provider taxes each year by 0.5%, from the current 6% down to 3.5% by 2031	Potential future revenue impact. Estimates forthcoming
6	**Advanced Premium Tax Credits**: No action taken to extend enhanced federal subsidies for Covered CT (separate from H.R. 1)	Potential estimated $30 million shift from federal to state annually starting January 2026

POLICY IMPACTS

Member Impact

- SNAP benefit reductions
- Legal immigrant coverage loss
- Work requirements
- More frequent eligibility checks
- Cost-sharing
- Potential for reduced access to family planning services
- Decreased retroactive eligibility from 3 months to 1 month (HUSKY D) and 2 months for other Medicaid coverage groups

State Budget Impact

- Increases administrative costs for:
  - SNAP operations
  - SNAP & Medicaid work requirements
  - More frequent eligibility checks
  - Cost-sharing
- Reduces revenue by freezing and phasing down hospital provider tax
- Loss of enhanced federal subsidies for Covered CT
- Potential losses due to SNAP payment error rates
- Medicaid Payment Error Rate Measurement (PERM) cost-shifting risks

DSS Impact

- Significant technology and system upgrade costs related to work / eligibility requirements
  - Loss of real-time eligibility functions due to new documentation requirements
- Significant costs to hire, train and re-train staff related to work requirements and more frequent eligibility verification determinations
- Need for additional operational capacity to support more complex eligibility and quality control processes:
  - Expanded SNAP work requirements
  - SNAP quality control improvements
  - Medicaid PERM compliance
  - Loss of waiver / demonstration project flexibilities
  - Other eligibility changes (new interfaces and data match requirements)

IMPACTS TO SNAP

Current State

- No benefit cost-sharing with states (100% federal)
- 50/50 state-federal administrative cost sharing
- Non-citizen eligibility includes legal permanent residents, refugees, asylees, victims of domestic violence, trafficking victims, and other qualifying categories
- The SNAP-LIHEAP connection (known as Heat & Eat), available to all households

Future State

- State cost-sharing for benefits tied to payment error rate (up to **15%** state share)
- **75/25** state-federal administrative cost sharing
- Non-citizen eligibility is restricted to legal permanent residents, Cuban/Haitian entrants & Compacts of Free Association (COFA) citizens
- Limits the SNAP-LIHEAP connection (known as Heat & Eat), to only apply to households with an elderly or disabled member

SNAP Work Requirements

Current State

- Adults 19 to 54 must prove that they are engaged in 80+ hours per month of work or community engagement
- Exempts adults with children under age 18
- Exempts veterans; those experiencing homelessness; those under 24 who aged out of foster care at 18
- Allows waivers for certain towns/areas that lack sufficient jobs

Future State

- Adults 19 to **64** must prove that they are engaged in 80+ hours per month of work or community engagement
- Changes exemption to adults with children under age **14**
- Removes exemptions for veterans; those experiencing homelessness; those under 24 who aged out of foster care at 18
- Limits waivers to towns/areas that have an unemployment rate > 10%

SNAP Payment Error Rate – Analysis

Beginning October 1, 2027, requires states to contribute to the cost of SNAP benefits based on SNAP Quality Control (QC) Payment Error Rates using FFY 2025 or 2026 error rates as follows:

SNAP Payment Error Rate	State Contribution
Up to 5.99%	0%
6% to 7.99%	5%
8% to 9.99%	10%
10% or more	15%

Projected average annual SNAP distributions for FFY 25 and corresponding state share amounts (*in millions)*:

State	Total Annual Benefits Issued	5%	10%	15%
Connecticut	**$ 885**	**$ 44.2**	**$ 88.5**	**$ 132.7**

Most recent SNAP QC Payment Error Rates:

	FFY 2023	FFY 2024	FFY 2025 (to date)
Connecticut	8.91%	10.25%	8.62%
US Average	11.68%	10.93%	10.29%

IMPACTS TO MEDICAID

Medicaid Work Requirements

Current State:

- There are no current work or community engagement requirements for Medicaid coverage in Connecticut

Future State:

- Effective Jan. 1, 2027 with option for state to request up to a 2-year delayed start date from the federal government based on good faith effort to implement
- Adults 19-64 will be required to prove that they have monthly income of $580 (federal minimum wage x 80 hours) or at least 80 hours of work or community engagement per month to remain eligible for Medicaid

