HR.1 Federal Reconciliation Bill Healthcare Overview

SHW 1/9/2026

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Scope of Overview

- Major provisions impacting Medicaid and/or the larger health care system:
  - Funding for Planned Parenthood
  - Provider Taxes
  - State Directed Payments
  - Cost Sharing
  - Eligibility: immigration status, 6-month renewals, community engagement (work requirements), Qualified Health Plan renewals

Planned Parenthood Funding

Effective July 4, 2025: Federal action bars Medicaid reimbursement to Planned Parenthood for one year

Fiscal impact: Approximately $1.1 million in gross Medicaid costs

State response: AHS is backfilling costs with General Fund (GF) dollars

Litigation status: Ongoing lawsuits; legal authority to withhold Medicaid funding remains unsettled.

Next steps: Pending final court decision, the State will back bill for federal financial participation (FFP) if permitted

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Provider Taxes

Prohibits the creation of new provider taxes after 7/4/2025.

Reduces the existing 6% cap on provider taxes by 0.5% per year beginning **11/1/2027**, until the cap reaches **3.5% in 2032**.

Fiscal impact: .5% reduction in VT hospital provider taxes would amount to a loss of ~$18M general fund per year. A reduction of .5% for 5 years would amount to $87M in lost GF revenue each year thereafter.

State Directed Payments

A State Directed Payment (SDP) is a mechanism where states require their managed care plans to pay healthcare providers specific, targeted amounts to achieve state policy goals.

Effective 7/4/2025, SDPs are not permitted to grow and new SDPs are capped at 100% of Medicare. Existing SDPs above Medicare rates will need to reduce payments by 10% year beginning in 2028 until the SDPs are no greater than 100% of Medicare payment levels.

VT SDPs will be limited to those where the State contractually obligates DVHA to pay certain provider rates or participate in multi-payer initiatives.

Under this provision, VT has 2 recognized SDPs: Blueprint for Health Patient Centered Medical Homes and Blueprint for Health Community Health Teams.

Fiscal impact: Blueprint payments are impacted by this in 2028 and we are exploring options.

Next steps: If the legislature dictates specific reimbursement rates/methodologies for Medicaid, SDP requirements will be invoked. VT should not exceed average commercial rates for Medicaid services.

Cost Sharing

Effective 10/1/2028: For expansion adults with income above 100% of Federal Poverty Level, requires states to impose copayments on all services except those exempted under current law.

States have the flexibility to decide the copayment amounts.

Fiscal Impact: TBD

State Response: Awaiting regulatory guidance prior to implementation planning

Health Care Eligibility

4 workstreams between 2026 and 2028:

1. Eligibility based on immigration status
2. Medicaid 6-month renewals
3. Medicaid community engagement (work requirements)
4. Qualified health plan renewals

HR1 – Health care eligibility based on immigration status

- Effective Date: 10/1/2026 (Medicaid) 1/1/2027 (premium assistance)
- Impacted Population: All of Medicaid and qualified health plan premium assistance
- Requirements: Block eligibility for asylees, refugees, and other non-citizens

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HR1 – Medicaid 6 month renewals

- Effective Date: 1/1/2027
- Impacted Population: Medicaid expansion (“new adults”)
- Requirements: Increase redetermination (or “renewal”) frequency from every 12 months to every 6 months

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HR 1 - Medicaid work requirements

- Effective Date: 1/1/2027
- Impacted Population: Medicaid expansion (“new adults”)
- Requirements:
  - 80 hours per month of work, community service or education as a condition of eligibility
  - Statutory exceptions and exclusions such as pregnant individuals, medically frail, those with children 13 or under

