Top Issues in Medicaid, 2026

Robin Rudowitz

Senior Vice President, Director, Program on Medicaid and the Uninsured

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KFF

The independent source for health policy research, polling, and news.

What is KFF?

A leader in health policy analysis, polling and health journalism, KFF is dedicated to filling the need for trusted information on national health issues.

- KFF is a non-profit organization focusing on national health issues, as well as the U.S. role in global health policy
- Unlike grant-making foundations, KFF develops and runs its own policy analysis, journalism and communications programs, sometimes in partnership with major news organizations.
- We serve as a non-partisan source of facts, analysis and journalism for policymakers, the media, the health policy community and the public.
- Our product is information (policy research, facts, numbers, news coverage)
- Always provided free of charge
- The modern day KFF was established in the early 1990s with its current mission
- KFF is NOT associated with Kaiser Permanente

KFF 50-State Data Resources

Types of data and research available from KFF

State Health Facts

- Repository of state-level data covering health coverage, demographics, and the economy
- Data come from analysis of national surveys (such as the American Community Survey), administrative data (such as those from Medicare and Medicaid) and from KFF's 50-State Surveys
- Most data are updated annually
- https://www.kff.org/state-health-facts/

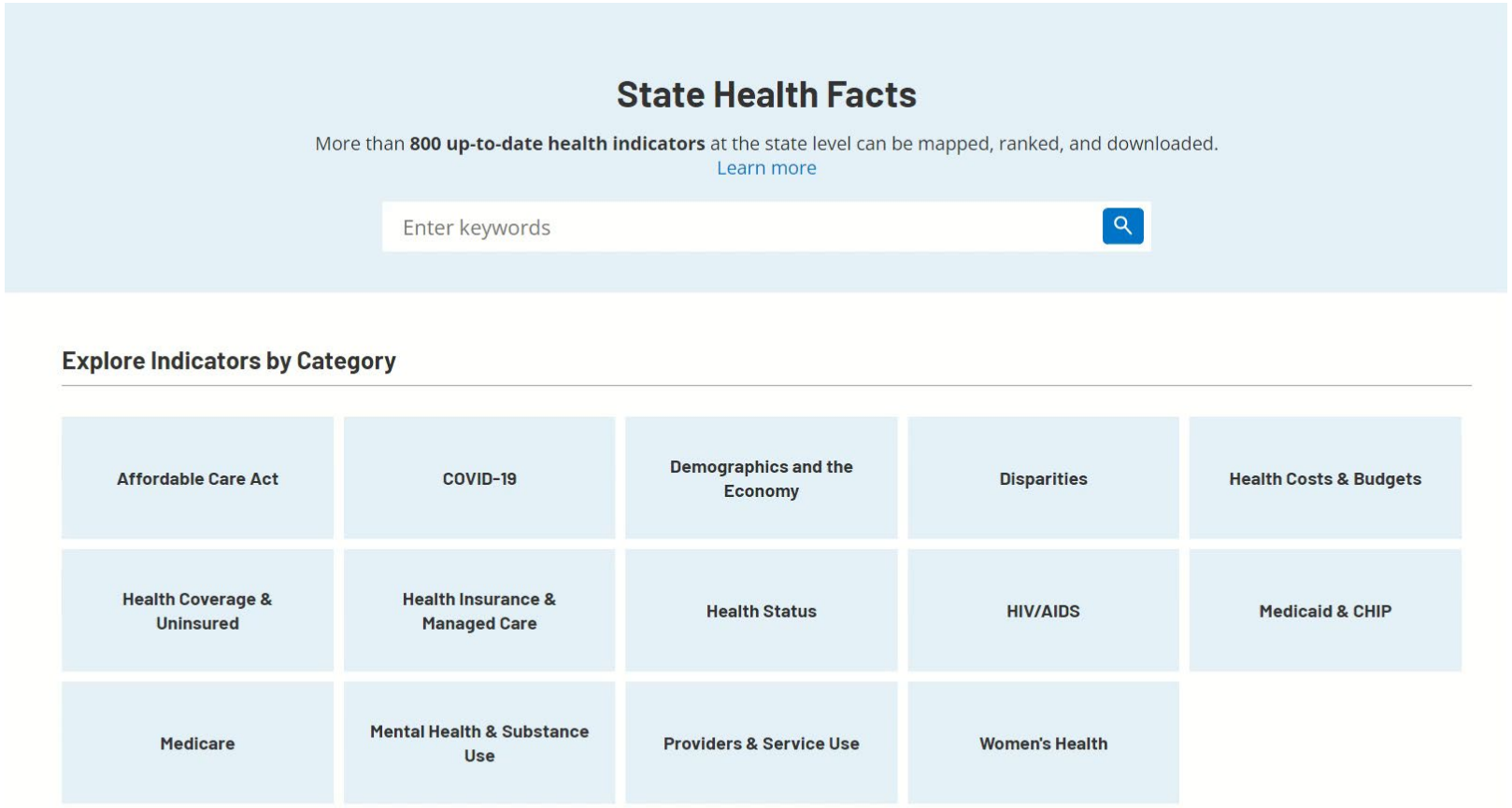
50-State Surveys

- 4 Annual 50-State Surveys of state Medicaid programs
- Budget Survey
- Home Care Survey
- Eligibility Survey – Children and Families
- Eligibility Survey – Adults Ages 65 and Older, People Eligible Because of a Disability

Trackers

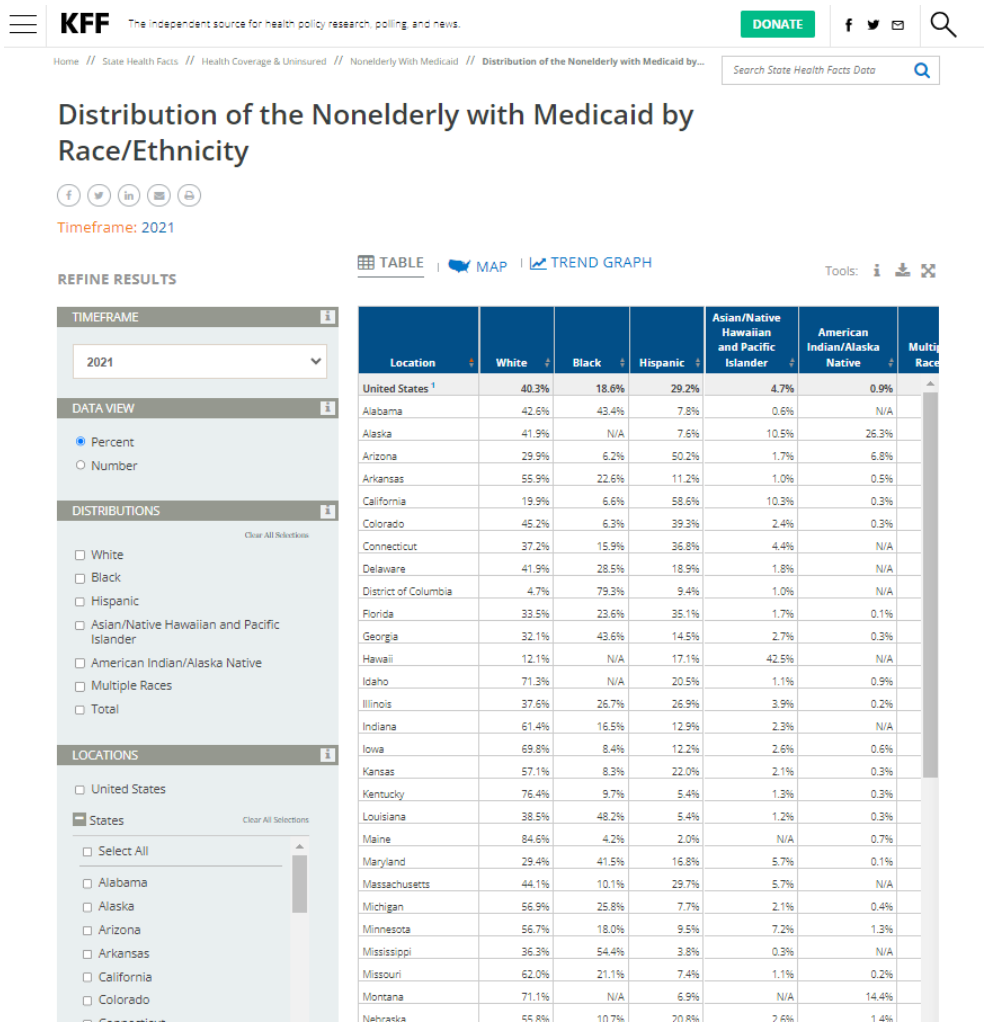
- Some are perpetual, others developed to track rapidly-evolving policy changes
- Medicaid Expansion
- 1115 Waivers
- Work Requirements and Reconciliation Law
- Program Integrity

KFF State Health Facts provides state-level data on over 800 health topics.



State Health Facts provides a wealth of state-level Medicaid/CHIP data.

- Spending
- Enrollment
- Coverage
- Eligibility levels and trends
- Application and enrollment systems
- Application and renewal processes
- Premiums and cost sharing
- MCO enrollment and spending
- Dual Eligible Individuals
- Long-Term Care
- CHIP
- Medicaid Benefits and Behavioral Health Services



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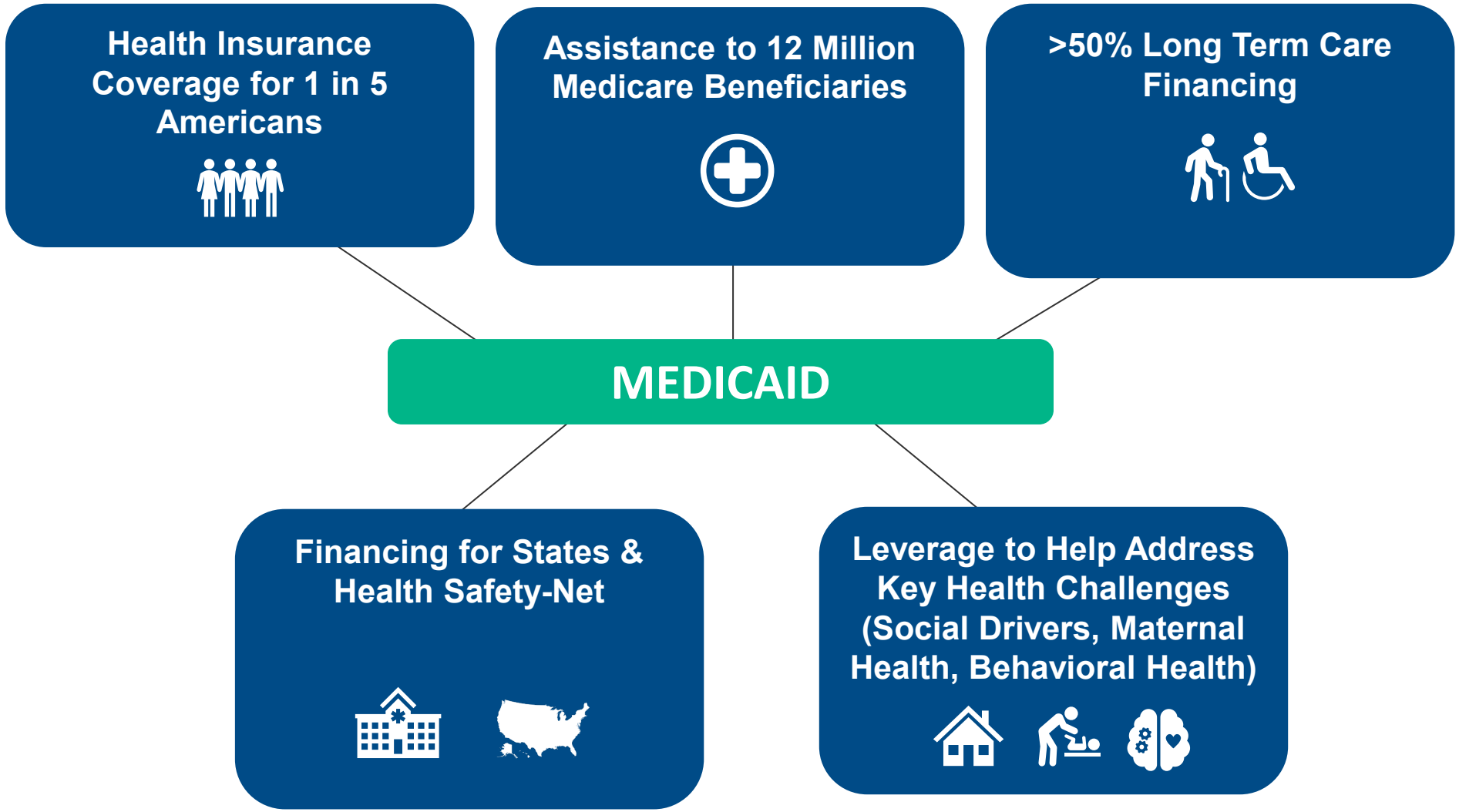
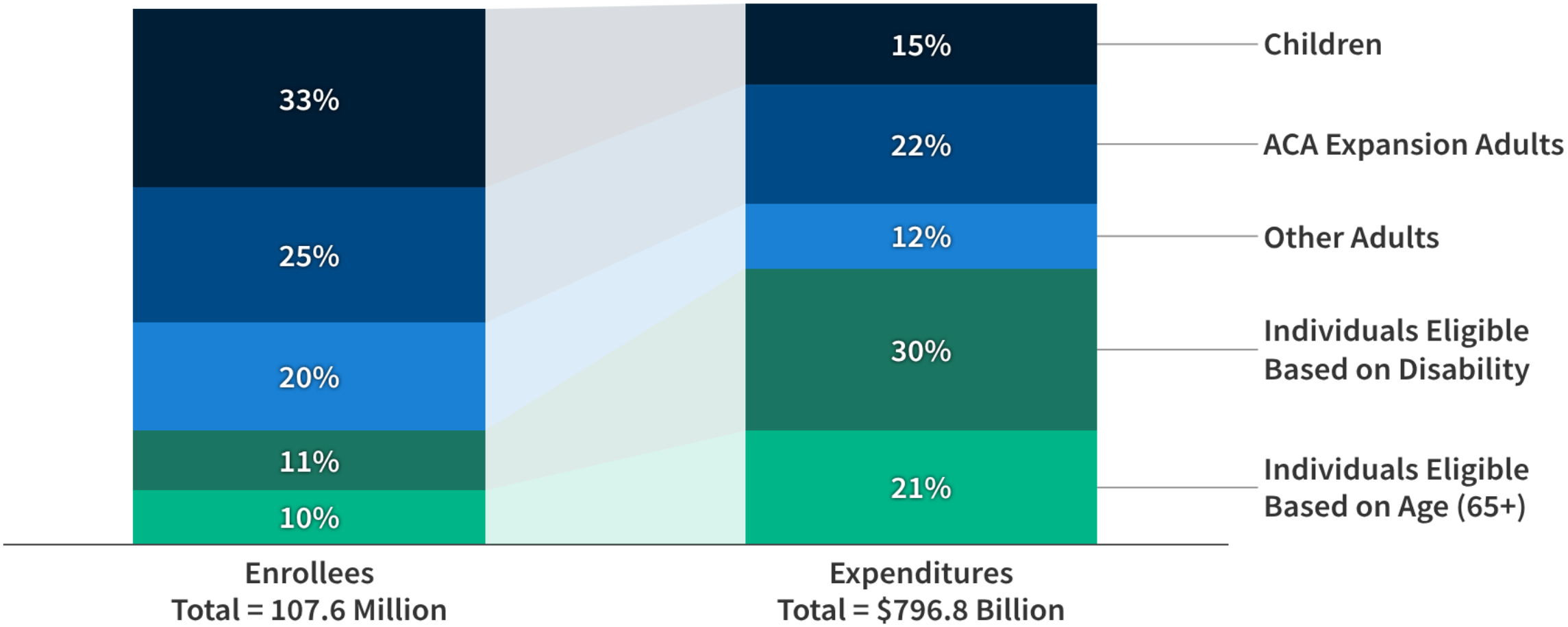
1. What is the Medicaid landscape?

Medicaid plays a central role in the US health care system.



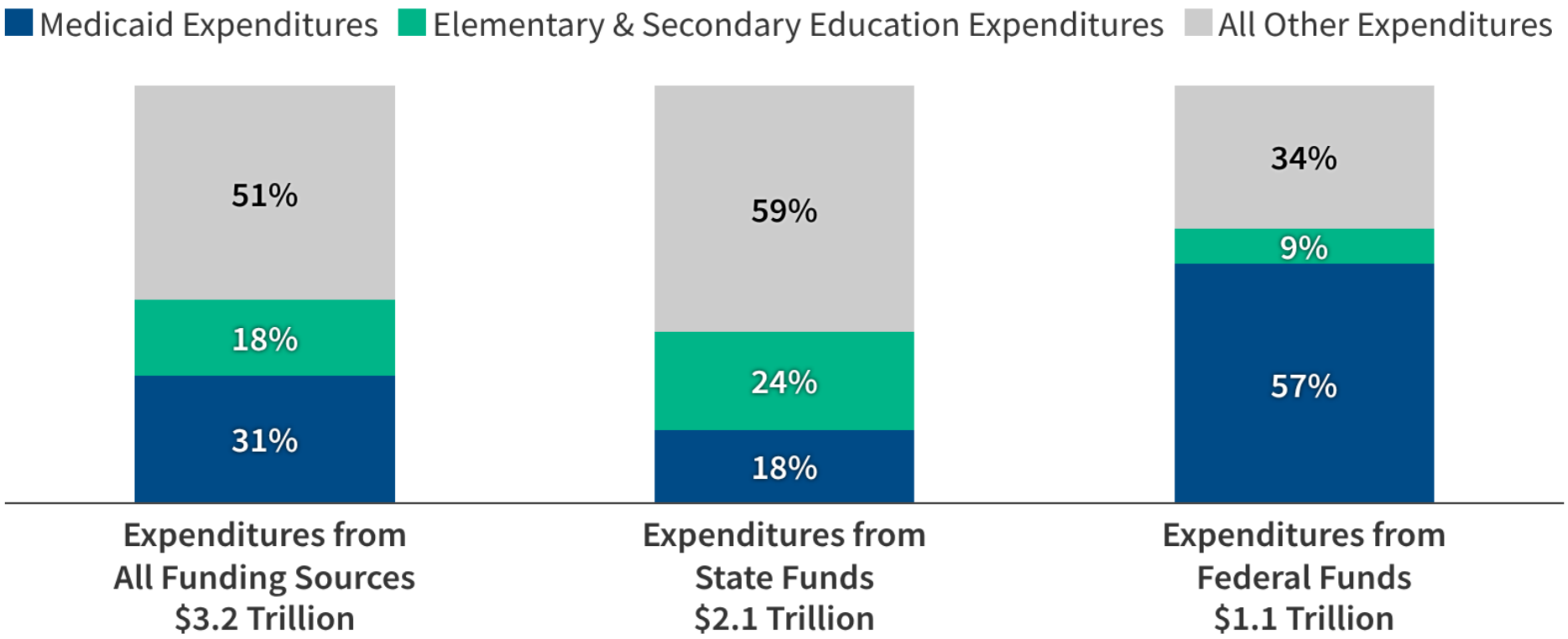
People eligible for Medicaid based on disability or age 65+ accounted for 1 in 5 enrollees but over half of all spending in 2023.



Note: Includes full and partial benefit enrollees enrolled in at least one month of Medicaid during 2021. Total may not sum to 100% due to rounding.
Source: KFF analysis of the T-MSIS Research Identifiable Files, CY 2023

Medicaid is the largest single source of federal funds for states.

Distribution of state expenditures by source of funds, SFY 2025

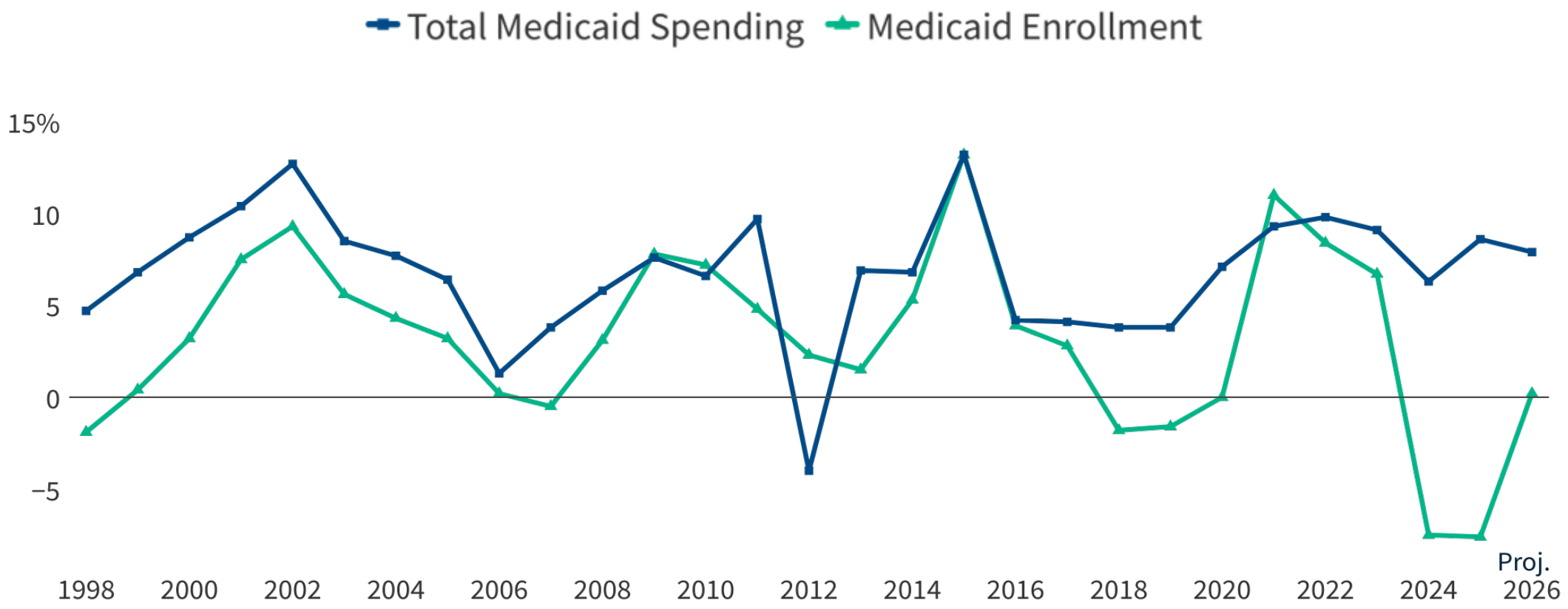


Note: SFY = state fiscal year. Expenditures from state funds include state general funds and other state funds. Expenditures from all funding sources include both expenditures from state funds and federal funds as well as bond funds. Expenditures from state funds and federal funds will not total to expenditures from all funding sources due to the exclusion of bond funds from state and federal funds. For additional information and state-specific notes, see data source.

Source: KFF's Medicaid Financing: The Basics

States project flat enrollment post unwinding but upward spending pressures.

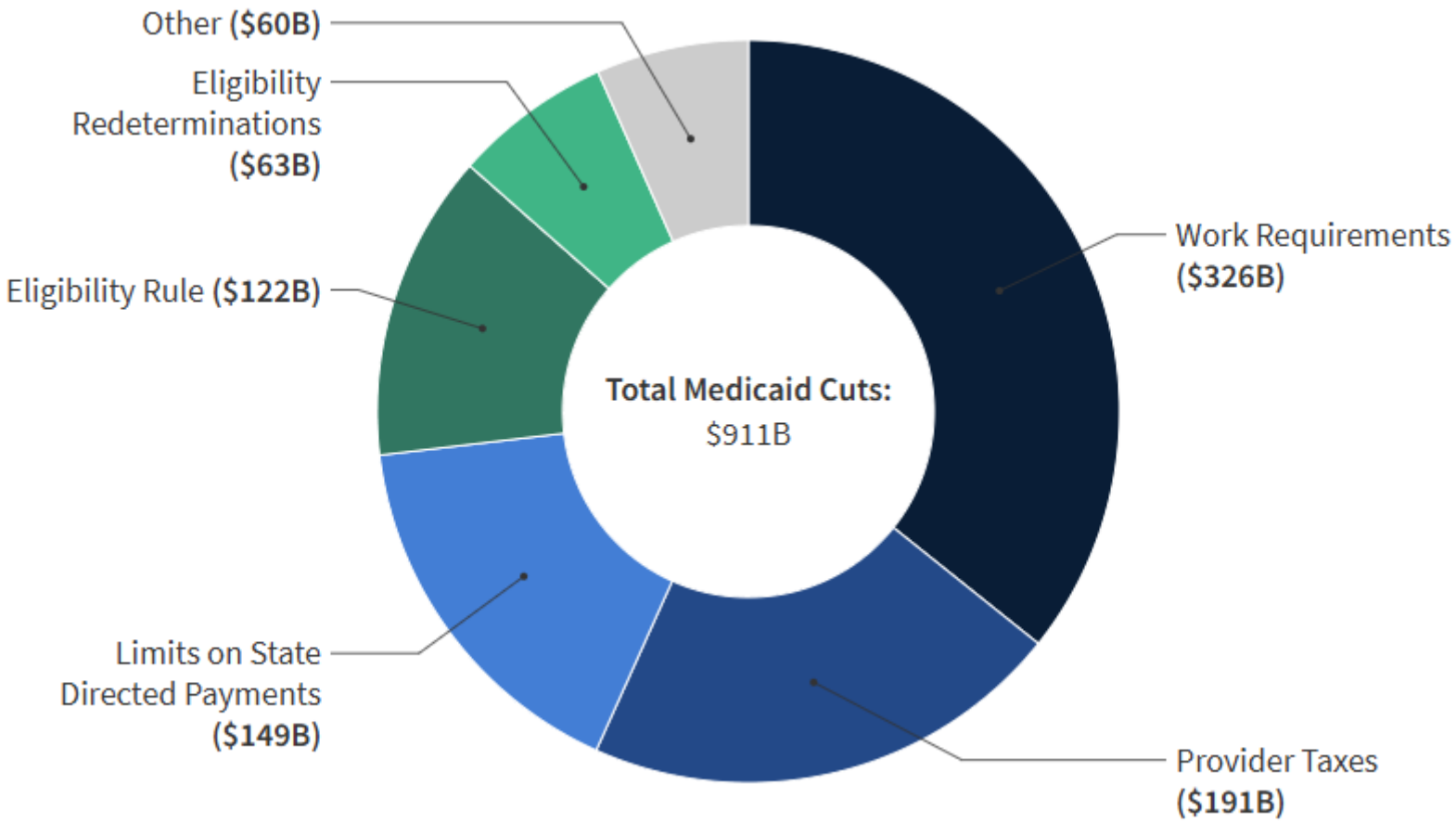
Annual percentage changes, FY 1998 - FY 2026



Note: FY 2026 projections based on enacted budgets.
Source: KFF's Medicaid Enrollment & Spending Growth: FY 2025 & 2026

CBO estimates the reconciliation law would reduce federal Medicaid spending by $911 billion over 10 years.