Medicaid Work Requirement Exemptions

- Pregnant and postpartum women
- Foster and former foster youth
- Veterans with rated disabilities
- Medically frail (e.g., blind, disabled, children with serious emotional disturbances, adults with serious mental illness, chronic substance use disorders, serious and complex medical conditions)
- Alcohol use disorder and substance use disorder
- Already meeting work requirements for SNAP and/or TANF
- Parent/caregiver of a dependent child under age 14 or an individual with a disability
- Individuals recently released from incarceration for 90 days post release
- Indians/Urban Indians
- Short-term hardship waiver (e.g., individuals receiving medical care out of state)

Work / Community Engagement Requirements

Monthly income at least 80 times the federal hourly minimum wage **or** ***any*** *of the following*

- Work at least 80 hours per month
- At least 80 hours per month of community service
- At least 80 hours per month of a qualified work or training program
- Enrolled at least half-time in an education program
- Any combination of the above totaling at least 80 hours per month

Current State

- Medicaid section 1115 demonstration waiver started in 2022
- For adults with income up to 175% FPL who do not qualify for Medicaid
- Approx. 48,000 enrolled members
- Must enroll in silver-level qualified health plan (QHP) through Access Health CT
- Existing federal funding heavily subsidizes QHPs through Advanced Premium Tax Credits (APTCs) and cost sharing reductions
- *Enhanced* APTCs through the American Rescue Plan Act and Inflation Reduction Act provided further subsidies

Future State: January 1, 2026

- *Enhanced* Advanced Premium Tax Credits are still slated to **end** on December 31, 2025
- DSS estimates that to maintain Covered CT as-is with no cost-sharing for members, it would cost approximately $30 million more in state funds to backfill lost federal funds in SFY 2027

IMPACTS ON PROVIDER TAX

Current State

- States are permitted to impose a provider tax on hospitals, skilled nursing facilities, intermediate care facilities, and other specified provider categories
- 49 states (including CT) use provider taxes as a source of state share funding for Medicaid payments, which then receive federal matching funds

Future State

- Generally freezes provider taxes at current percent in state law after the federal legislation is enacted
- Then phases down the safe harbor (typically maximum) level for hospital provider taxes from current 6% to 3.5% over five federal fiscal years beginning in FFY 28
  - 5.5% for FFY 2028
  - 5% for FFY 2029
  - 4.5% for FFY 2030
  - 4% for FFY 2031
  - 3.5% for FFY 2032+

Provider Taxes

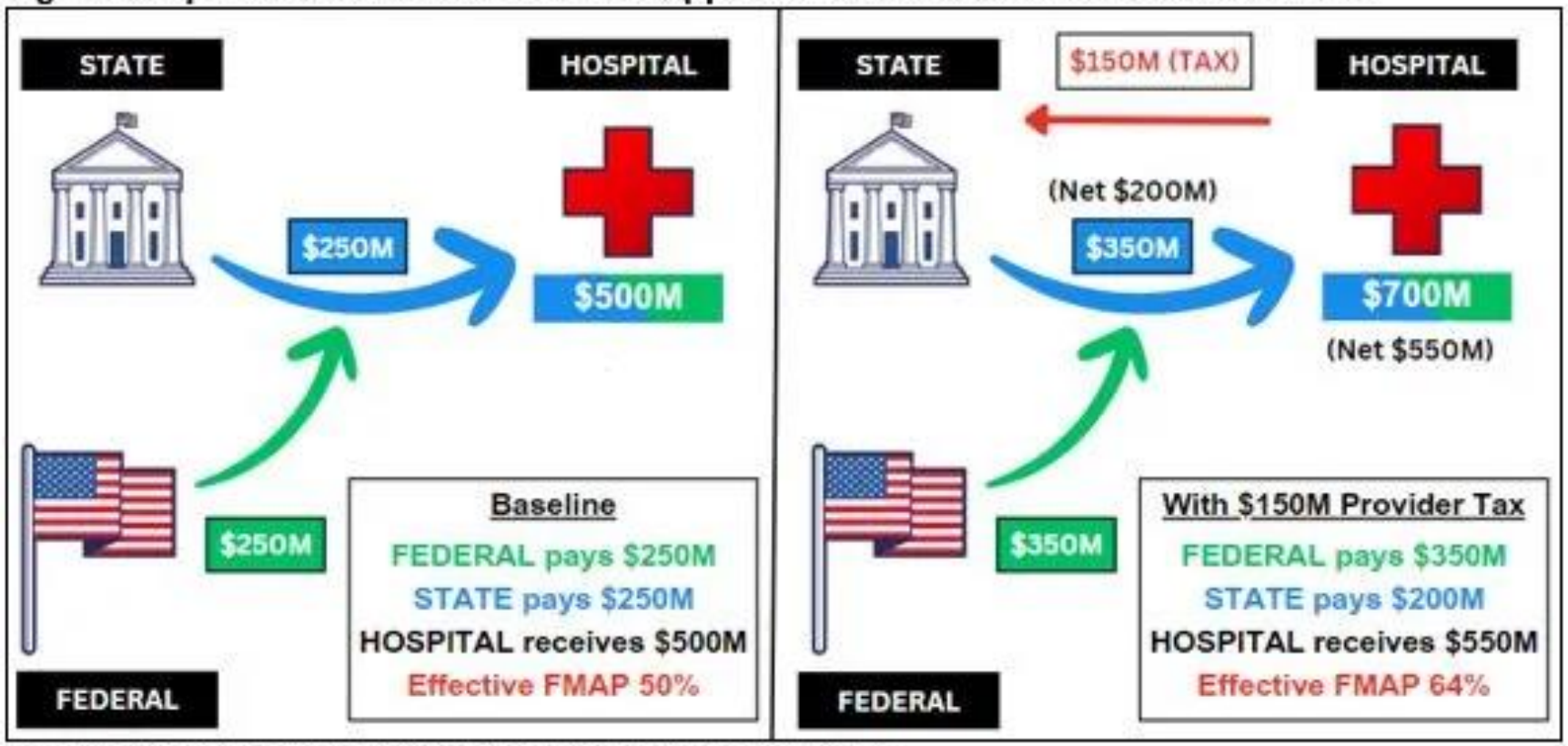
The phase-down in the healthcare provider tax safe harbor from the current 6% could mean:

- Reduced taxes that the state can collect in the future from certain healthcare provider categories
- Less funding for certain healthcare providers that accept Medicaid because the state indirectly uses these taxes to help support General Fund requirements
- Overall impact still being analyzed

Note: Provider taxes on nursing homes and intermediate care facilities for individuals with intellectual disabilities appear to be exempt from these changes

Provider Tax Explained

Fig. 1: Simplified Illustration of What Happens When a State Uses a Provider Tax



Source: Committee for a Responsible Federal Budget (CRFB).

Source: https://www.crfb.org/papers/medicaid-provider-taxes-inflate-federal-matching-funds

TIMELINE AND TAKEAWAYS

Effective Date

Federal Change	Effective Date
Prohibition on all Medicaid funds being paid to certain abortion providers (i.e., Planned Parenthood) for 1 year	Date of enactment
Freeze on changes to provider taxes	Date of enactment
Budget neutrality in 1115 demonstration waivers	Date of enactment
SNAP work requirement changes	Not specified – pending federal guidance
SNAP non-citizen eligibility	Not specified – pending federal guidance
SNAP-LIHEAP (Heat & Eat) changes	Not specified – pending federal guidance

Effective Date: SFY 2027

Federal Change	Effective Date
Change in definition of "qualified alien" (Medicaid)	October 1, 2026
75/25 SNAP admin cost sharing	October 1, 2026
Redeterminations for Medicaid expansion population every six months	January 1, 2027
Establish Medicaid work requirements for Medicaid expansion population	January 1, 2027 (with potential for state to request up to a two-year good faith effort extension from HHS Secretary)

Effective Date: SFY 2028 or later

Federal Change	Effective Date
SNAP benefit cost sharing for states	October 1, 2027 (unless payment error rate in FY 25 or FY 26 is ≥ 13.5%, then FY 29 or FY 30, respectively)
Limits Medicaid retroactive coverage period from 3 months to 1 month for expansion population	Applications submitted on or after January 1, 2027
Implementation of cost sharing for Medicaid expansion population > 100% FPL	October 1, 2028
Medicaid Payment Error Rate Measurement (PERM) audit changes	October 1, 2029

Earlier Proposals Not in Final Federal Law

Proposals in earlier versions but NOT in Federal Law

- Financial penalty for any state that uses state-only funds to provide health care services to non-citizens
- Prohibition against paying for gender-affirming care

Key Takeaways

- There are no immediate changes to Medicaid/HUSKY eligibility and benefits
- Awaiting guidance from federal agency partners (CMS for Medicaid and FNS for SNAP) on implementation of provisions in federal H.R. 1
- For now, Medicaid/HUSKY members should continue to access healthcare services when needed
- DSS, in collaboration with Access Health CT and the Office of the Governor, are working on communications plans to Medicaid members and SNAP recipients
- DSS will continue to update and engage MAPOC and stakeholders as we continue to evaluate impacts and implement these federally required changes

THANK YOU