Federal Changes to Medicaid & Washington's response

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Washington State Health Care Authority

Agenda

- Federal rules
- Federal budget (H.R. 1) – Medicaid impacts
- Access and affordability initiatives

Medicaid Overview in Washington

Medicaid in Washington

May 2025

1,860,000 children and adults are enrolled in Washington Medicaid

Among all Medicaid enrollees in Washington:

- **2 in 5 (39%)** are children
- **1 in 6 (16%)** live in a rural area
- **1 in 9 (12%)** have three or more chronic conditions

WA expansion status:	Adults in expansion group:
Adopted	**626,000**

In Washington, Medicaid covers…

Medicaid covers from 15% to 35% of people in WA's congressional districts

Single most effective anti-poverty program for states – long-term outcomes:

- Higher graduation rates
- Life-time earnings
- Fewer emergency and hospitalizations as adults

Source: 2025 Kaiser Family Foundation

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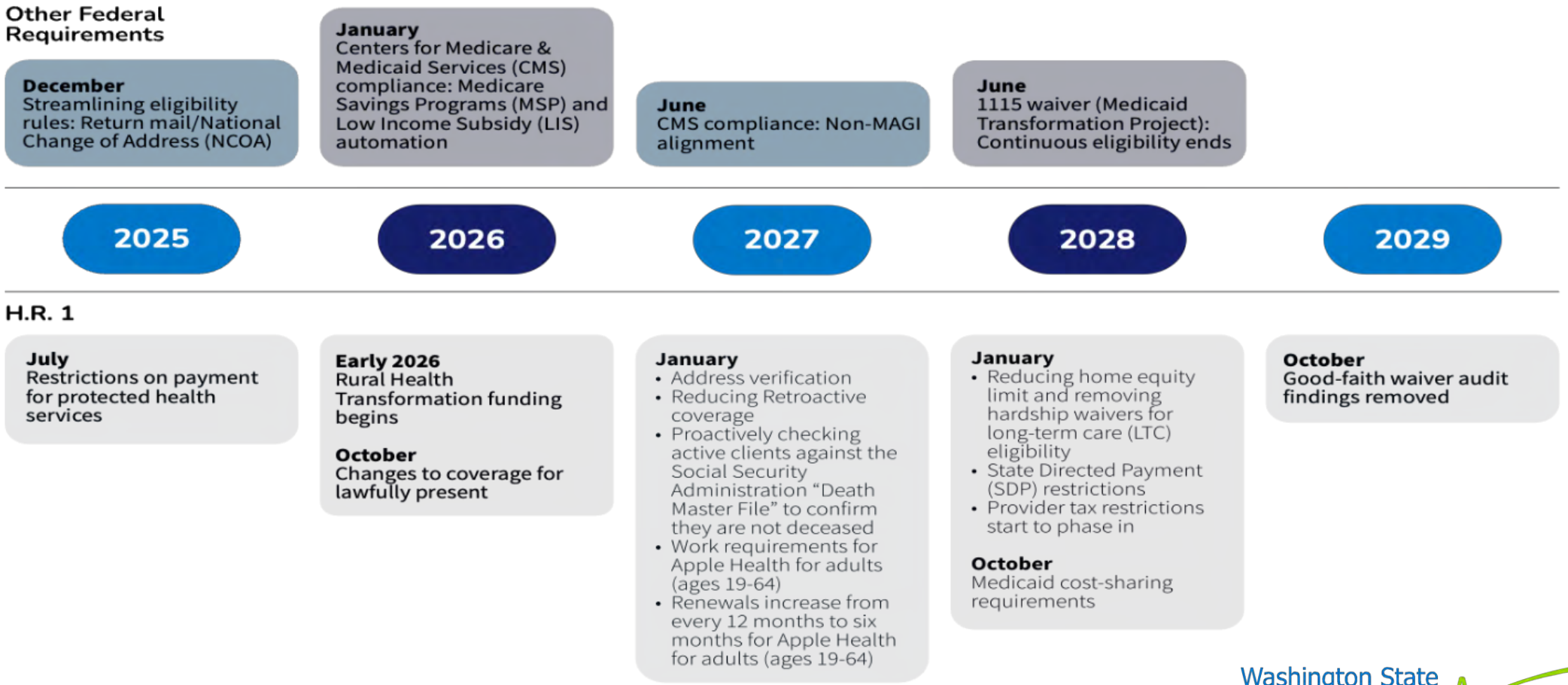
Washington's health coverage foundation

- Apple Health (Medicaid) provides coverage across every stage of life
- Medicaid supports hospitals, behavioral health, long-term services, primary care, and community providers
- Washington has built one of the nation's strongest coverage continuums
- Federal changes affect people, providers, and the state budget

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, 2025
- The budget contains numerous provisions that impact Medicaid, food assistance, and the individual market
- Hundreds of thousands of Medicaid-eligible Washingtonians will be impacted
- Washington's response centers on mitigating coverage loss and reducing burden on customers and providers

Implementation Timeline



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Non-U.S. citizen definition change

- Effective October 2026, eligibility for lawfully-present non-U.S. citizens changes
  - Limited to lawful permanent residents, certain Cuban/Haitians, and Compact of Free Association (COFA) islanders
- Expect nearly 11,000 individuals to lose Medicaid, including nearly 1,000 individuals receiving Long-term Care or Developmental Disability services
- Children and pregnant people are eligible for Apple Health regardless of immigration status when they meet all other requirements
- CMS released guidance on April 8, 2026
  - SHO 26-001

Work Requirements

- Beginning January 1, 2027, a new eligibility criteria for all individuals applying for or renewing Apple Health for Adults will be required
- Individuals must either meet work requirements or qualify for an exemption
- Centers for Medicare and Medicaid Services (CMS) published the Interim Final Rule (IFR) on June 1, 2026.
- Work requirements are met when an individual meets one of the following:
  - Has at least $580 in average monthly income
  - Enrolls in an educational program at least half-time
  - Participates in a work program at least 80 hours per month
  - Completes at least 80 hours of community service
  - Has a combination of hours of work, community service, work program, or educational program totaling at least 80 hours per month

Work requirement exemptions

- Individuals who do not meet work requirements may be eligible for Apple Health for Adults when they meet an exemption:
  - Pregnant or in postpartum period
  - Under age 19
  - Foster youth or former foster youth under age 26
  - American Indian/Alaska Native, and certain Tribal populations
  - Parent/caretakers of children under 14
  - Household member of SNAP (food assistance)or TANF (cash assistance)
  - Parent/caretaker of individual with disability
  - Entitled to Medicare Part A or B
  - Incarcerated or within 90 days post-release period
  - Medically frail
  - Alcohol or Substance Use Disorder treatment (AUD/SUD)
  - Disabled veteran with 100% total disability
  - Short-term hardship

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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 roughly 600,000 adults enrolled in Apple Health.
  - Will likely lead to thousands of individuals losing coverage.

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

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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
- Washington awarded over $181 million for Budget Period 1 on December 29, 2025.
  - There will be 5 distinct Budget Periods awarded through the life of the RHT Program.
- Washington will be held accountable to delivering on the initiatives and activities spelled out in our application

State Flexibilities

Federal Requirements	Washington Policy & Implementation choices
Who is subject to federal eligibility restrictions	How clearly changes are communicated
Minimum frequency of required eligibility reviews	How effectively we use existing data
Required community engagement framework	How we identify and verify exemptions
Federal limits on financing	How we sequence and manage implementation
Federal effective dates	How we engage advocates, providers, and effected communities

Washington's Implementation Approach

- Comply accurately
- Automate where possible
- Protect eligible people
- Communicate clearly
- Monitor results

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Other federal policy changes

- Gender-affirming care for minors
  - Effective October 13, 2026, prohibits federal Medicaid and CHIP funding for specified gender-affirming medications and procedures for people under age 18
- Public charge rule
  - Effective September 18, 2026, expands discretion for DHS to consider the use of public benefits, including Medicaid, in certain immigration decisions
- Broader federal oversight
  - Increase scrutiny of eligibility accuracy, program integrity, managed care, and state financing

Access & Affordability

- Re-Entry
  - Services before release for eligible people leaving correctional settings
- Health Related Social Needs (HRSN)
  - Housing and nutrition supports through 1115 Medicaid demonstration waiver
- Behavioral Health integration
- Maternal and child health coverage continuity
- Stronger expectations for managed care access and accountability

Access & Affordability

- State-funded coverage
- Cascade Care
- Cascade Care Savings
- Coverage transitions
- Continuous eligibility

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Resources

- View the H.R. 1 stakeholder webpage
  - Scan and visit this webpage

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Contact

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