



H.R. 1: Budget Reconciliation Briefing

Last Updated July 14, 2025

Budget Reconciliation Overview

Budget Reconciliation Basics

- Budget reconciliation is a special legislative process that enables Congress to address federal spending and is unique in that it requires a simple majority in the Senate to pass a bill – avoiding the filibuster.
- This process is typically enacted when the Majority in both chambers and the Administration are all the same political party.
- Of important note, budget reconciliation only includes mandatory spending (such as Medicaid, SNAP, and TANF).
- Policy changes that do not have a direct or significant budget impact are generally prohibited under what is called the “Byrd Rule.”

Current Status

- The President signed the bill on July 4, 2025, after it passed the Senate and House by narrow margins.
- The slides that follow reflect the final bill language, which includes changes that were made during the final week of consideration.



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SNAP Provisions

Changes to SNAP Funding

- ⚙ Beginning in FY28, establishes a SNAP benefit cost-share for those with PERs above 6%. It is structured as follows:
 - Less than 6% PER: 0% state cost-share
 - 6-7.99% PER: 5% state cost-share
 - 8-9.99% PER: 10% state cost-share
 - 10%+ PER: 15% state cost-share
- ❖ *Important caveats for the state benefit cost-share:*
 - In FY28, states can use their FY25 or FY26 PER for their cost-share requirement. In FY29 and each year thereafter, states must use their PER from 3 years prior.
 - If for FY25, a state's PER multiplied by 1.5 is above 20%, their cost-share requirement is delayed until FY29. If for FY26, a state's PER multiplied by 1.5 is above 20%, their cost-share requirement is delayed until FY30.
- ⚙ Beginning in FY27, reduces the federal administrative match to 25%.
- ⚙ Beginning in FY26, eliminates all federal funding for SNAP-Ed.

SNAP Provisions

Changes to Work Requirements

⚙ Definitions:

- Changes the age range for the ABAWD work requirement to 18-64.
- Changes the exemption for having a dependent to be only for those under 14.

Note that there are no specified implementation dates for the changes to work requirements.

⚙ Exemption Changes:

- Removes the temporary exceptions for people experiencing homelessness, are age 24 or under and were in foster care when they turned 18, or who are a veteran.
- Includes new exemptions for individuals who are Indian, Urban Indian, California Indian, and other Indians who are eligible for the Indian Health Service.

⚙ Limits ABAWD waivers to only be permissible if an area has an unemployment rate above 10%.

- For Alaska and Hawai'i only, permits ABAWD waivers if the unemployment rate is greater than 1.5 times the national rate. They must show a good faith effort to be approved, and this flexibility is only available through December 31, 2028.

SNAP Provisions

Changes to Benefit Levels & Eligibility

- ⚙ Limits future re-evaluations of the Thrifty Food Plan to be cost-neutral.
- ⚙ Limits the SNAP-LIHEAP connection (known as Heat & Eat) to only those households with an elderly or disabled member, as well as limits the exclusion of energy assistance from countable income to only these households.
- ⚙ Limits SNAP non-citizen eligibility to only those who are:
 - Lawfully admitted for permanent residence;
 - Cuban and Haitian entrants; or
 - Allowed to live and work in the US under the Compacts of Free Association (COFA).

SNAP Provisions NOT Included in Final Bill

Provisions that were in previous versions but struck from the final text.

- ⚙ The final language does not make any changes to the Quality Control tolerance threshold. It will remain at \$57 for FY25 and continue to increase.
- ⚙ The state cost-share for benefits now maxes out at 15%, and allows states to not pay any cost-share if they have a PER below 6%.
- ⚙ The bill does not make any changes to discretionary exemptions for ABAWDs, and does not have any limit on the length of ABAWD waivers.
- ⚙ The bill does not make any changes to the general work requirement.
- ⚙ The bill does not make any changes to the National Accuracy Clearinghouse (NAC).
- ⚙ The bill ultimately retained eligibility for Cuban and Haitian Entrants (CHE) rather than only Cubans.

Next Steps

Peer Learning Communities

- Continued discussion in SNAP Directors and Quality Control Directors affinity groups, and SNAP Employment & Training and SNAP Ed & Outreach Work Groups
- Engaging USDA-FNS on implementation and guidance
- New Peer Learning Communities
 - SNAP Payment Error Rates
 - SNAP Work Requirements and Alignment Across Other Program Work Requirements
- EMWB sessions focused on H.R.1.

Questions & Discussion on SNAP

Medicaid Provisions

Establishment of Community Engagement/Work Requirements (Beginning no later than 12/31/26):

- ⚙ Requires Able-Bodied Adults (19-64) without dependents in the expansion population to complete 80 hrs of work/month (can be met by work, education, community services, or combination).
- ⚙ Defines parents exempt for community engagement requirements to a parent of a dependent child aged 13 or younger.
- ⚙ Exemptions for pregnant women, former foster youth under 26, Tribal members and Native Alaskans, Veterans with rated disabilities, medically frail individuals, people in substance use treatment programs, people who are the caretaker of a child or someone with a disability, family caregivers as defined in RAISE Family Caregivers Act, or people who are currently or have been incarcerated in the past 90 days.
 - **People who are currently meeting SNAP or TANF work requirements are also exempt.**
- ⚙ States can also allow for short-term hardship waivers for people receiving certain medical treatment, natural disasters, counties with an unemployment rate above 8.5% or 1.5 times above the national rate, or individuals receiving outpatient care or traveling long distances for specialized care.
- ⚙ At a minimum, states must verify compliance with the work requirement for the month preceding enrollment or redetermination.
- ⚙ Requires states to streamline and simplify verifications where possible, similar to ex parte.
- ⚙ Outreach is required, and states must be in compliance at least 3 months before initial implementation.
- ⚙ Appropriates \$100 million for FY26 to states and DC based on the proportion of impacted individuals in their state and \$100 million in grants to states and DC, distributed equally, and an additional \$200 million to HHS-CMS to support the implementation of this section.
- ⚙ Prohibits the community engagement requirement from being waived via a 1115 demonstration waiver.

Medicaid Provisions

Major Administrative and Eligibility Restrictions:

- ⚙ Moratorium until 2035 on CMS rules streamlining eligibility (Sept 2023 & April 2024 rules) and rule re: minimum staffing requirements for long-term care facilities.
- ⚙ Address verification required by October 2029 using USPS/NCOA/other sources
- ⚙ Monthly checks to prevent multi-state enrollment beginning October 2029
- ⚙ Must disenroll confirmed residents of other states
- ⚙ Beginning January 2027, quarterly checks for deceased enrollees (SSA Death Master File), enhanced provider screenings for deceased, disenrollment required
- ⚙ More frequent redeterminations for ACA expansion adults: every 6 months (from annual), effective Dec 2026
- ⚙ Home equity cap: \$1 million for long-term care eligibility (starting Jan 2028)
- ⚙ Limits federal Medicaid funding only to U.S. citizens, nationals, lawful permanent residents, those granted the status of Cuban and Haitian entrants, and individuals under Compacts of Free Association, beginning October 1, 2026.
- ⚙ Modifies retroactive coverage timeframes.

Medicaid Provisions

Financing Changes:

- ⚙️ Sunsets temporary 5% FMAP bump (American Rescue Plan) on Jan 1, 2026
- ⚙️ Requires states to impose cost-sharing (above \$0 and below \$35 per service) on expansion adults and those enrolled under waivers and with incomes above 100% FPL
- ⚙️ Prohibits new or increased provider taxes unless enacted before bill passage. Incrementally lowers the allowable rate of provider taxes, beginning in FY28 at 5.5% to 3.5% by FY32, for expansion states only. The existing 6% "safe harbor" threshold is preserved for non-expansion states. Provider taxes on nursing facilities and intermediate care facilities (ICFs) in effect as of May 1, 2025, are exempt from the lower thresholds—provided they remain unchanged
 - Rural Health Transformation Program, created to support rural health systems, provides \$50 billion in funding (FY26–30) to states to improve access, outcomes, and sustainability of rural health care through a competitive, one-time application process
- ⚙️ Reduces State Directed Payments by 10% percent every year until they reduce to Medicare rates for expansion states, or, in non-expansion states, to 110% of Medicare rates.
- ⚙️ Limits states to receiving only their regular FMAP rate for federal matching funds for emergency medical care provided to immigrants.

Medicaid Provisions NOT Included in Final Bill

Provisions that were in previous versions but struck from the final text.

- ⚙ FMAP reduction (from 90% to 80%) for states assisting certain non-qualified aliens
- ⚙ Changes to the 90-day “reasonable opportunity” period for people to receive medical coverage while verifying citizenship or immigration

Other Notable Provisions NOT Included

- ⚙ Artificial Intelligence and Information Technology Modernization Initiative

Questions & Discussion on Medicaid

Note on S-PAYGO

- ⚙ As currently written, HR 1 would also trigger PAYGO because of the increases to the deficit that it would create.
- ⚙ If PAYGO is triggered, it would lead to significant sequestration of funds from human services programs. We believe this could mean:
 - Complete elimination of Social Services Block Grant (SSBG), Maternal, Infant, and Early Childhood Home Visiting (MIECHV), and Promoting Safe and Stable Families (PSSF) for 10 years
 - Some reductions to federal administrative funding for SNAP, TANF, and Child Support
 - 4% cut to Medicare
- ⚙ There are still steps Congress can take to waive PAYGO that Congress before the end of the current Congress. Since S-PAYGO's passage, it has never been triggered due to Congressional action to avoid it.

Peer-to-Peer Discussion

What conversations are you currently having in your state? What is most urgent for you right now?

What type of supports would be most helpful to you in the next month, six months, year, or more?

How can APHSA be of service to you and your teams?

