Recent State and Federal Regulatory Changes

Evan Klein
Special Assistant for Legislative & Policy Affairs
September 25, 2025

Washington State Health Care Authority

Agenda

- Impact of federal rules
- Federal budget (H.R. 1) – Medicaid impacts
- Apple Health data privacy
- Access and affordability initiatives

Federal Rules

Washington State Health Care Authority

New Federal Requirements

- Changes in federal regulations and increased oversight require substantial changes to Apple Health in the coming years:
- In April 2023, HCA entered mitigation with CMS for non-compliance with Classic ex-parte (automated) renewals.
  - Compliance date: June 2027
  - Compliance with mitigation and the eligibility rules is met by moving Classic financial eligibility to Washington Healthplanfinder.
- Additional Managed Care Access rules require increased oversight of state directed payments, network adequacy and quality reporting in Managed Care.
- Prior Authorization rules require increased oversight and policy changes related to clinical guidelines and turnaround times

Federal Budget

Washington State Health Care Authority

Federal budget background

- Congress passed a continuing resolution for the federal budget on July 3, 2025, which was signed into law by President Trump on July 4.
- The budget contains numerous provisions that impact Medicaid, food assistance, and the individual market.
- Hundreds of thousands of Medicaid-eligible Washington residents will be impacted.
- **HCA and state partners are still assessing the full scope of impacts to Apple Health. We anticipate significant administrative changes and new state costs associated with implementation.**

Medicaid policies in the budget

	Policy	Effective Dates
Restricts payment for protected health services	Restricts federally funded Medicaid payments for 1 year to nonprofit organizations that primarily engage in family planning services or reproductive services and provide abortion services. Likely to impact over $11 million in funding.	Effective for 1 year, from date of enactment (July 4, 2025)
Funding for non-citizens	Changes Medicaid eligibility for refugee, asylee, and other non-citizen adults.	Oct. 1, 2026
Work requirements	Establishes work requirements as a new condition of Medicaid eligibility for adults aged 19-65 who receive full coverage. This makes coverage based on working, training, or doing community engagement 80 hours per month. Includes certain categorical exemptions.	Dec. 31, 2026, with option to apply for waiver to implement Dec. 31, 2028
Rural health funding	Allocates $10 billion annually to states, which can be used to support rural health transformation projects with a focus on promoting care, supporting providers, investing in technology, and assisting rural communities.	States can apply in 2025; funding from 2026–2030
Increases the frequency of eligibility redeterminations	Requires states to redetermine eligibility for adults enrolled through Medicaid expansion every 6 months, instead of every 12 months.	Dec. 31, 2026
Retroactive coverage	Shortens period of retroactive coverage eligibility from 3 months to 1 month for adults and 2 months for other Medicaid and CHIP applicants.	Jan. 1, 2027
Restricts new state-directed payments (SDPs) from exceeding Medicare payment levels	Requires existing SDPs for hospital and nursing facility services and services provided at an academic medical center to reduce by 10% per year, beginning in 2028 until they reach Medicare levels.	10% reductions begin in 2028
Cost-Sharing	Requires adults to pay cost-sharing of up to $35 for many services. Excludes primary care, behavioral health, emergency services, and services rendered in certain rural settings from the requirement.	Oct. 1, 2028
Address verification	Changes requirements for address verification.	Oct. 1, 2029
Removes good-faith waivers related to erroneous payments	Removes ability to waive federal penalties for a state's good-faith efforts to correct erroneous excess Medicaid payments under the Payment Error Rate Measurement (PERM) program and other state and federal audits.	Oct. 1, 2029

State funding and enrollment impacts

Proposed work requirements, increased frequency of redeterminations, and other changes to eligibility and enrollment rules will impact access and state funding.

Over 620,000 Washingtonians will be impacted by work requirements and changes to redeterminations.

Lawfully-present non-citizens will see direct restrictions to access.

Our state is projected to see a reduction of billions in federal funding between 2025–2034.

Prohibiting payment for protected health services

- Prohibits federally funded Medicaid payments to nonprofit organizations that primarily engage in family planning services or reproductive services and provide abortion services.
- Applies for 1 year, starting on date of enactment (July 4, 2025).
- Could reduce federal funding by over **$11 million per year** for family planning services in Washington.
- *Enforcement of this provision was enjoined by Federal District Court but the injunction was recently overturned in the 1st Circuit.*

Medicaid eligibility changes

- Reduces federally funded Medicaid eligibility for refugee, asylee, and other non-citizen adults, effective Oct. 1, 2026.
- HCA anticipates this could impact over 30,000 individuals currently enrolled in Apple Health.
- Individuals may be eligible for other programs:
  - Apple Health Expansion
  - 1332 waiver coverage on Exchange
  - Emergency Medical
  - Pregnancy or After-Pregnancy Coverage

Impacts of federal work requirements

- By December 31, 2026, states are required to institute work requirements as a new condition of Medicaid eligibility for adults aged 19–65 who receive full coverage.
  - Makes coverage contingent on working, training, or doing community engagement for 80 hours per month.
  - Applies to individuals age 19-65 who do not meet an exemption.

Impacts of federal work requirements
continued

Medicaid enrollees work
Most Apple Health clients work (or are the dependents of a working adult).[1]

Adults will lose coverage
More than 620,000 adults would be at risk to lose or delay coverage due to administrative red tape. Assuming similar experience from other states, an estimated 187,000 Washington adults will lose Medicaid coverage.[2]

States may apply for waiver
States may apply for a waiver to delay implementation to December 31, 2028. Must show good-faith efforts to come into compliance as part of waiver application. CMS is expected to provide additional guidance in 2026.

Sources:
(1) WA Legislative report: Employment Status of Apple Health Clients, 2023.
(2) Robert Wood Johnson Foundation, State-by-State Estimates of Medicaid Expansion Coverage Losses, 2025.
(3) Health Affairs, Evidence from Arkansas's Medicaid Work Requirements, March 2025

Washington State Health Care Authority

Exemptions from federal work requirements

- The federal work requirements don't apply to individuals who are:
  - Pregnant or receiving postpartum coverage
  - Under the age of 19
  - Foster youth and former foster youth under the age of 26
  - Tribal members
  - Medically frail
  - Disabled veterans
  - Entitled to Medicare Part A or B
  - Already comply with work requirements under the Temporary Assistance for Needy Families (TANF) program or Supplemental Nutrition Assistance Program (SNAP)
  - Parents or caregivers of a dependent child or individual with a disability
  - Incarcerated or recently released from incarceration within the past 90 days
  - AUD/SUD treatment

Increasing the frequency of eligibility redeterminations

- Requires states to redetermine eligibility for adults enrolled through Medicaid Expansion for Adults every 6 months, beginning December 31, 2026.
- Impacts 620,000 adults enrolled in Apple Health.
  - Will likely lead to thousands of individuals losing coverage.
- 80-85% of population automatically renews, but 15% of population who needs active management will drive significant staffing impacts for HCA, Department of Social and Health Services (DSHS), and Health Benefit Exchange (HBE).

Impact of cost-sharing requirements

Beginning October 1, 2028, requires adults to pay cost-sharing of up to $35 for many services.

Forces out-of-pocket spending for individuals who may be earning as little as $16,000 per year

OR

Drives individuals to forgo care

Washington State Health Care Authority

Impact of state-directed payments (SDPs) and provider taxes

- Prohibits new provider taxes and ramps down existing provider taxes from 6% to 3.5% of net revenue.
  - Ramps down by 0.5% per year, beginning in 2028.
- Prohibits new SDPs from exceeding Medicare payment levels and requires existing SDPs to reduce by 10% per year until they reach Medicare levels.
  - Reductions begin in 2028.
  - Applies to inpatient and outpatient hospital services, nursing facility services, and certain services provided at an academic medical center.
- Provider taxes and SDPs allow states to draw down federal funds to support local health system needs and directly invest in providers and facilities.

Rural health funding

- Allocates $10 billion annually to states, from 2026 to 2030.
- Funding can be used by states to support rural health transformation projects, with a focus on:
  - Promoting care
  - Supporting providers
  - Investing in technology
  - Assisting rural communities
- States must apply in 2025 to participate.
  - Applications will be approved/denied by December 31, 2025.
  - Must include a rural health transformation plan.

Other Medicaid provisions

- Reduces the home equity limit for long-term care eligibility.
  - Effective Jan. 1, 2028
- Shortens period of retroactive coverage eligibility.
  - From 3 months to 1 month for Apple Health adults
  - From 3 months to 2 months for all other Medicaid applicants
  - Effective Jan. 1, 2027
- Changes address verification processes.
  - Effective Oct. 1, 2029

Data Privacy

Washington State Health Care Authority

Data privacy

- In June, Washington became aware that CMS shared Medicaid data from a number of states with the Department of Homeland Security (DHS).
- To participate in federally funded programs, states are required to share enrollment and claims information with CMS.
- Federal health care privacy and Medicaid laws prohibit the use of health care information for immigration purposes.
  - *Federal District Court issued injunction in mid-August, prohibiting DHS from using Medicaid data for immigration enforcement.*

Data privacy, continued

- Washington has taken several steps to mitigate impacts, where possible:
  - Limiting data sharing when not required
  - Updating the Apple Health Notice of Privacy Practices
  - Sending postcards to impacted Apple Health clients
  - Contemplating program changes or other privacy protections
- Data sharing with CMS will continue when required and significant unknowns remain

Access and Affordability

Washington State Health Care Authority

Background

- Recent contract termination notices by large health systems.
- Hospital services have largest growth in claims cost and impact on premiums.
- Public Employees Benefits Board (PEBB) and School Employees Benefits Board (SEBB) rates grew by ~20% from 2021–2024.
- WA increased Medicaid payments to hospitals by over $1.3 billion per year starting in 2024.
- WA, OR, and other states have found success with reference pricing to contain costs.
- Reimbursement for primary care and behavioral health services lag significantly behind hospital reimbursement, despite benefits of preventive care access.

* Rate of growth refers to bid rates, inclusive of fully-insured and UMP plans and averaged across PEBB and SEBB

HCA request: Senate Bill 5083

- E2SSB 5083 – PEBB/SEBB affordability
- Beginning January 1, 2027, caps PEBB/SEBB reimbursement for licensed hospitals in Washington.
  - In-network acute care hospitals: 200% of Medicare payments amounts
  - In-network children's hospitals: at 150-190% of Medicaid ratio of cost-to-charges (RCC)
  - Out-of-network rates for acute care and children's hospitals capped at lower levels
- Establishes reimbursement floors at 150% of Medicare for Primary Care and Behavioral Health Services

Projected impacts

- Reduce enrollee premiums by 2–3% relative to levels if bill were not in effect
- Reduce state expenditures by nearly $200 million over next 4 years
- Increase reimbursement for behavioral health services by over $20 million annually

Questions and contact

- **Evan Klein** | Special Assistant for Legislative & Policy Affairs
  Email: evan.klein@hca.wa.gov

Washington State Health Care Authority

Resources

- H.R.1: Text - H.R.1 - 119th Congress (2025-2026): One Big Beautiful Bill Act | Congress.gov | Library of Congress
- Summary of State Mitigation Strategies for Medicaid Renewal Requirements
- Medicaid and CHIP Managed Care Access, Finance, and Quality final rule: Managed Care Rule and Ensuring Access to Medicaid Services: Access Rule