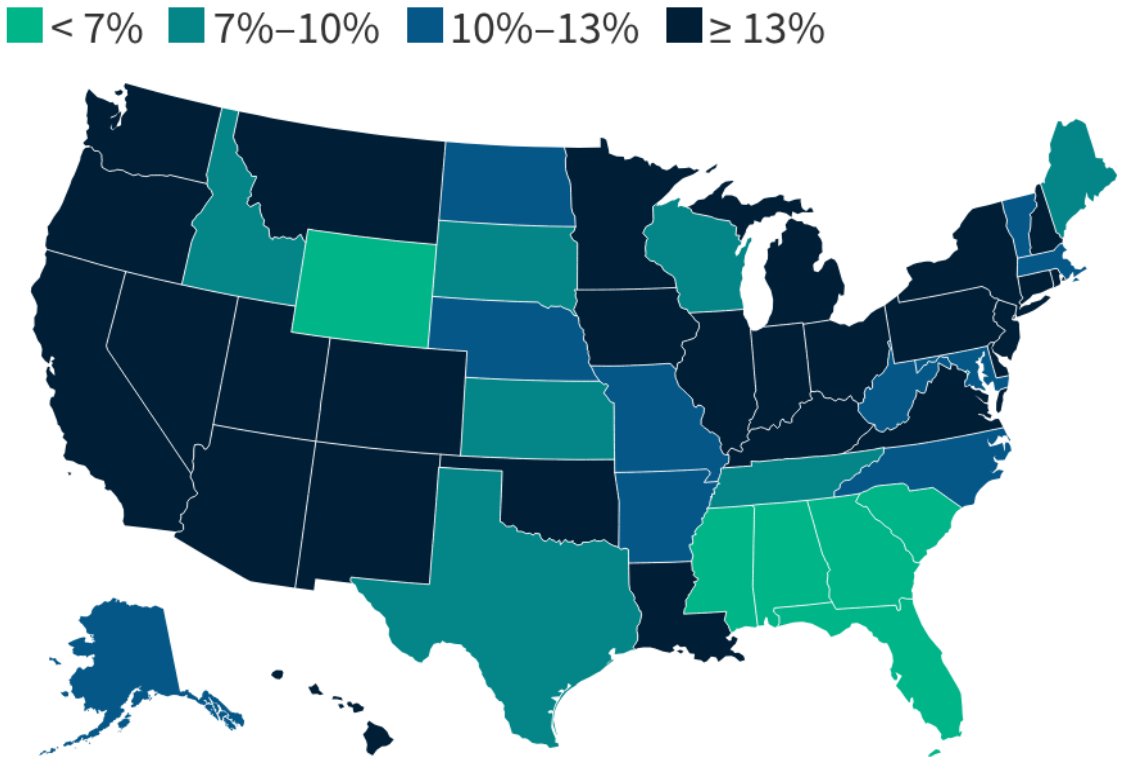
CBO's estimated 10-year federal spending cuts, by policy



Source: KFF's analysis of CBO estimates of the enacted reconciliation package

The impact of Medicaid changes in the 2025 reconciliation law will vary across states.

Federal Medicaid Cuts in the Senate Reconciliation Bill as a % of 10-Year Baseline Federal Spending (2025-2034)

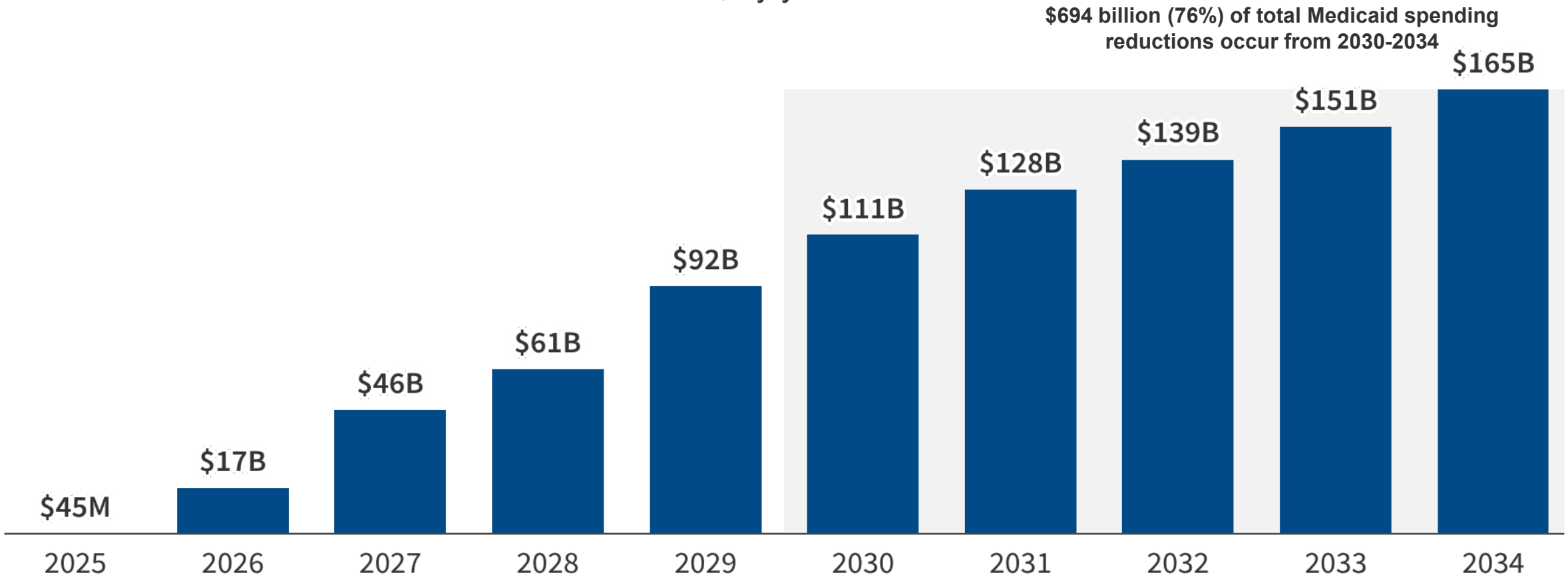


- Federal cuts to states of $911 billion over 10 years represents 14% of federal spending on Medicaid over the period.
  - States with the largest cuts to federal Medicaid spending (≥ 19%) include LA, IL, NV, OR
- Federal spending cuts of $100 billion per year represent:
  - 10% of all federal revenue to states
  - 36% of state spending on Medicaid
  - 24% of state spending on elementary and secondary education
  - 46% of state spending on higher education
  - 74% of state spending on transportation
  - 138% of state spending on corrections

Source: KFF's Allocating CBO's Estimates of Federal Medicaid Spending Reductions Across the States: Enacted Reconciliation Package; Budget estimates based on FY 2023 federal and state spending by budget category from NASBO

Most of the ten-year reductions in federal Medicaid spending in the 2025 reconciliation law would occur in the final five years of the period.

Federal Medicaid cuts in the 2025 reconciliation law, by year



Source: KFF analysis of CBO estimates of the enacted reconciliation package

Health provision from the 2025 reconciliation law will go into effect at different times.

7/04/2025

Provider tax moratorium

Interim rule on implementing work requirements

01/01/2027

Work requirements required to go into effect

State option to implement earlier

10/01/2027

Provider tax limits

Reduces the safe harbor limit for expansion states by 0.5% annually starting in fiscal year 2028 until the safe harbor limit reaches 3.5% in FY 2032.

12/31/2026

Six-month redeterminations

Requires states to conduct eligibility redeterminations every 6 months for Medicaid expansion adults

01/01/2027

New 1115 budget neutrality requirements

Requires CMS Actuary certification and new approach to calculating budget neutrality

01/01/2028

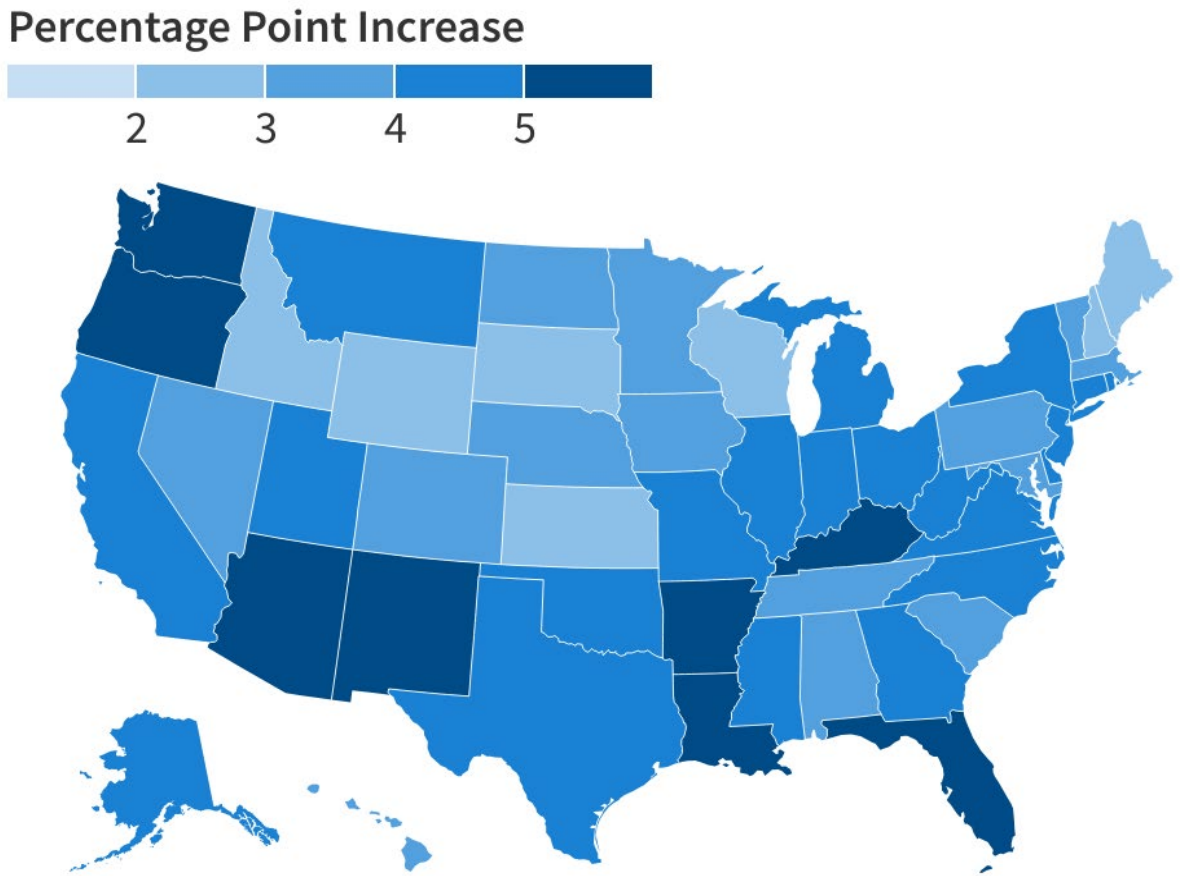
Reducing state directed payments

Begins reducing existing payments that are above the limit by 10 percentage points each year until they reach the new lower limit

Source: KFF's Implementation Dates for 2025 Budget Reconciliation Law

2. What are coverage related changes?

Between H.R. 1 and the expiration of enhanced ACA tax credits, an additional 14.2 million people may be uninsured in 2034.

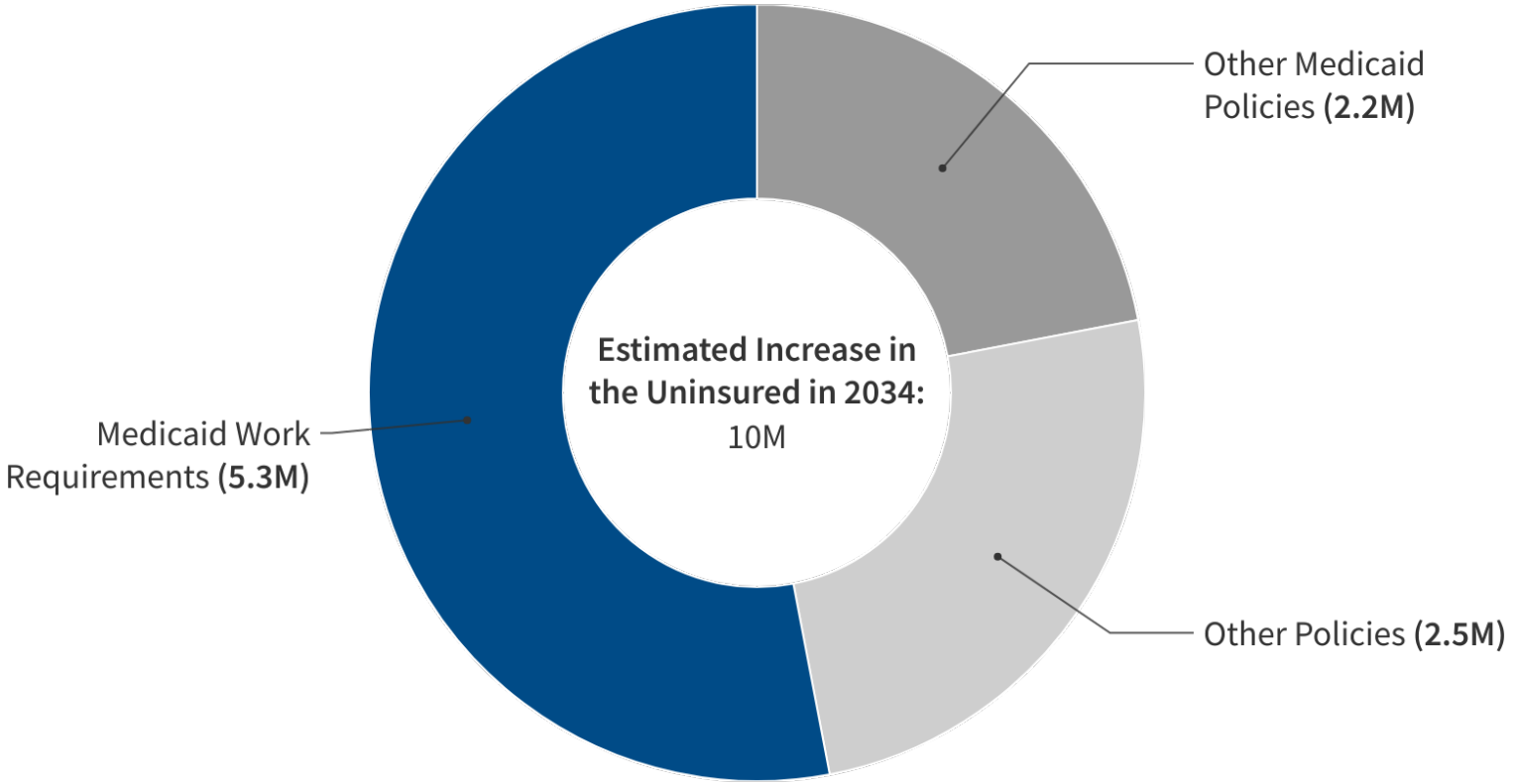


Note: CMS also estimates that the finalized Marketplace Integrity and Affordability rule will increase the number of uninsured (its impact will be greatest in 2026, before many of its rules sunset).

Source: How Will the 2025 Reconciliation Law Affect the Uninsured Rate in Each State?

CBO estimated that work requirements would lead to 5.3 million more uninsured people by 2034.

CBO estimates of the increase in the uninsured in 2034 due to the enacted reconciliation law, by source of change:



Note: Total and "other policies" includes 300,000 in estimated coverage loss due to interaction between policies. “Other policies” also include Medicare and Marketplace changes.

Source: KFF analysis of CBO estimates of the enacted reconciliation package. See KFF’s A Closer Look at the Work Requirement Provisions in the 2025 Federal Budget Reconciliation Law.

The law requires states to implement work requirements by January 2027.

States would be required to condition Medicaid eligibility for individuals ages 19-64 applying for coverage or enrolled through the ACA expansion or certain waivers on meeting qualifying activities or exemption criteria:

Qualifying Activities

- 80 hours per month of work, community service, and/or "work program" participation
- Enrolled in education at least half time
- Any combination of the above totaling 80 hours per month
- Monthly household income of $580
- Seasonal workers with an average monthly income over 6 months of $580

Mandatory Exemptions

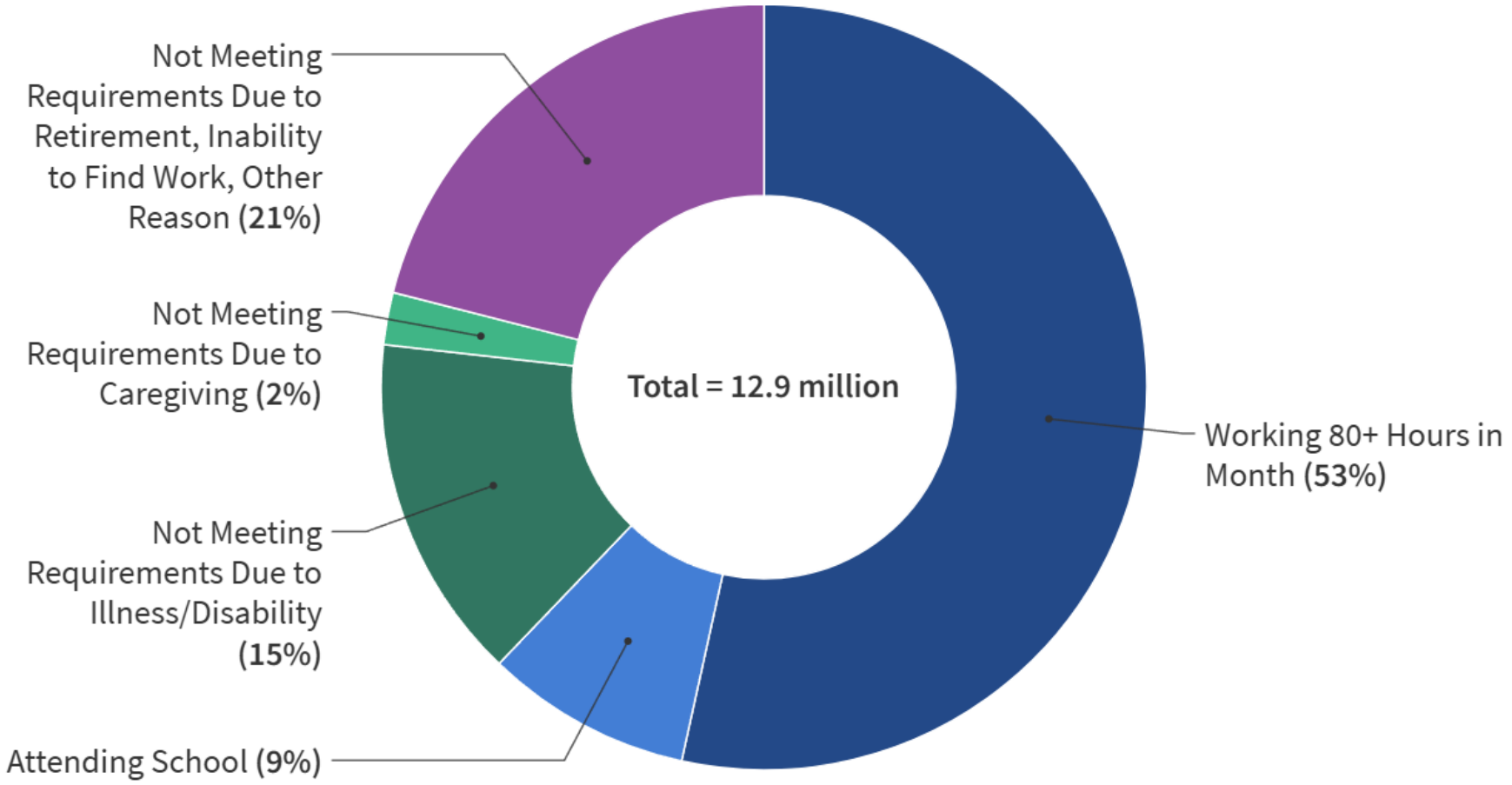
- Parent/guardian/caretakers of dependent children under age 14 or disabled individuals
- Pregnant or receiving postpartum coverage
- Foster youth/former foster youth under age 26
- Medically frail
- Participating in SUD program
- Meeting SNAP/TANF work requirements
- American Indians and Alaska Natives
- Disabled veterans
- Incarcerated or released from incarceration within 90 days
- Entitled to Medicare Part A/enrolled in Medicare Part B

Optional Hardship Exceptions

State option to allow short-term hardship exceptions, for an individual who…

- was in an inpatient hospital, nursing facility, intermediate care facility, or inpatient psychiatric hospital
- resided in a county with a federally-declared emergency or disaster
- resided in a county with a high unemployment rate (above 8% or 1.5x the national unemployment rate), subject to a request from the state to the Secretary
- traveled outside of the individual's community for an extended period for medical care for themselves or for their dependent

Most adults subject to work requirements are working or face barriers to work.



Note: Other includes individuals who did not provide a reason for working fewer than 80 hours in the month or for not working.
Source: KFF analysis of Survey of Income and Program Participation, 2023.

The interim final rule requires a two-part test to qualify for the medical frailty exclusion.

To qualify for the medical frailty exclusion, an individual must have a qualifying condition ***and*** that condition must significantly impair their ability to meet work requirements.

Medically Frail Conditions

- Blind or disabled
- Has a physical, intellectual, or developmental disability that limits their ability to perform one or more ADL
- Has an SUD
- Has a disabling mental disorder
- Has a "serious or complex" medical disorder

+

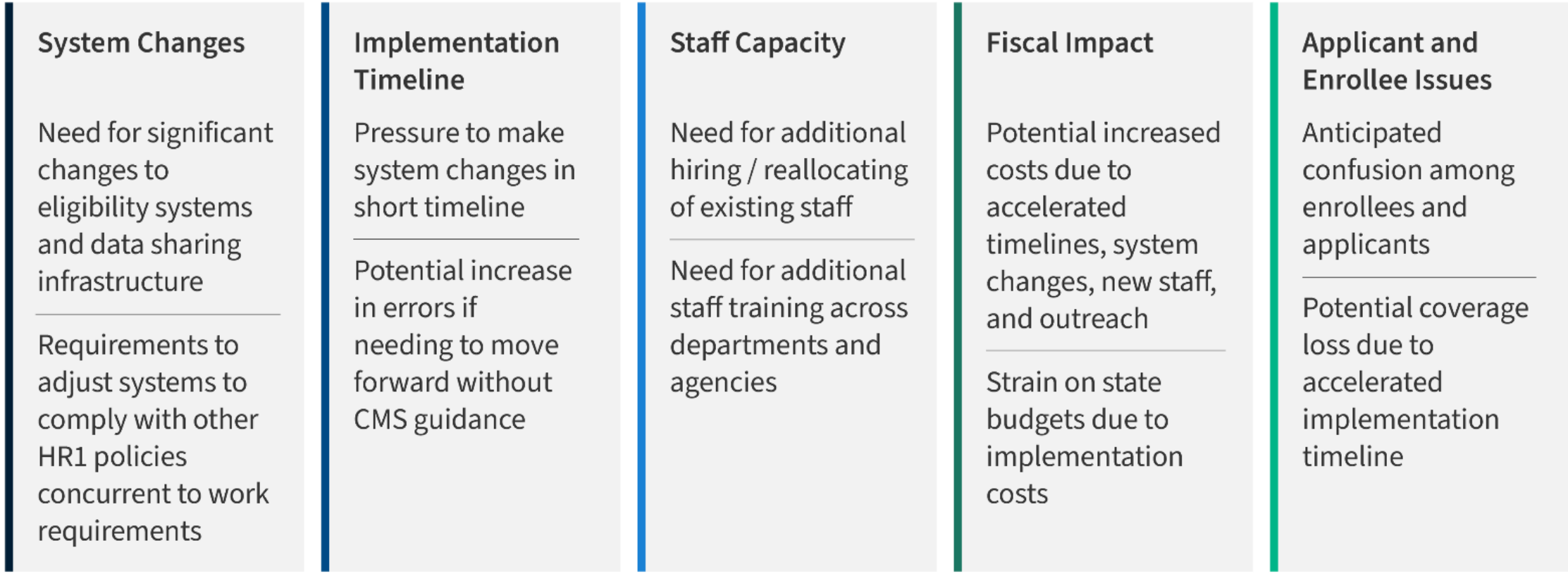
The condition must significantly impair their ability to consistently work or participate in other community engagement activities

States are required to conduct outreach to individuals who will be subject to the new work requirements.

Outreach requirements included in June 2026 Interim Final Rule:

Who Must Be Notified	Included Information	Frequency
• All individuals eligible for or enrolled in the ACA Medicaid expansion • Individuals eligible for or enrolled in an applicable section 1115 waiver	• How to comply • Explanation of exceptions • Who is an applicable individual • Number of months compliance is required at application and renewal • Frequency of compliance checks • Consequences of non-compliance • How to report changes to status	• Three months prior to implementation month plus the number of lookback months (e.g., September 2026 for January 2027 implementation with one lookback month) • Periodically: at renewal or more frequent compliance check, when hardship exception is adopted, terminated, or expires, upon loss of exemption status

States reported a variety of anticipated challenges to implementing new Medicaid work requirements by January 2027.



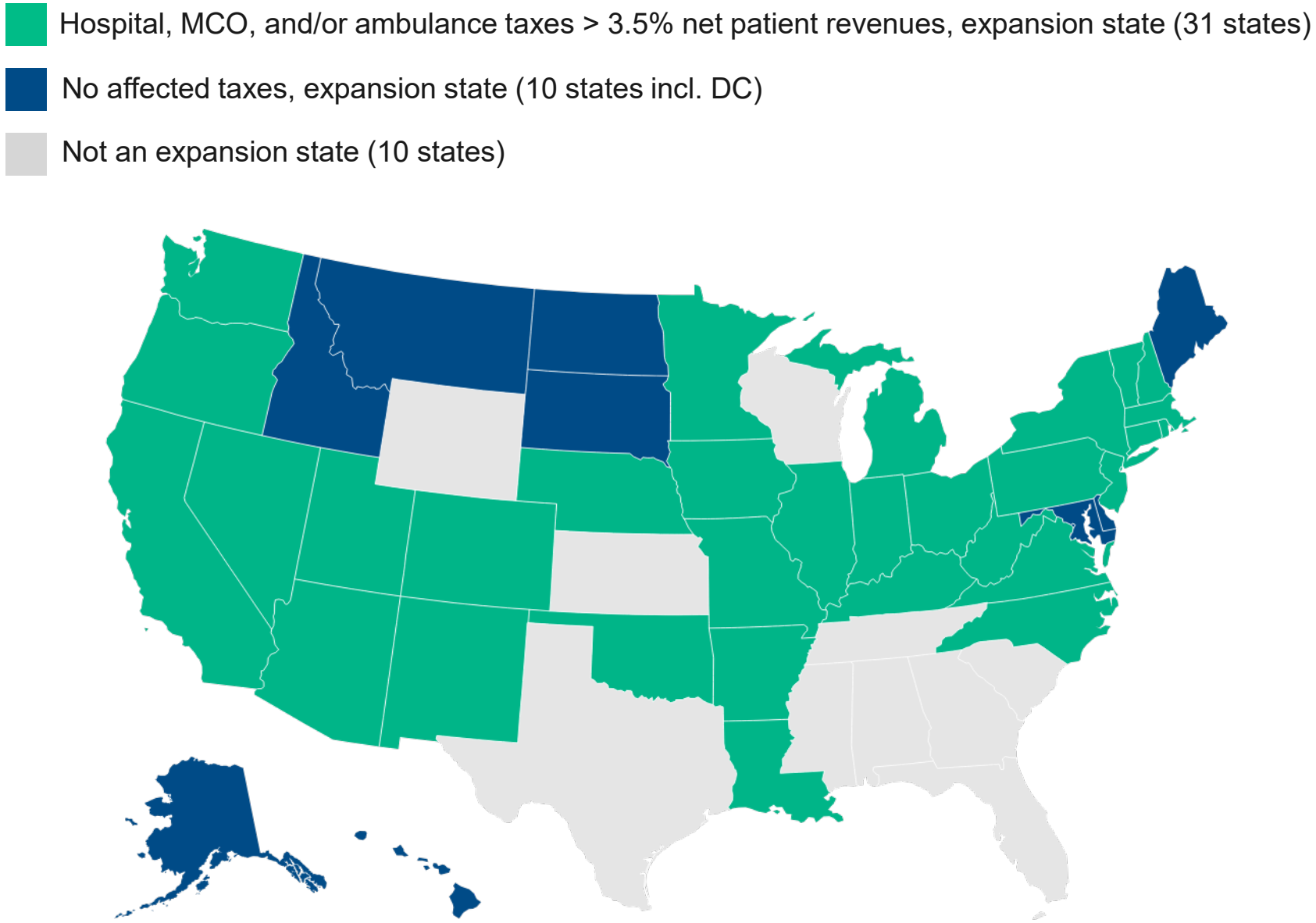
Source: KFF's Challenges with Implementing Work Requirements: Findings from a Survey of State Medicaid Programs

3. What are the Medicaid financing changes?

Provider tax changes are estimated to cut Medicaid spending by $226 billion.

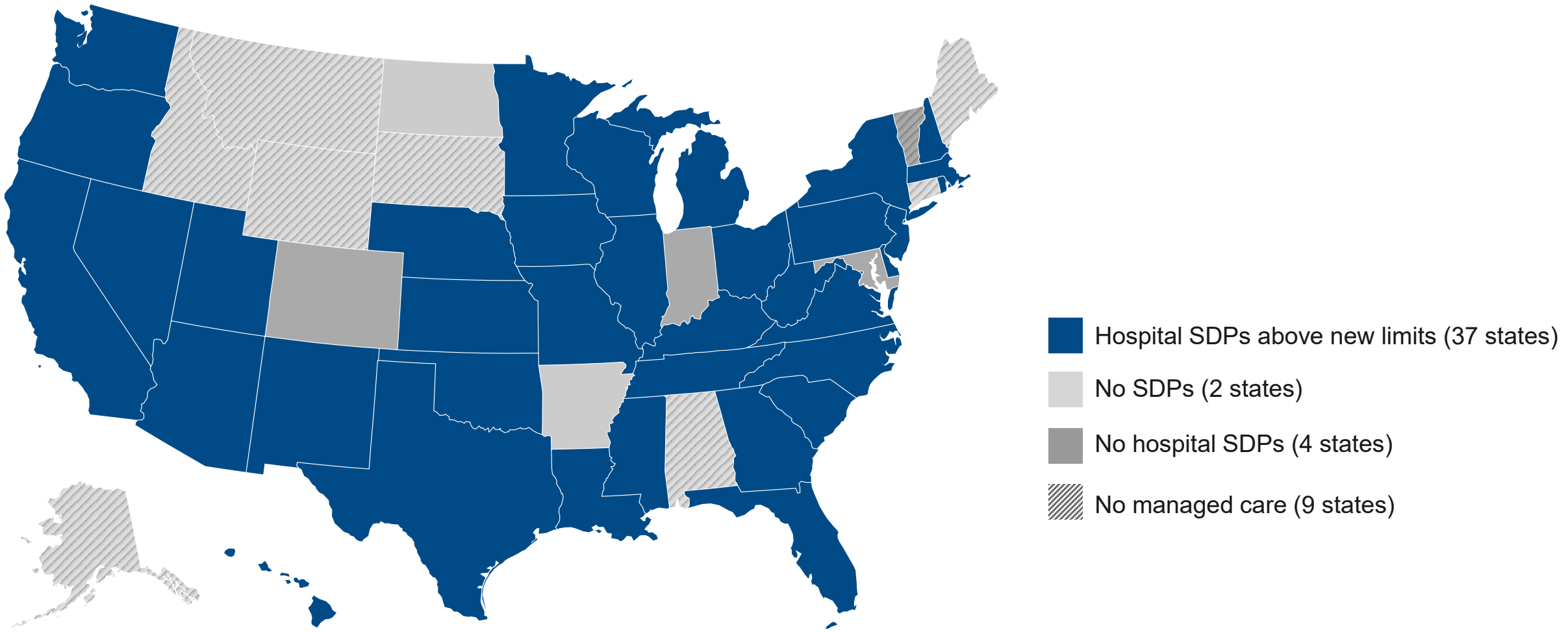
All states will be prohibited from enacting new provider taxes, and ACA expansion states will have to reduce existing taxes.

31 expansion states reported having at least one non-exempt provider tax above 3.5% in place as of July 1, 2025.



Source: KFF's 5 Key Facts About Medicaid and Provider Taxes

At least 37 states could have SDPs for hospitals over new limits when changes in the 2025 reconciliation law are fully implemented

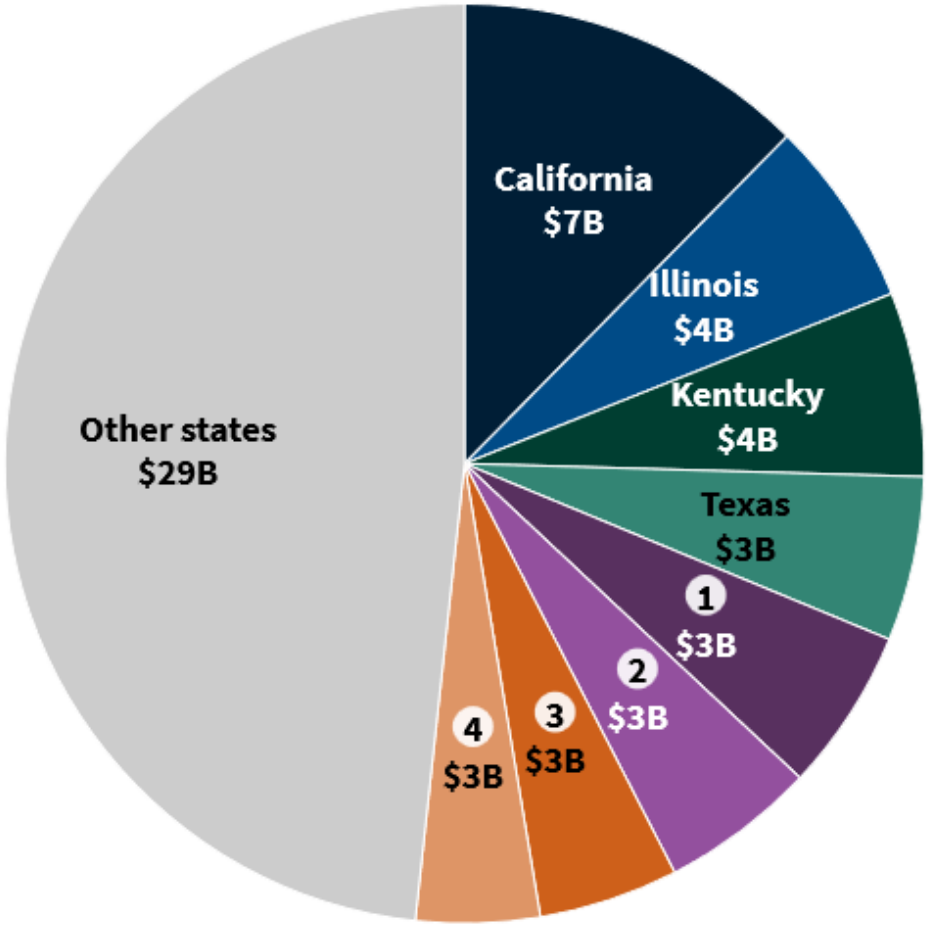


Note: Analysis only considers the most recent CMS preprint for each SDP since January 1, 2024 and assumes that new limits would be effective immediately. Colorado also has an SDP that is above new limits, but CMS did not post the preprint publicly until after July 20, 2026. Analysis uses preprints approved and published as of May 12, 2026.

Source: At Least 37 States Have Medicaid State Directed Payments for Hospital Services That Could Be Reduced by the 2025 Reconciliation Law Limits

More than half of the estimated potential reductions of $60 billion in SDP spending on hospital services comes from eight states

Spending above new limits would reflect limits taking effect immediately

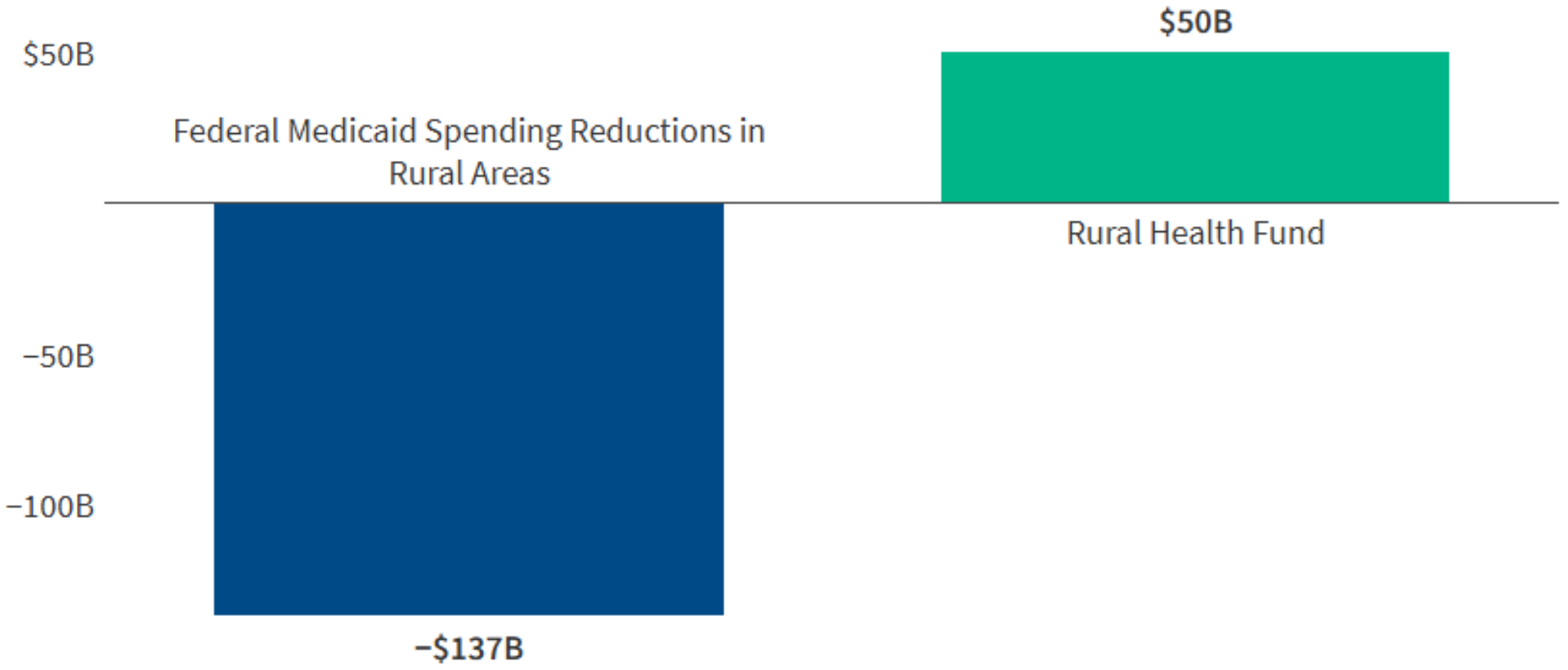


1: North Carolina
2: Louisiana
3: Arizona
4: Michigan

Note: Dollar values are estimated federal spending on SDPs over a 12-month period using the most recent CMS preprint for each SDP since January 1, 2024 through May 12,2026. Assumes new limits are fully implemented on most recent SDPs. Analysis is of projected, not actual, SDP spending. States may have additional preprints that do not need to be submitted to CMS or are not yet published.

Source: At Least 37 States Have Medicaid State Directed Payments for Hospital Services That Could Be Reduced by the 2025 Reconciliation Law Limits

The $50 billion set aside in the rural health fund may not offset the reduction of federal Medicaid spending in rural areas.



Note: The analysis uses T-MSIS data to estimate the percentage of Medicaid spending that paid for services used by rural enrollees. Those percentages were then applied to national estimated reductions in federal Medicaid spending from KFF's broader analysis of federal Medicaid spending reductions.

Source: How Might Federal Medicaid Cuts in the Senate-Passed Reconciliation Bill Affect Rural Areas?

4. What are states' options and what are we watching?

States have limited options to respond to federal Medicaid cuts.

Options

1. Raise Revenue
2. Reduce Spending in Other Areas of the Budget
3. Reduce Medicaid Spending

Levers to Reduce Medicaid Spending

1. Lower Provider Rates
2. Restrict Benefits
3. Reduce Enrollment / Limit Coverage

Considerations

- **Rates:** Balance Access and New Federal Rules
- **Benefits:** Home Care Accounts for Largest Share of Optional Benefits
- **Coverage:** Implications for Access / Providers

Lessons for states:

- Partnerships and communication are key:
  - State policy makers and agency staff
  - CMS
  - Providers and plans
  - Community based organization
  - Enrollees

- Timely data are key:
  - Help to understand the impact of policy changes
  - Create opportunities to make changes as implementation is underway

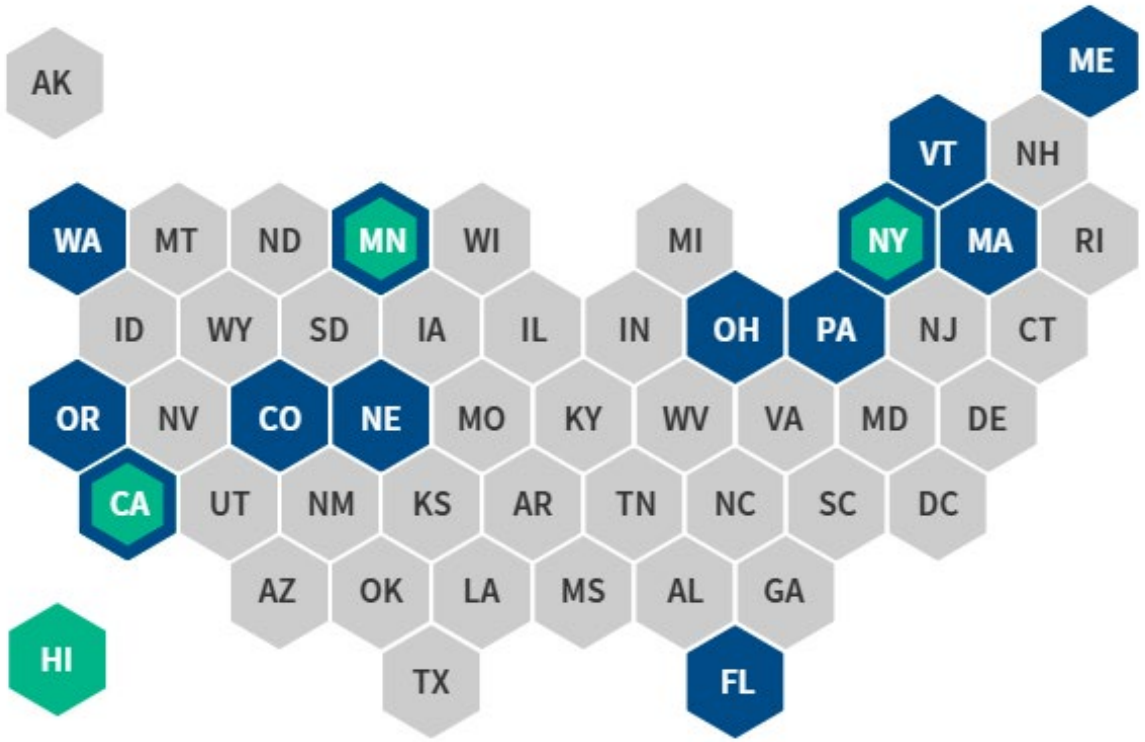
- Opportunities to learn from other states:
  - KFF surveys rich information across states
  - Compare data

KFF is tracking federal action and state responses related to Medicaid program integrity.

State-specific federal engagement as of July 28, 2026.

Requests for Information & Data (13 states)

Financial Penalties & Contested Expenditures (4 states)



Requests for Information & Data

- Congressional Inquiries (12 states)
- CMS Inquiries (4 states)

Financial Penalties & Contested Expenditures

Deferred Medicaid Funding (2 states)

- CA: Funding deferred (Q1-Q2 FY26)
  $1.8 billion for disputed home care services
- MN: Funding deferred (Q4 FY25, Q1-Q2 FY26)
  $550 million for disputed high-risk services

Recertification Denied for Medicaid Fraud Control Units (2 states)

- HI: Recertification denied June 4, 2026
- NY: Recertification denied June 30, 2026

*NY and the NY Medicaid Director are also named as defendants in a DOJ lawsuit disputing certain Medicaid contract costs

Source: KFF Tracking of Federal Medicaid Program Integrity Action

What we're watching:

- Financing
  - State revenue forecasts
  - Impact of changes to provider taxes, SDPs, budget neutrality for 1115 waivers
  - New focus on program integrity, states with deferrals
  - Error rate penalties in 2029
- Implementation and capacity
  - Eligibility changes - systems, workforce, outreach
  - Program integrity / other oversight – provider recertification, Medicaid Fraud Control Units
  - Uncertainty – additional guidance, litigation, new waiver submissions,
  - Other – MCO procurement, managing changes beyond Medicaid
- States' responses and impact on plans, providers, and people
  - Coverage loss (Medicaid and ACA) and state approaches to mitigate
  - New revenue sources and innovative financing approaches (rural health fund, multipayer models)
  - Rate changes and provider sustainability (hospitals, clinics, home care providers)
- National and state election outcomes

THANK YOU

For more information, contact: robinr@kff.org