

FY25 Budget Reconciliation

Public Law 119-21

Budget reconciliation is a Congressional mechanism that allows for a fast-track process requiring only a simple majority for passage in the US Senate rather than the 60 votes required to avoid the filibuster. In order to be able to use this process, bills must have direct impact on spending, revenue, and the debt limit, using spending limits dictated by a budget resolution. In general, budget reconciliation bills affect mandatory federal spending, like in Medicare, Medicaid, and Social Security, rather than discretionary spending, which is handled annually through the appropriations process.

On July 4, 2025, President Trump signed the fiscal year (FY) 2025 budget reconciliation package into law, which included the deepest cuts to Medicaid in the program's 60-year history.



Introduction

The FY 2025 budget reconciliation package, also known as the “One Big Beautiful Bill Act,” was passed by slim margins in both chambers of the US Congress. On July 1, 2025, after more than 24 hours of amendment debate, the Senate passed the bill in a 50-50 vote, with the tie broken by Vice President J.D. Vance. Senators Susan Collins (R-ME), Thom Tillis (R-NC), and Rand Paul (R-KY) joined all of the Senate Democrats in opposing the bill. On July 3, the House passed the bill in a 218-214 vote. Reps. Brian Fitzpatrick (R-PA) and Thomas Massie (R-KY) joined all of the House Democrats in opposition.

The language of the bill changed many times throughout a months-long process, including many last minute changes on the Senate floor. The budget reconciliation bill makes changes to tax rates, repeals or ends energy policies established under the Biden administration, increases funding for border security and other immigration-related policies, and cuts Supplemental Nutrition Assistance Program (SNAP) benefits, often referred to as “food stamps.”

In a concession to some Senate Republicans’ concerns about the impact of deep cuts to Medicaid, the bill also establishes a \$50 billion “Rural Health Transformation Program.” Under this program, states will be able to apply to the Centers for Medicare & Medicaid Services (CMS) to fund their “detailed rural health transformation plans.” No additional information from CMS is available yet.

The Congressional Budget Office (CBO) estimates that the overall bill would cut federal Medicaid spending by \$125.2 million over the next ten years, so the \$50 billion in this rural health fund amounts to only a little more than a third of what states will lose.

Below is a summary of ways that safety-net family planning providers may be implicated by Public Law 119-21.

Medicaid

The law makes significant changes to the Medicaid program, designed to generate federal savings to finance other portions of the bill. A reduction in federal funds to state Medicaid agencies will put significant pressure on state budgets and will likely force states to make cuts to their Medicaid programs to make up for the loss. Each state will make different decisions to close the budgetary gap caused by this bill, including reductions in Medicaid eligibility or provider reimbursement rates.

- Imposes a moratorium on a Biden-era regulation streamlining Medicaid and CHIP eligibility and enrollment.
- Requires states to establish a process to verify and submit address information for Medicaid enrollees to the HHS Secretary at least monthly, to ensure individuals are neither simultaneously enrolled in Medicaid and CHIP, nor enrolled in more than one state's Medicaid program.
- Requires states to review records on a quarterly basis to ensure that deceased individuals

(beneficiaries and providers) are promptly removed from Medicaid.

- Requires states to engage in eligibility redetermination for all individuals enrolled in the Medicaid expansion every six months. Currently, the requirement is once per year.
- Changes the definition of **legal** immigrants eligible for Medicaid and CHIP coverage, likely excluding refugees and those seeking asylum.
- Puts new limits on retroactive coverage to one month for Medicaid expansion enrollees, two months for other Medicaid enrollees, and two months for pregnant women and children covered by CHIP.
- Sunsets the five percent Federal Medical Assistance Percentage (FMAP) increase to states newly adopting ACA Medicaid expansion.
- Freezes provider taxes at 2025 levels.
- Imposes new limits on State Directed Payments (SDP), currently used by states to increase some provider reimbursement rates. States that have expanded Medicaid would see SDPs capped at 100% of the published Medicare payment rate. In states that have not expanded Medicaid, SDPs would be limited to 110% of the Medicare payment rate.
- Requires states to impose work reporting requirements, otherwise known as “community engagement” activities, on people in the Medicaid expansion population. Eighty hours of work, community service, enrollment in an educational program, or a combination would be required, and beneficiaries must submit regular documentation to that effect. Those who fail to meet these requirements, including individuals who are working the mandated number of hours but have trouble with documentation, will be disenrolled from Medicaid and prohibited from receiving premium tax credits if they try to purchase coverage through the ACA Marketplace. Mandatory exceptions to the work reporting requirements include: parents/guardian/caretakers of dependent children up to the age of 13, parents/guardians/caretakers of disabled children, people under the age of 19, pregnant or postpartum individuals, elderly and disabled people; and individuals who are formerly incarcerated. There are additional optional exceptions.
- Requires cost-sharing “greater than \$0” (but not to exceed \$35) for individuals in Medicaid expansion states with incomes greater than 100% of the federal poverty level. **Family planning services and supplies, and various other services, are excluded from the cost-sharing requirement.**

Provider Ban

The law places a one-year ban on certain abortion providers from participating in the Medicaid program. The ban, while obviously intended to target Planned Parenthood affiliates, also swept in other providers. The ban applies to providers who meet the following definition:

- A 501(c)(3) nonprofit entity;
- An essential community provider that is “primarily engaged in family planning, reproductive health, and related medical care”;
- Provides abortions outside of those excepted by the Hyde amendment (in the cases of the life of the pregnant patient, rape, or incest); and,
- Brought in Medicaid revenue greater than \$800,000 in federal FY2023.

Entities must meet all elements of the definition to be affected. Planned Parenthood Federation of America, Planned Parenthood League of Massachusetts, and Planned Parenthood Association of Utah filed a lawsuit challenging this provision. Maine Family Planning, one of the other affected entities, also filed a lawsuit challenging the provision. As of the writing of this fact sheet, Planned Parenthood has secured a preliminary injunction blocking the provision for all of its affiliates.

In addition, Public Law 119-21:

- Excludes refugees, people seeking asylum, individuals with temporary protected status, and others, from the definition of **legal** immigrants who are eligible for premium tax credits
- Eliminates access to premium tax credits for purchasing ACA Marketplace plans for those who are ineligible for Medicaid due to their immigration status, including lawfully present immigrants who are ineligible due to the 5-year bar.
- Requires individuals to verify their income, immigration status, family size, place of residence, and health coverage status before re-enrolling in a Marketplace plan with premium tax credits.
- Disallows special enrollment periods for ACA Marketplace enrollment based on income.

Affordable Care Act

Enhanced premium tax credits, established in 2021, are due to expire at the end of 2025. If these more generous subsidies are not extended by the deadline, more coverage losses are expected.

Projected Impact

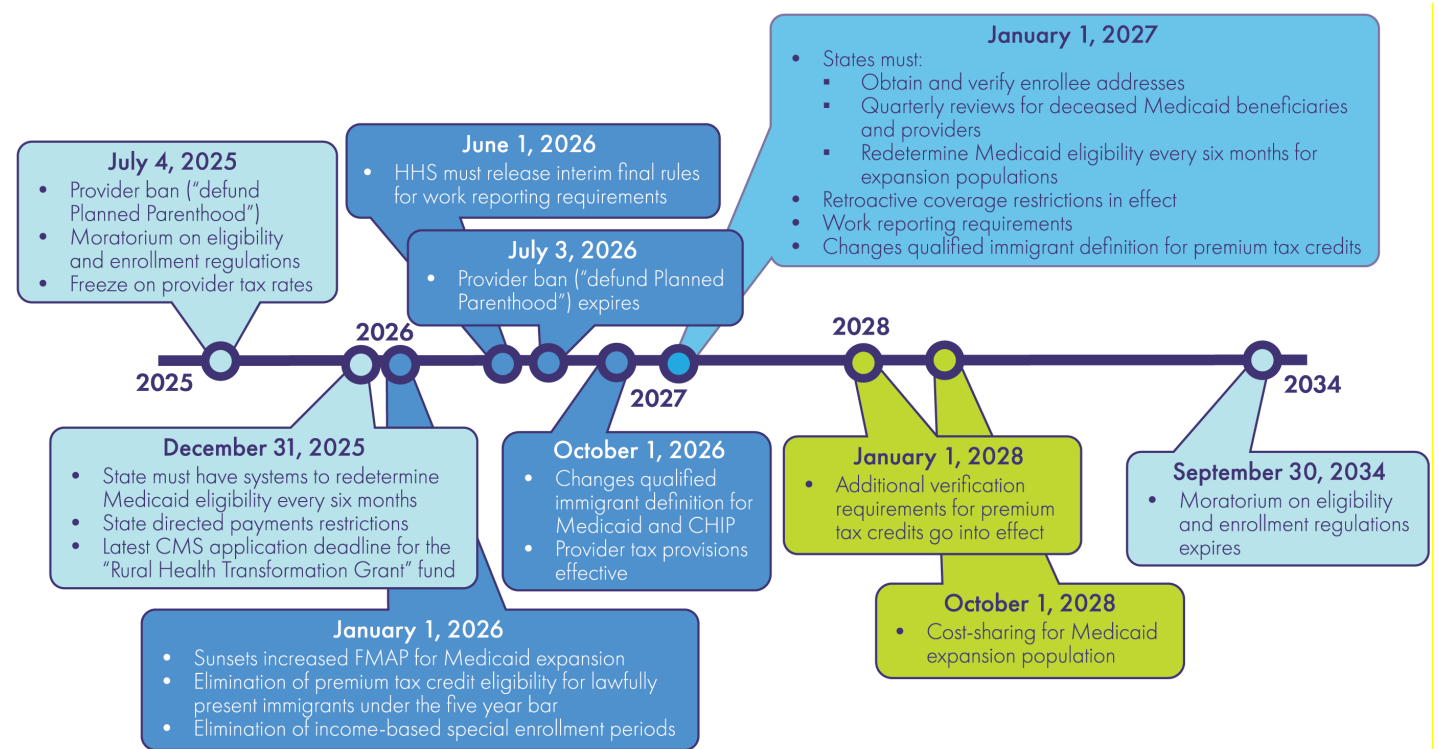
The Congressional Budget Office (CBO) estimates that Public Law 119-21 will add \$3.4 trillionⁱ to the federal deficit over the next 10 years and result in 10.8 million peopleⁱⁱ losing their health insurance. The provider ban would likely result in health center closures. Planned Parenthood Federation of America has estimated that 200 Planned Parenthood health centers would close in the provider ban provision is allowed to go into effect.ⁱⁱⁱ

The CBO estimates that an additional 2.2 million people would lose their health insurance if the ACA enhanced premium tax credits expire at the end of 2025.

Implementation Timeline

Below is a graphic representation of when each of the key provisions of Public Law 119-21 would go into effect. While many provisions will not be implemented until 2026 or later, governors and state legislatures are expected to start making changes as soon as summer 2025 in anticipation of the significant reduction in federal funds dictated by this law.

HR 1 Implementation Timeline^{iv}



ⁱ Congressional Budget Office. "Estimated Budgetary Effects of Public Law 119-21, to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14, Relative to CBO's January 25 Baseline." July 21, 2025. Accessed on August 15, 2025.

ⁱⁱ Congressional Budget Office. "Distributional Effects of Public Law 119-21." August 11, 2025. Accessed on August 15, 2025.

ⁱⁱⁱ Planned Parenthood Federation of America. "Nearly Two-Thirds of Planned Parenthood Health Centers at Risk of Closure Are in Already Underserved Communities." July 1, 2025. Accessed on August 15, 2025.

^{iv} A text-only copy of the timeline can be found on the next page.

Appendix 1: Timeline of HR-1 Implementation

Below is the text of the timeline of HR-1 Implementation in a screen reader-friendly format.

July 4, 2025 (Effective upon enactment)

- Provider ban (“defund Planned Parenthood”)
- Moratorium on eligibility and enrollment regulations
- Freeze on provider tax rates

December 31, 2025

- State must have systems to redetermine Medicaid eligibility every six months
- State directed payments restrictions
- Latest CMS application deadline for the “Rural Health Transformation Grant” fund

January 1, 2026

- Sunsets increased FMAP for Medicaid expansion
- Elimination of premium tax credit eligibility for lawfully present immigrants under the five year bar
- Elimination of income-based special enrollment periods

June 1, 2026

- HHS must release interim final rules for work reporting requirements

July 3, 2026

- Provider ban (“defund Planned Parenthood”) expires

October 1, 2026

- Changes qualified immigrant definition for Medicaid and CHIP
- Provider tax provisions effective

January 1, 2027

- States must:
 - Obtain and verify enrollee address information
 - Quarterly reviews for deceased Medicaid beneficiaries and providers
 - Redetermine Medicaid eligibility every six months for expansion populations
- Retroactive coverage restrictions in effect
- Work reporting requirements
- Changes to qualified immigrant definition for premium tax credits

January 1, 2028

- Additional verification requirements for premium tax credits go into effect

October 1, 2028

- Cost-sharing for Medicaid expansion population

September 30, 2034

- Moratorium on eligibility and enrollment regulations expires