



Impact of federal budget on Medicaid in Washington State

January 2026



Impacts of the Federal Budget on Apple Health

Federal budget background

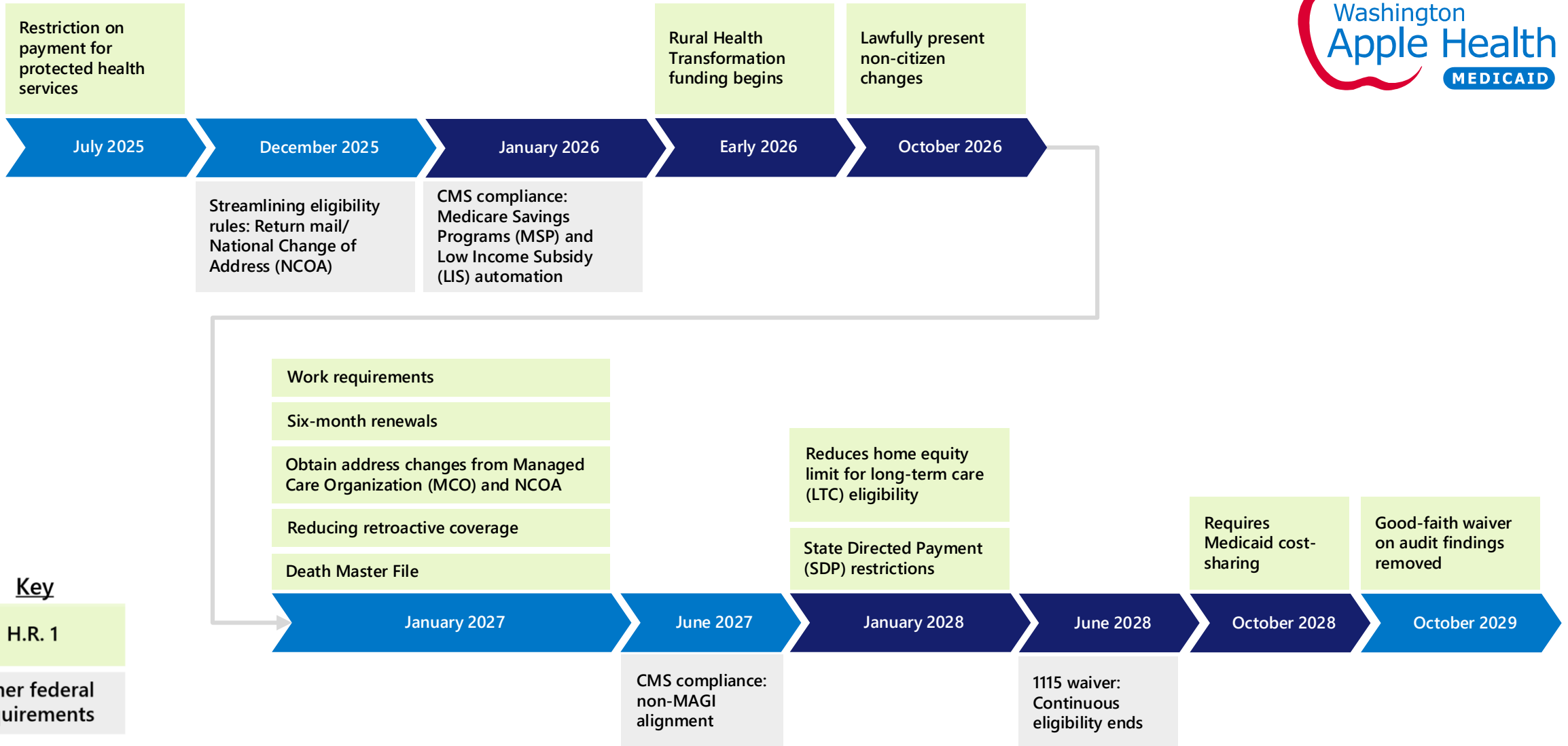


- ▶ Congress passed a continuing resolution for the federal budget on July 3, 2025 – signed into law by President Trump on July 4.
- ▶ The budget contains numerous provisions that impact Medicaid, food assistance, and the individual market.
- ▶ Hundreds of thousands of Medicaid-eligible Washington residents will be impacted.
- ▶ **HCA and state partners are still assessing the full scope of impacts to Apple Health but anticipate significant administrative changes and new state costs associated with implementation.**

Medicaid provisions in the budget

Provision	Policy	Effective Dates
Restricts payment for protected health services	Restricts federally funded Medicaid payments for 1 year to nonprofit organizations that primarily engage in family planning services or reproductive services and provide abortion services. Likely to impact over \$11 million in funding.	Effective for 1 year, from date of enactment (July 4, 2025)
Funding for non-citizens	Changes Medicaid eligibility for refugee, asylee, and other non-citizen adults.	Oct. 1, 2026
Work requirements	Establishes work requirements as a new condition of Medicaid eligibility for adults aged 19-65 who receive full coverage. This makes coverage based on working, training, or doing community engagement 80 hours per month. Includes certain categorical exemptions.	Dec. 31, 2026, with option to apply for waiver to implement Dec. 31, 2028
Rural health funding	Allocates \$10 billion annually to states, which can be used to support rural health transformation projects with a focus on promoting care, supporting providers, investing in technology, and assisting rural communities.	States can apply in 2025; funding from 2026–2030
Increases the frequency of eligibility redeterminations	Requires states to redetermine eligibility for adults enrolled through Medicaid expansion every 6 months, instead of every 12 months.	Dec. 31, 2026
Retroactive coverage	Shortens period of retroactive coverage eligibility from 3 months to 1 month for adults and 2 months for other Medicaid and CHIP applicants.	Jan. 1, 2027
Address verification	Changes requirements for address verification.	Jan. 1, 2027
Restricts new state-directed payments (SDPs) from exceeding Medicare payment levels	Requires existing SDPs for hospital and nursing facility services and services provided at an academic medical center to reduce by 10% per year, beginning in 2028 until they reach Medicare levels.	10% reductions begin in 2028
Cost-Sharing	Requires adults to pay cost-sharing of up to \$35 for many services. Excludes primary care, behavioral health, emergency services, and services rendered in certain rural settings from the requirement.	Oct. 1, 2028
Removes good-faith waivers related to erroneous payments	Removes ability to waive federal penalties for a state's good-faith efforts to correct erroneous excess Medicaid payments under the Payment Error Rate Measurement (PERM) program and other state and federal audits.	Oct. 1, 2029

Compliance timeline



Note: There are unknown future state regulatory impacts not captured on this timeline. Last updated in January 2026.

State funding and enrollment impacts



Proposed work requirements, increased frequency of redeterminations, and other changes to eligibility and enrollment rules will impact access and state funding.

Over 620,000 Washingtonians will be impacted by work requirements and changes to redeterminations.

Lawfully-present non-citizens will see direct restrictions to access.

Our state is projected to see a reduction of billions in federal funding between 2025–2034.

Prohibiting payment for protected health services



- ▶ Prohibits federally funded Medicaid payments to nonprofit organizations that primarily engage in family planning services or reproductive services and provide abortion services.
 - ▶ Applies for 1 year, from date of enactment (July 4, 2025).
 - ▶ Will reduce federal funding by over **\$11 million** a year for family planning services in Washington.
 - ▶ **Washington remains committed to funding services for these critical providers with state resources.**
-



Medicaid eligibility changes

- ▶ Reduces federally funded Medicaid eligibility for refugee, asylee, and other non-citizen adults, effective Oct. 1, 2026.
- ▶ HCA anticipates this could impact over 30,000 individuals currently enrolled in Apple Health.
- ▶ Individuals may be eligible for other programs:
 - ▶ Apple Health Expansion
 - ▶ 1332 waiver coverage on Exchange
 - ▶ Emergency Medical
 - ▶ Pregnancy or After-Pregnancy Coverage

Impacts of federal work requirements



- ▶ By December 31, 2026, states are required to institute work requirements as a new condition of Medicaid eligibility for adults aged 19-65 who receive full coverage.
 - ▶ Makes coverage contingent on working, training, or doing community engagement 80 hours per month.
 - ▶ Applies to individuals age 19-65 who do not meet an exemption.

Impacts of federal work requirements continued



Medicaid enrollees work

Most Apple Health clients work (or are the dependents of a working adult).

Adults will lose coverage

More than 620,000 adults would be at risk to lose or delay coverage due to administrative red tape.

States may apply for waiver

States may apply for a waiver to delay implementation to December 31, 2028. Must show good-faith efforts to come into compliance as part of waiver application. CMS is expected to provide additional guidance in 2025.

Exemptions from federal work requirements



The federal work requirements don't apply to individuals who are:

- ▶ Pregnant or receiving postpartum coverage
- ▶ Under the age of 19
- ▶ Foster youth and former foster youth under the age of 26
- ▶ Tribal members
- ▶ Medically frail
- ▶ Disabled veterans
- ▶ Entitled to Medicare Part A or B
- ▶ Already comply with work requirements under the Temporary Assistance for Needy Families (TANF) program or Supplemental Nutrition Assistance Program (SNAP)
- ▶ Parents or caregivers of a dependent child or individual with a disability
- ▶ Incarcerated or recently released from incarceration within the past 90 days
- ▶ AUD/SUD treatment

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 620,000 adults enrolled in Apple Health.
 - ▶ Will likely lead to thousands of individuals losing coverage.
 - ▶ 80-85% of population automatically renews, but 15% of population who needs active management will drive significant staffing impacts for HCA, DSHS, and HBE.
-

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 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 beginning in 2028 until they reach Medicare levels.
 - ▶ 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.
-

Impact of SDPs and provider taxes continued



Existing SDPs supporting hospital services, which include the Hospital Safety Net Assessment and payments to the University of Washington, will be reduced by over \$1.5 billion annually, once fully reduced.



Safety net
and rural
hospitals



Emergency
transport



Primary
care



Mental and
behavioral
health



Maternity
services and
birthing centers



Skilled
nursing
facilities



Home
health

Impact of cost-sharing requirements



Beginning Oct. 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

Removing good-faith waivers related to erroneous payments



- ▶ Removes ability to waive federal penalties for a state's good-faith effort to fix erroneous excess Medicaid payments – effective Oct. 1, 2029.
- ▶ Under the Payment Error Rate Measurement (PERM) program, CMS audits state Medicaid and CHIP programs to identify various types of improper payments.
 - ▶ If more than 3% of a state's total payments in a year are improper, CMS must disallow federal funds for the excess payments above the threshold.
 - ▶ CMS was previously authorized to waive the disallowance if the state was unable to achieve the 3% target, despite good-faith efforts.

Removing good-faith waivers related to erroneous payments continued



Nationwide PERM rates were 3.31% in 2024.

The Congressional Budget Office (CBO) estimates this provision will reduce federal investment in Medicaid programs by over \$7 billion over 10 years.

Rural health funding



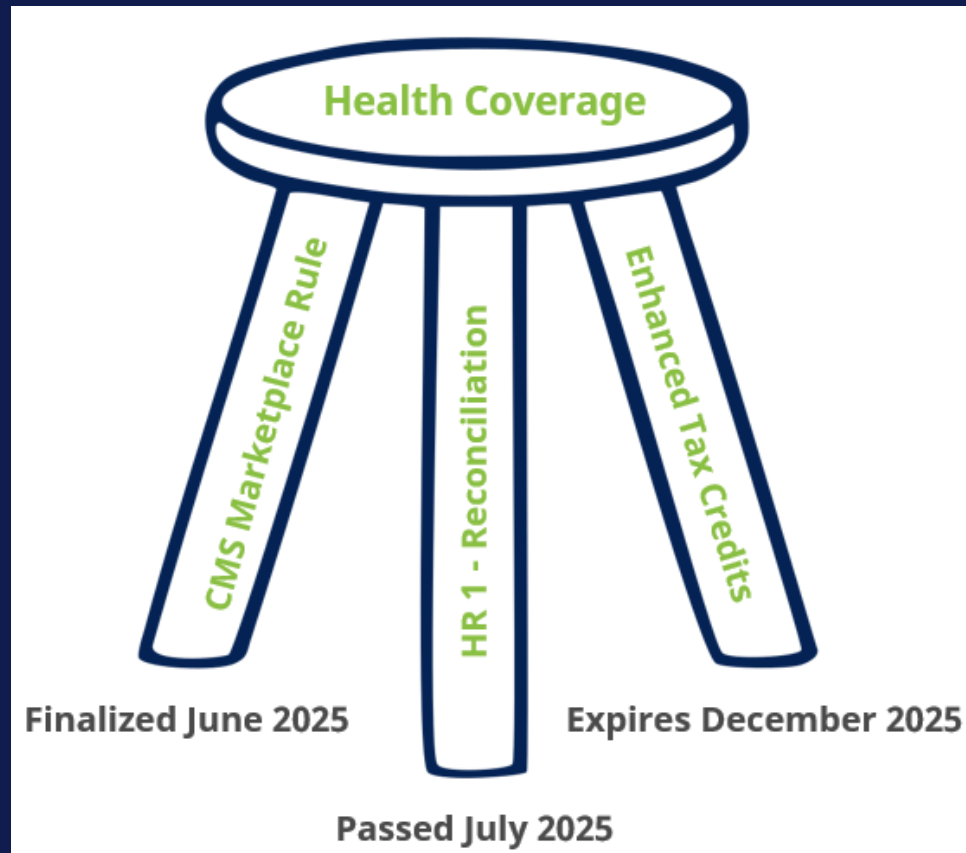
- ▶ Allocates \$10 billion annually to states, from 2026 to 2030.
- ▶ Funding can be used by states to support rural health transformation projects, with a focus on promoting care, supporting providers, investing in technology, and assisting rural communities.
- ▶ States must apply in 2025 to participate.
 - ▶ Applications will be approved/denied by December 31, 2025.
 - ▶ Must include a rural health transformation plan.

Other Medicaid provisions



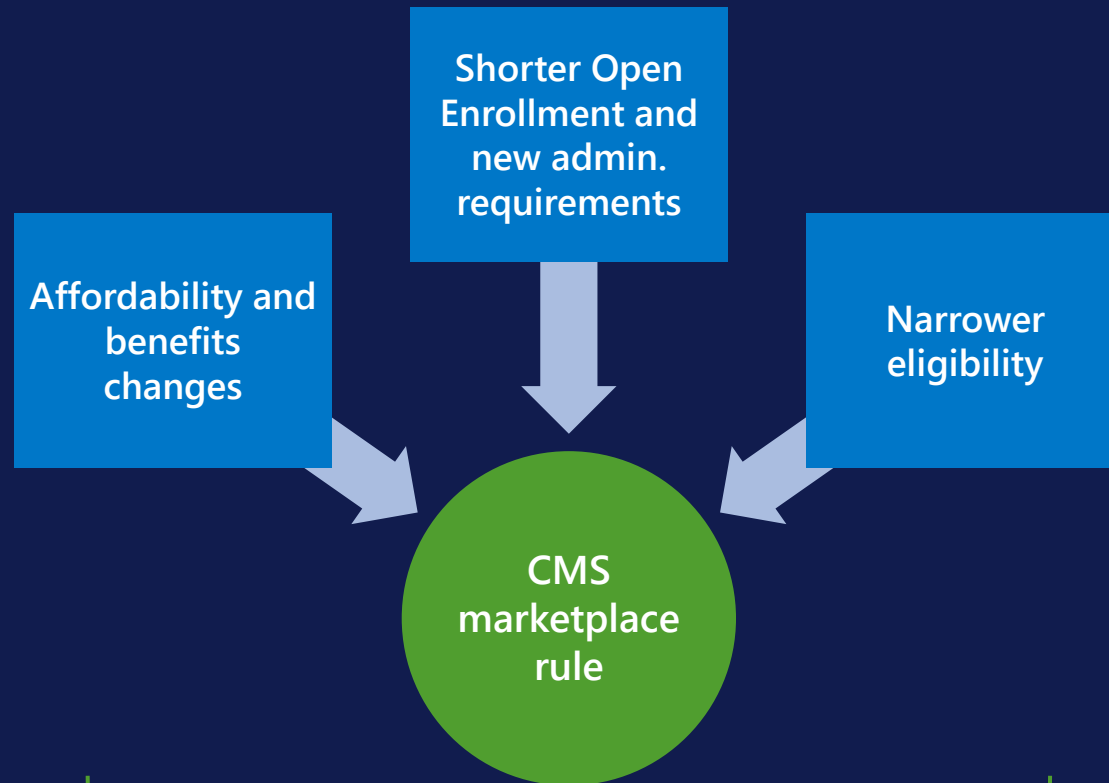
- ▶ Reduces the home equity limit for long-term care eligibility.
 - ▶ Effective Jan. 1, 2028
 - ▶ Shortens period of retroactive coverage eligibility.
 - ▶ From 3 months to 1 month for Apple Health adults
 - ▶ From 3 months to 2 months for all other Medicaid applicants
 - ▶ Effective Jan. 1, 2027
 - ▶ Changes address verification processes.
 - ▶ Effective Oct. 1, 2029
-

Federal policy changes - ACA marketplace



- ▶ Estimated combined impact in Washington:
 - ▶ Enrollment reduction of 35% - 50%
 - ▶ Premium increases of up to 15%
 - ▶ Ripple effects across the health system including \$100M+ in uncompensated hospital care

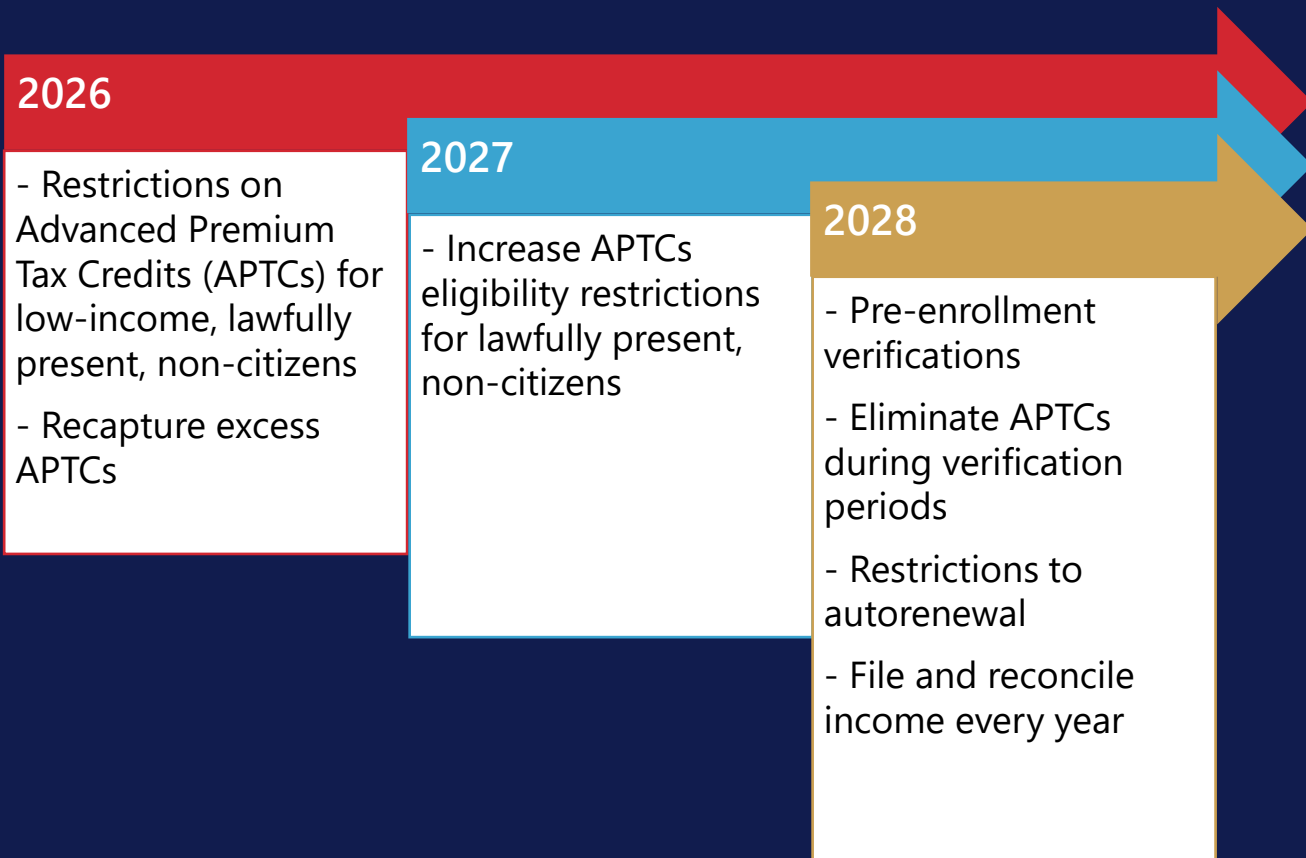
CMS marketplace rule – policies & impacts



Most implementation is paused due to pending litigation.

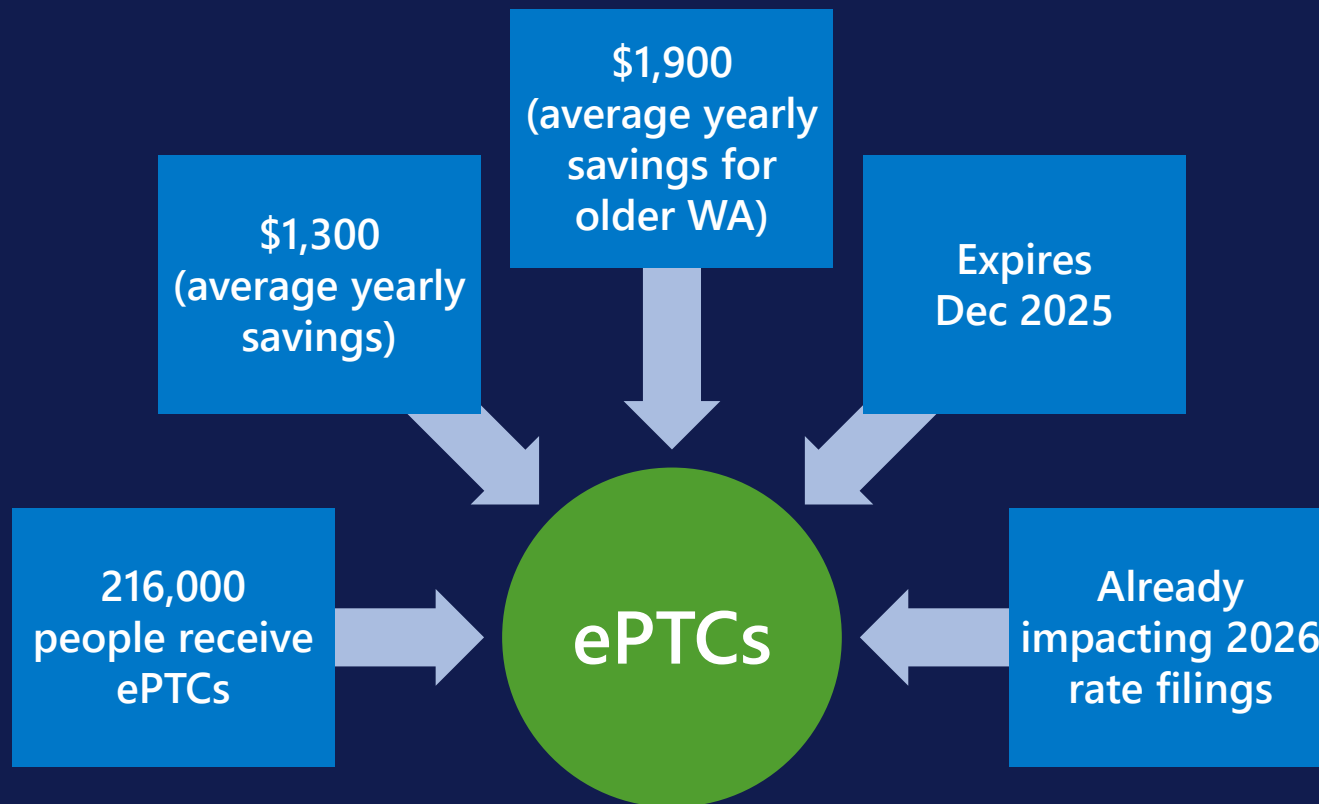
- ▶ Estimated rule impact in Washington:
 - ▶ Enrollment reduction up to 23%
 - ▶ Premium increase by 4.5%

HR 1 – ACA marketplace policies & impacts



- ▶ Estimated HR 1 impact in Washington:
 - ▶ Enrollment reduction of 25% - 50%
 - ▶ Premium increase of 5.4%

Enhanced tax credits – overview & impacts



- ▶ Estimated ePTCs expiration impact in Washington:
 - ▶ Enrollment reduction of 80,000
 - ▶ Average net premium increases by 65%
 - ▶ Loss of \$285M in federal funds (tax credits)



Apple Health Background

Medicaid in Washington State



▶ Medicaid provides:

- ▶ Access to medical, dental, vision, and behavioral health services to people who qualify.
- ▶ Supports to older adults and individuals with disabilities.

▶ Medicaid includes:

- ▶ Classic Medicaid coverage for individuals ages 65 and older or who have blindness or a disability
- ▶ Modified Adjusted Gross Income (MAGI) coverage for individual adults, parents/caretakers, children, and pregnant individuals.

▶ **Total covered population: 1,950,826** enrollees (June 2024)

Who administers Medicaid



- ▶ In Washington State, Medicaid is called Apple Health, an umbrella term or “brand name” used to refer to many free or low-cost health care programs.
 - ▶ The Washington State Health Care Authority (HCA) is the single state Medicaid agency. It administers Apple Health, and oversees Apple Health policies, program development, and eligibility.
 - ▶ Other state agencies, including the Department of Social and Health Services (DSHS), also manage Apple Health programs.

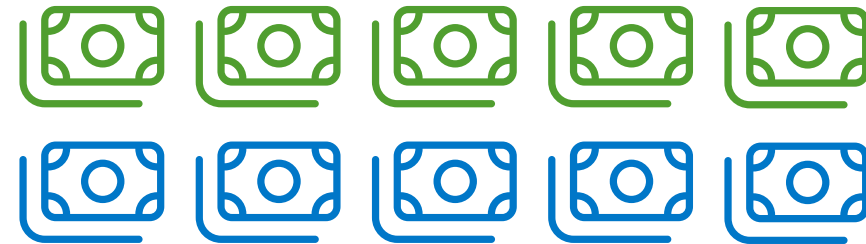


Who pays for Medicaid services



- ▶ Medicaid programs and services are **state and federally funded**, depending on the program.
- ▶ Overarching rules are set by Centers for Medicare & Medicaid Services (CMS). States have discretion within those parameters on what populations to cover and what services to offer.
- ▶ Federal Medical Assistance Percentage (FMAP) defines the share of costs that the federal government pays. FMAP varies by state, client, and service type.

Federal funds pay roughly 50% of most traditional Medicaid programs.



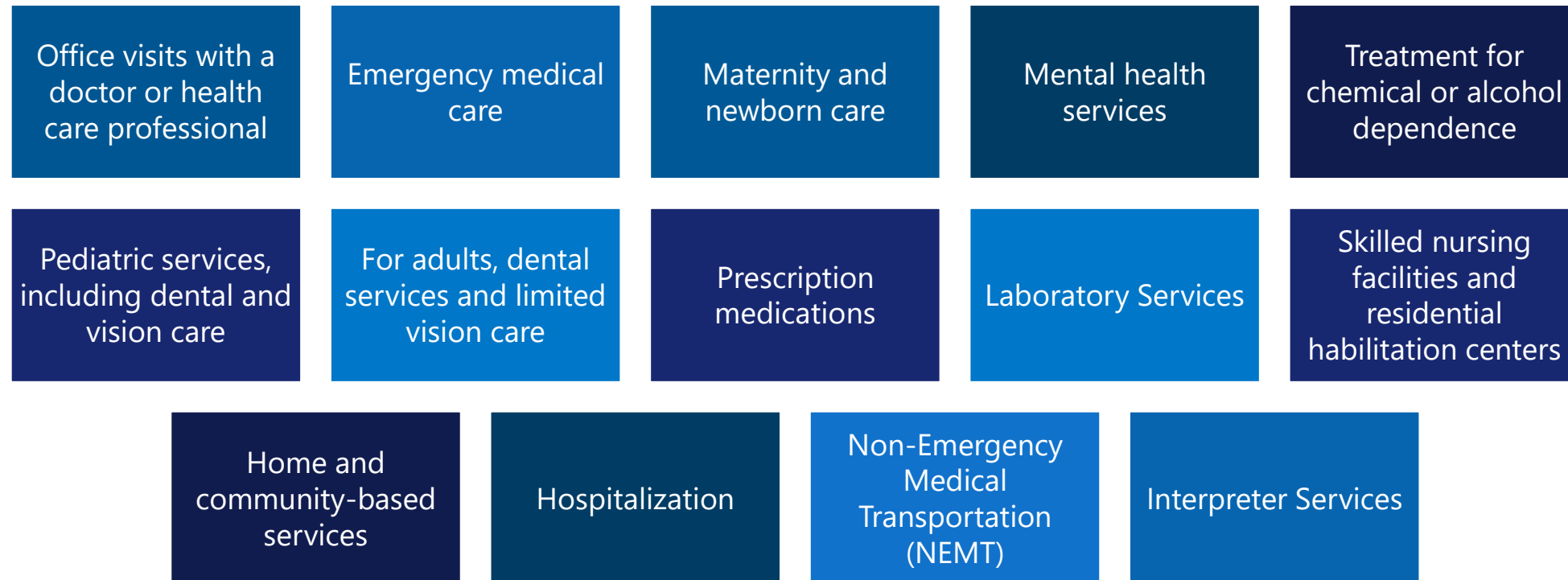
Federal funds pay 90% of Medicaid expansion under the Affordable Care Act (ACA).



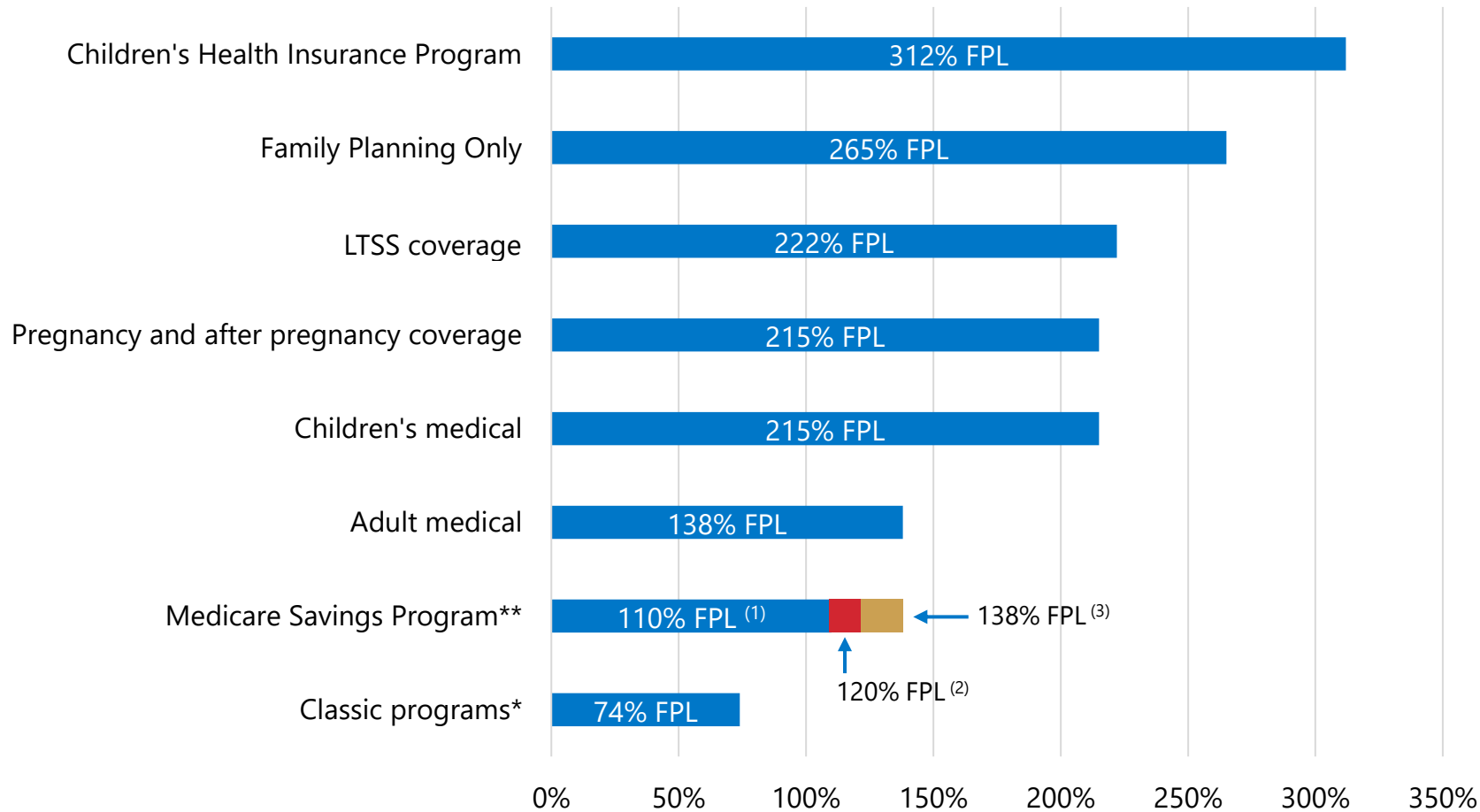
Medicaid benefits and services



Medicaid offers complete physical and behavioral health coverage for eligible individuals. For most Medicaid programs, clients have no out-of-pocket costs.



Income limits as a percent of Federal Poverty Level (FPL)



Program eligibility in Washington State

*Eligibility for long-term services and support (LTSS) coverage and Classic programs are based on the Federal Benefit Rate and not the Federal Poverty Level; we present the FPL equivalent here for comparison. Additional LTSS coverage is available when cost of care exceeds certain Special Income Levels (up to 890% equivalent FPL). For more information on additional Apple Health programs and eligibility standards, visit: hca.wa.gov/assets/free-or-low-cost/income-standards.pdf

**Medicare Savings Program has three distinct categories with different eligibility requirements: (1) Qualified Medicare Beneficiary (QMB) 110% FPL, (2) Specified Low-Income Medicare Beneficiary (SLMB) 120% FPL, and (3) Qualifying Individual (QI) 138% FPL

Income eligibility in context



- ▶ The Medicaid income limit for Adult Medical coverage (the expansion population under the Affordable Care Act) is 138% of the federal poverty level
 - ▶ \$1,800 monthly for a single person
 - ▶ \$3,700 monthly for a four-person family

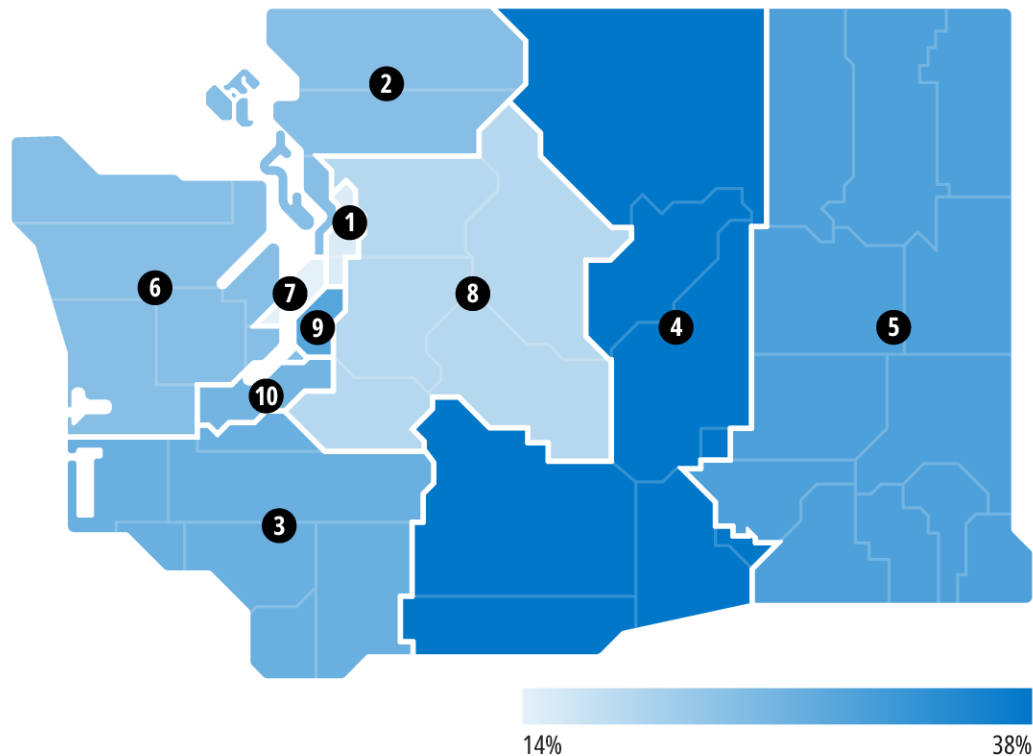


- ▶ To put in context, the average monthly rent for a one-bedroom apartment is:
 - ