

## Summary of Key H.R.1 Medicaid Provisions

- **Provider Taxes:** H.R.1 prohibits states from creating new provider taxes or raising taxable rates of those currently in place. It also revises the conditions under which states may receive a waiver of the requirement that taxes be broad-based and uniform such that some currently permissible taxes will not be permissible in future years. The bill also lowers the safe harbor limit for expansion states by 0.5% annually starting in FY 2028 (Oct. 1, 2027) until the safe harbor limit reaches 3.5% in FY 2032.
- **State-Directed Payments:** H.R.1 lowers the maximum rate of all state-directed payments down to 100% (for expansion states) or 110% (for non-expansion states) of the equivalent Medicare published payment rate for relevant services. It also extends this phasedown to rural hospitals, phasing them down by 10 percent annually starting with the rating period on or after Jan. 1, 2028.
- **Eligibility Redeterminations:** H.R.1 requires states to conduct more frequent eligibility determinations for the Medicaid expansion population than under current law. Specifically, beginning on December 31, 2026, states would be required to conduct eligibility redeterminations every 6 months (states may currently conduct redeterminations no more than once every 12 months). This provision is effective Jan. 1, 2027.
- **Work/Community Engagement Requirements:** The bill requires states to make Medicaid eligibility for adults ages 19–64 in the expansion population (or a waiver population) contingent on completing at least 80 hours per month of work or other qualifying activities. The bill includes exemptions for those participating in a “drug addiction or alcoholic treatment and rehabilitation program” and individuals with a “disabling mental disorder” or “substance use disorder,” as well as parents, guardians, and caretakers of children 14 years old or under and people with disabilities, among others. This provision is effective Jan. 1, 2027.
- **Rural Health Transformation Program:** H.R.1 created the Rural Health Transformation Program (Program). The Program was intended to provide relief to rural clinics and hospitals that would be significantly impacted by the bill’s Medicaid provisions. Total funding for the Program amounts to \$50 billion, with \$10 billion being disbursed each year from 2026 through 2030. Eligible entities include certified community behavioral health clinics (CCBHCs), community mental health centers, opioid treatment programs, federally qualified health centers (FQHCs), rural health centers (RHCs), and several other facility types. States seeking funds through the Program were required to submit a one-time application by Nov. 5, 2025, explaining how they plan to spend awarded funds to support at least three of ten listed program activity areas. All 50 states have applied and will receive, at minimum, \$100 million under the Program.
- **Cost-Sharing:** H.R.1 implements new cost-sharing requirements for the expansion population. Specifically, the bill requires states to charge expansion adults with incomes between 100–138% of the FPL cost sharing of up to \$35 per service. Primary care,

mental health, and substance use disorder services are explicitly exempt, existing service-based exemptions are preserved, and prescription drug cost sharing is capped at nominal levels. The bill also contains specific exemptions for services provided by CCBHCs, FQHCs, and (RHCs), among other clinic types. This provision is effective Oct. 1, 2028.

- **Retroactive Coverage:** Current law requires states to cover Medicaid-eligible medical expenses incurred up to 90 days before an individual applies for coverage. H.R.1 limits retroactive coverage to one month prior to application for coverage for expansion enrollees and two months prior for non-expansion enrollees. This provision is effective Jan. 1, 2027.