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State Legislative Sessions Highlight Choice Between Protecting Coverage and Deepening Harm After Federal Medicaid Cuts

The $900 billion in Medicaid cuts in the harmful 2025 Republican reconciliation law (H.R. 1) will take away health coverage and raise costs for millions of families. Roughly 7.5 million people could lose Medicaid and become uninsured by 2034 due to the law, according to the Congressional Budget Office.[1] Restrictive federal rules issued recently to implement the law could lead to even larger coverage losses.[2] Although the cuts' full impact will build over time — some do not take effect until 2027 or later — states' 2026 legislative sessions provide a revealing first look at their differing responses to the federal cuts.

Key Findings

- During their 2026 legislative sessions, states responded to the massive federal Medicaid cuts in last year's Republican reconciliation law in two major ways.
- Some states enacted changes that will deepen the harm and worsen the coverage losses from the law, such as by writing damaging federal policy changes into state law or adopting further eligibility restrictions or Medicaid cuts.
- Other states took steps to mitigate harm and protect access to health care, such as by preserving or extending coverage or raising revenue.
- As the impact of the federal cuts ramps up, harmful proposals that failed to pass in 2026 will likely resurface in many states, and additional damaging proposals will likely emerge. States should reject policies that would further harm health care access.

Some states chose policies that will deepen the harm from the 2025 reconciliation law and increase coverage losses. For instance, some states adopted more restrictive eligibility policies than the federal law requires or even allows, reduced funding for home- and community-based services, created additional barriers to coverage for people who are immigrants, or seized on the new federal Medicaid work requirement as an opportunity to add even more red tape that will make it harder for people (including many working people and people who should be exempt) to get and stay covered.

Other states, in contrast, pursued policies aimed at mitigating the harm of the cuts by protecting access to health care and offsetting some of the federal cuts. These policies include extending Medicaid postpartum coverage, increasing state help to reduce premiums for people with low incomes buying coverage through the Affordable Care Act (ACA) marketplaces, and increasing revenue by taxing wealthier people who benefited the most from the 2025 reconciliation law's tax cuts.[3]

While no state has the resources to fully make up for the cuts in the reconciliation law, states' decisions will significantly affect the amount of hardship the federal law imposes on their residents. Going into future legislative sessions, state policymakers can protect residents' coverage by rejecting red-tape policies that would further restrict access and take coverage away from people, raising revenue from those who can most afford it to backfill for federal cuts, and pressing federal policymakers to reverse the law's harmful cuts.

Deep Federal Cuts Set Tone for 2026 State Sessions

The 2026 state legislative sessions marked the first regular sessions since the enactment of the harmful Republican reconciliation law in July 2025. The federal law makes significant changes to Medicaid (see box, "Key Medicaid Changes in the Harmful Republican Reconciliation Law"), such as adding a work requirement and more frequent eligibility redeterminations for adults covered through their state's adoption of the ACA Medicaid expansion.

Initial estimates projected that these two policies could cause between 4.9 and 10.1 million people to lose Medicaid expansion coverage in 2028, depending on state implementation choices.[4] The Trump Administration then issued implementation rules that could cause even greater coverage losses if left unchanged.[5] States have some discretion within federal guidelines on how they implement the policies and are already making decisions that will help determine how many people keep or lose coverage.

Key Medicaid Changes in the Harmful 2025 Republican Reconciliation Law

The harmful 2025 Republican reconciliation law made significant changes to the Medicaid program, and several of its eligibility and enrollment policies have been the focus of state legislation in 2026. These include:

- **Medicaid and CHIP coverage changes based on immigration status.** The law eliminates federal Medicaid and CHIP (Children's Health Insurance Program) funding for people in most categories of "qualified" immigration status, including refugees and people granted asylum, starting October 1, 2026. (The law did not, however, change federal funding for the largest category of qualified immigrants, lawful permanent residents; nor did it impact coverage for lawfully residing children and pregnant adults at state option.)
- **Work requirements.** New work requirements apply to adults in the Medicaid expansion group and expansion-like populations beginning January 1, 2027. States must require one to three months of compliance in the months before application and one or more months of compliance at renewal. States can also choose whether to adopt the optional short-term hardship exemption, which allows the state to exempt people who are experiencing an acute medical event, or must travel to receive medical treatment, or live in a county with an emergency or disaster declaration or high unemployment rate. The law exempts certain Medicaid expansion enrollees from demonstrating compliance with work requirements, including parents and caretakers of children under 14, some other caretakers, and people

who are medically frail (although a recently issued federal rule will make it harder to obtain the exemption).

- **Semi-annual redeterminations.** The law changes the frequency of eligibility redeterminations for Medicaid expansion populations from every 12 months to every 6 months, effective January 1, 2027.
- **Retroactive coverage.** The law limits retroactive coverage (coverage for qualified medical expenses prior to application) to one month for expansion populations and two months for all other enrollees, effective January 1, 2027 (rather than three months as under prior law).
- **Mandatory cost-sharing charges.** The law requires states to implement mandatory cost-sharing on certain services for expansion adults with incomes above the federal poverty line beginning October 1, 2028.

In addition to the budget challenges stemming from federal cuts to Medicaid and SNAP, many states also face budget shortfalls as a result of a wave of unaffordable state tax cuts enacted in the past five years.[6] Some states used additional federal funds during the COVID-19 pandemic to address shortfalls due to inadequate revenues and many did not prioritize increasing revenue to maintain existing services once those funds ran out.

State Policy Choices Diverged Significantly

As the above combination of factors strained state budgets, some states chose to cut Medicaid after the 2025 reconciliation law's enactment or in their 2026 legislative sessions, often starting with provider reimbursement rates and benefits considered optional under federal law, such as home- and community-based services. Other states, however, took steps to limit the damage from the federal cuts and preserve coverage for their residents, such as by pursuing tax changes to help shore up revenue.

Deepening Harm Through Restrictive Policies or Budget Cuts

Several states considered or enacted legislation to codify new federal Medicaid policies from the 2025 reconciliation law, even though state law often didn't require it. Lawmakers used these bills to direct state Medicaid agencies on their implementation decisions, often by requiring restrictive policies that would put more burden on people and make coverage losses even higher, including for people who are actually eligible but unable to successfully navigate administrative hurdles to gain and keep coverage. States have long used this approach of adding red tape to reduce their Medicaid spending by kicking people off the program, without explicitly cutting eligibility.[7] In addition, several states made other changes in their 2026 sessions that will reduce access to health care.

Policies Codifying and Exacerbating Restrictions in the Harmful 2025 Republican Reconciliation Law

Many of the state bills codifying elements of the 2025 Republican reconciliation law adopted some of the federal law's harshest options. Some state bills went beyond the law, such as by applying restrictive

policies to populations (such as non-expansion adults) not directly affected by policy changes in the reconciliation law.

- **Adopting the most restrictive work requirement policies allowed under the harmful 2025 Republican reconciliation law.** Several states considered proposals promoted by organizations such as the Foundation for Government Accountability to adopt the most restrictive allowable policies for implementing the Medicaid work requirement.[8]

  Indiana was among the states that enacted such bills into law. Under the Indiana law, the state:

  - Is required to look back three months when someone applies for Medicaid to see whether they complied with the work requirement or were exempt during each of those months, instead of looking at just the prior month. (**North Carolina** and **Idaho** also enacted bills requiring applicants to comply with the requirement for three full months prior to application.[9])
  - Must verify compliance with the work requirement at least quarterly and *require* compliance every month, rather than checking for one month of compliance at each six-month renewal. (**New Hampshire** also enacted a law requiring quarterly compliance checks and a three-month "lookback" at each renewal and compliance check.[10])
  - Is barred from adopting certain optional flexibilities specifically permitted by the 2025 reconciliation law, such as the short-term exemption from the work requirement when people experience a hardship.
  - Is prohibited from accepting self-attestation as evidence of compliance with the work requirement, even though a recent federal rule permits self-attestation through at least 2027.[11] Thus, enrollees will have to provide documentation of compliance even for activities that are burdensome to verify, such as their work as a family caregiver. (**North Carolina**, **New Hampshire**, and **Wyoming** also enacted laws prohibiting self-attestation.[12])

  The longer lookback period and more frequent compliance checks will likely disqualify many otherwise-eligible people from health coverage, such as people working in low-wage jobs whose hours fluctuate from month to month, including those working in home health and child care, retail workers, and gig workers.

  These restrictions will also limit the Indiana Medicaid agency's ability to respond pragmatically to real-world circumstances, forcing it instead to impose additional paperwork and verification burdens on both enrollees and agency staff. For example, without the short-term hardship exemption, a person could lose Medicaid coverage after a hospitalization or natural disaster temporarily disrupts their work hours, prevents them from completing reporting requirements on time, or displaces them from their home.

  In several other states, lawmakers rejected similar red-tape proposals, likely due in part to the added costs and administrative burdens that would compound the already significant expense of implementing federal work requirements.[13] But such proposals could resurface in the future.

- **Pursuing cost-sharing and eligibility policies that go beyond what the harmful 2025 Republican reconciliation law allows.** Some state bills considered this year would add restrictions to Medicaid coverage that go beyond important guardrails established by federal law and would only be permitted if the federal government granted the state a waiver.

  For example, **Iowa** enacted legislation directing the state to submit a waiver to largely continue its current practice of denying retroactive eligibility for nearly all adult Medicaid enrollees.[14] Retroactive Medicaid eligibility means Medicaid can pay for covered medical expenses incurred during a specified period prior to a person's application if they would have qualified for Medicaid had they enrolled during that period; this protects them from significant medical debt for needed care received before their application is submitted. (For example, if someone is hospitalized after getting injured or falling ill, the hospital might determine that they qualify for Medicaid and help them apply. The retroactive coverage would help pay for the care they received before the application was submitted.) Federal law has traditionally provided up to three months of retroactive coverage. The 2025 reconciliation law reduces this coverage to one month for Medicaid expansion adults and two months for all other Medicaid populations. Iowa's legislation goes even further by restricting retroactive coverage for many enrollees, seeking to continue to limit retroactive coverage beyond the statutorily authorized.

  Similarly, **Oklahoma** legislation that ultimately did not pass would have directed the state to submit a waiver to apply the maximum allowable cost sharing to *all* expansion adults, rather than only those with incomes above the poverty line (just $15,960 for a single individual) as permitted under the 2025 reconciliation law.[15] And in **Arizona,** Governor Katie Hobbs vetoed legislation that would have required eligibility redeterminations each quarter for most adult enrollees (including parents), going beyond what federal law requires in both frequency and scope.[16] (The 2025 reconciliation law requires redeterminations every six months only for adults in the Medicaid expansion group.) If enacted, these policies would have reduced coverage, increased costs for people, and saddled communities and providers with higher costs for uncompensated care.

- **Applying restrictive eligibility policies to non-expansion populations.** Several provisions in the 2025 reconciliation law apply only to the Medicaid expansion population, including more frequent redeterminations and the work requirement. However, in **Florida** (which has not expanded Medicaid), proposed legislation would have required adults enrolled in traditional Medicaid to meet a work requirement, and, in **Kansas** (another non-expansion state), proposed legislation would have required quarterly redeterminations for all enrollees, including children, pregnant people, seniors, and people with disabilities.[17]

  While these proposals were not enacted,[18] they suggest that some states might seize on provisions similar to those in the 2025 reconciliation law such as work requirements, more frequent eligibility reviews, and cost sharing to further restrict their already limited Medicaid programs. In non-expansion states, children, pregnant adults, older adults, and people with disabilities would be disproportionately impacted, as they make up the vast majority of these states' Medicaid enrollees.

- **Targeting Medicaid coverage for immigrants.** Many states also pushed anti-immigrant narratives and policies. Some took steps to use data collected from public benefits programs to support the Trump Administration's immigration detention and deportation dragnet. **Indiana, North Carolina, Tennessee,** and **Wyoming** enacted legislation requiring state and local officials to report benefit applicants and enrollees (and, in some cases, non-applicant household members) to the federal Department of Homeland Security if they cannot verify a person's immigration status or if a person is determined to not be lawfully present.[19]

  These efforts to create more fear among immigrants and their families put health coverage at risk for people who are eligible. They include U.S. citizen children whose parents may fear that enrolling them in coverage could expose the family to ICE enforcement even if they are in the country lawfully, given how many people with lawful statuses have been targeted by immigration enforcement.

  Other bills, including those enacted in **Indiana** and **Wyoming**, create burdensome and unnecessary red tape, such as reverification requirements after immigration or citizenship status has already been verified – policies that mostly harm U.S. citizens.[20] **Missouri** and **Oklahoma** considered similar bills, but they did not pass.[21]

  Some states considered bills that would have further restricted immigrants' access to health coverage. **North Carolina** enacted a measure that would have eliminated Medicaid coverage for children and pregnant adults who are "lawfully residing," meaning they are not U.S. citizens but are lawfully present in the U.S. and meet certain Medicaid state residency requirements. This would have caused nearly 27,000 lawfully present children and pregnant adults to lose access to critical health care, but bipartisan support for maintaining this coverage led lawmakers to reverse the cut through a technical fix to the budget.[22]

Medicaid and Other Funding Cuts

Some Medicaid provisions in the harmful 2025 Republican reconciliation law, like those limiting states' use of taxes on health care providers to support Medicaid, mean that many states will have to come up with new funding sources if they want to maintain current provider payments, benefits, and eligibility. But rather than pursuing new revenue sources or reconsidering tax cuts that disproportionately benefit wealthy individuals and corporations, some state lawmakers chose to respond by *cutting* provider payments, benefits, or eligibility.

- **Cutting provider payment rates.** States often cut provider rates to reduce Medicaid spending without directly restricting people's Medicaid eligibility or benefits. However, these cuts can significantly reduce access to care by causing some providers to scale back services or accept fewer Medicaid patients – particularly providers already operating on thin margins, such as rural hospitals and community clinics.[23]

  North Carolina, Colorado, and **Idaho** were among the states considering provider rate cuts this year. **Colorado** cut the reimbursement rate for most providers by 2 percent, saving $95 million.[24]

Idaho cut provider rates by 4 percent across the board and cut provider rates for residential habilitation services by another $22 million.[25] **Kentucky** lawmakers appropriated $691 million less for Medicaid over two years than the state estimated was necessary to fully fund the program, prompting Governor Andy Beshear to announce a 4 percent cut in certain provider rates.[26] (He later reversed the planned cut after identifying additional funding sources.[27])

In several states, the harmful consequences of some cuts quickly became apparent. **North Carolina** reversed its rate cuts in December 2025 after several lawsuits documented harm to children with autism.[28] **Idaho** similarly restored cuts to Medicaid mental health treatment programs after four patients died within three months of the cuts taking place.[29]

- **Cutting benefits.** Several states targeted Medicaid services for people with disabilities for cuts this year, especially benefits considered optional under federal law (which means states are not required to provide them, even if they are critical to individuals) like home- and community-based services (HCBS). At least seven states enacted legislation[30] that could undermine key services to help older adults and people with disabilities live in the community rather than being forced into more institutional settings. **Colorado**, for example, extended the waitlist for 24-hour services for adults with developmental disabilities by limiting enrollment to one new participant for every two vacancies. The change could double wait times from seven to 14 years.[31]

  These cuts come at a time when the Trump Administration has increasingly targeted HCBS as well, advancing misleading claims about fraud. The Centers for Medicare & Medicaid Services (CMS) has expanded and escalated its actions, threatening federal Medicaid funding and adding burden to states including requiring states to identify and revalidate HCBS providers and other Medicaid providers.[32] Politically-motivated federal scrutiny of these services raises the risk of further cuts in the future.

- **Restricting eligibility.** Some states have considered direct cuts to Medicaid eligibility, beyond those already included in the 2025 Republican reconciliation law. For example, in **California,** which recently reinstated a Medicaid asset limit for seniors and people with disabilities ($130,000 for an individual/$195,000 for a couple), lawmakers lowered the limit to $21,000/$31,000 as of July 2027. [33] While California's final policy remains more generous than those in most states, it still represents a step toward more restrictive Medicaid eligibility by reducing allowable assets for seniors and people with disabilities. Also, as noted, **North Carolina** enacted legislation ending Medicaid coverage for nearly 27,000 lawfully residing immigrant children and pregnant adults but later reversed course.[34]

- **Curtailing other state spending on health.** At least six states — **California, Colorado, Illinois, Minnesota, New York,** and **Washington** — plus **the District of Columbia** have scaled back or announced plans to scale back state-funded health coverage for people who are ineligible for federal health coverage due to their immigration status, as states face growing budget pressures tied to the 2025 reconciliation law's Medicaid cuts and the expiration of premium tax credit enhancements for marketplace coverage.[35]

Policies Mitigating Harm and Protecting Coverage

Despite significant budget pressures, a handful of states pursued proactive strategies to protect people at risk of losing their coverage or facing higher health care costs.

- **Protecting and expanding coverage.** Some states committed general funds to protect or extend coverage, even in a tough budget environment, instead of resorting to Medicaid cuts. **Wisconsin** adopted the federal option to extend Medicaid postpartum coverage from 90 days to 12 months starting July 1, 2026, joining nearly every other state.[36] **Virginia** enacted "Momnibus" legislation to improve maternal health, including through expanded Medicaid coverage for remote patient monitoring for up to one year postpartum for people with higher risk of complications.[37] **Washington** added $165 million in its 2025-27 operating budget in response to the 2025 reconciliation law's SNAP and Medicaid cuts, including $15 million to backfill Medicaid funding for Planned Parenthood and $20 million to fund health care for 1,200 lawfully residing immigrants who will become ineligible for Medicaid due to the law.[38]
- **Reducing costs for marketplace enrollees.** Some states with state-based marketplaces fully or partially replaced the loss of premium tax credit enhancements that expired on December 31, 2025, which spiked premium costs for millions of people and is expected to leave 4 million people uninsured.[39] At least nine states provide subsidies to mitigate premium hikes for some or all marketplace enrollees, and Virginia has enacted a premium assistance program that will take effect for the 2027 plan year. These programs are funded through insurer fees, individual mandate revenue, or general fund revenue.[40] However, these measures typically cover only a fraction of those affected by the expiration of the enhancements and are temporary.
- **Raising revenue.** A few states sought to raise revenue to avoid deeper Medicaid cuts that could harm enrollees and destabilize health care providers. Several states enacted tax measures requiring wealthy households and corporations to pay more, including increased income taxes on high earners in **Hawai'i, Maine,** and **Rhode Island,** and a new tax on millionaires in **Washington State.**[41] **Iowa** temporarily increased its tax on Medicaid managed care plans; it also shifted $89 million from the state's General Fund to address projected Medicaid funding gaps and transferred nearly $350 million from the state's Taxpayer Relief Fund to offset state revenue losses resulting from Iowa's decision to conform to (rather than decouple from) federal tax changes such as those in the 2025 reconciliation law.[42]

  These types of revenue proposals can help states protect health care and other services amid federal cuts. This stands in sharp contrast to the reconciliation law, which partially financed large tax cuts tilted to wealthy households and corporations through historically large cuts to food assistance and health care. (A large portion of the cost of the tax cuts was not offset and is resulting in higher deficits and borrowing.)

Going Forward, State Lawmakers Must Do More to Protect Health Coverage

States lack the resources to fully fill in the gaps that the Trump Administration and Republican-controlled Congress caused with the harmful 2025 reconciliation law. Reversing many of the law's policies is essential to providing relief. States, however, can take important steps to protect their residents. As states prepare to move into their 2027 legislative sessions, lawmakers should make every effort to reduce harm, reject proposals inspired by the reconciliation law's red tape and anti-immigrant policies, and identify opportunities to raise revenue from those who can better afford it to provide the resources needed to protect health care and other essential services.

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