HR 1 – Qualified health plan renewals

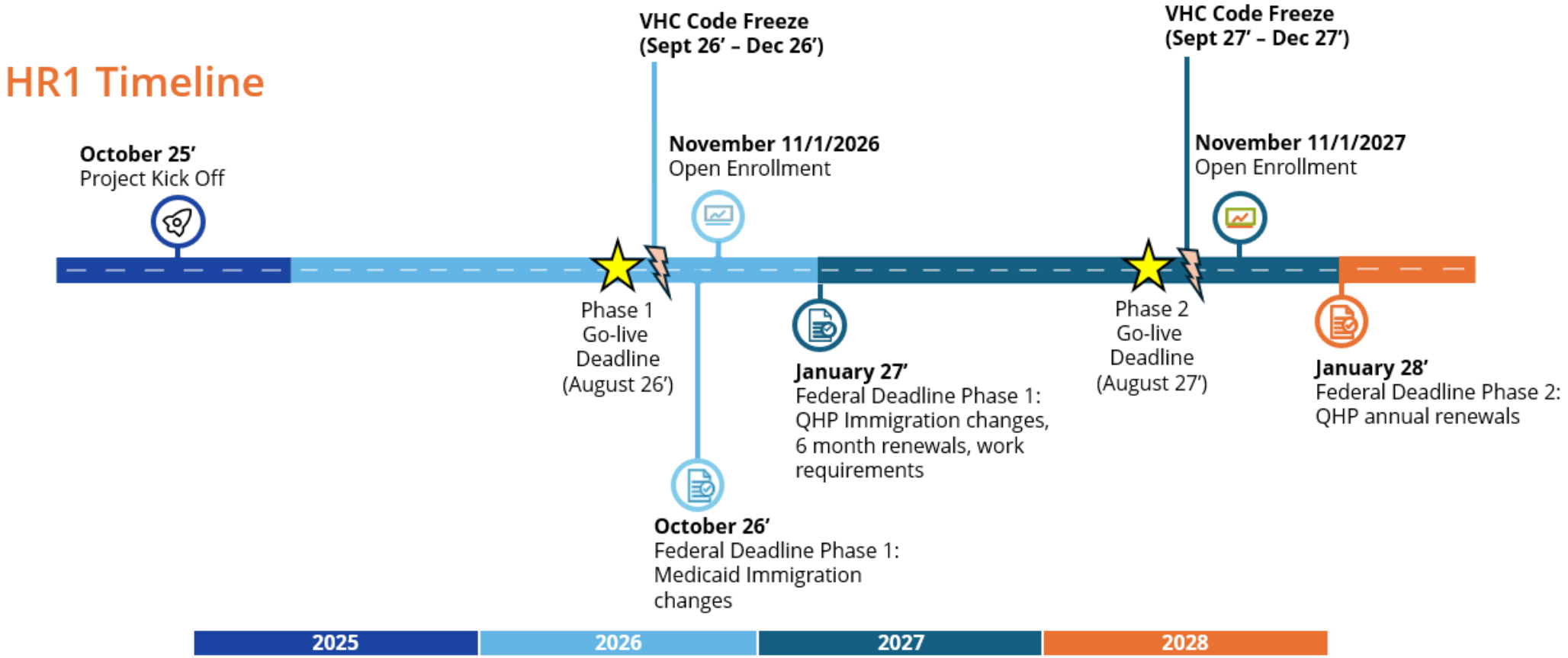
- Effective Date: 1/1/2028
- Impacted Population: Qualified health plan enrollees
- Requirements:
  - All enrollees must return to the marketplace annually to verify information on their application.
  - Enrollees cannot use premium assistance until all verification is complete.
  - Effectively eliminates automatic renewal processes

HR1 Health Care Eligibility Implementation

- Guiding principle: coverage retention
  - **Minimize** risk of coverage loss **for otherwise eligible Vermonters leveraging** lessons learned from other large-scale eligibility projects:
    - Facilitate automatic determinations using electronic data sources
    - Early warning and frequent follow up to beneficiaries; multi-modal outreach
    - Connection to resources to retain coverage, including employment and community engagement opportunities
      - Note: transition to the qualified health plan marketplace is not an option for those who do not meet Medicaid work requirements

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HR1 Health Care Eligibility Implementation



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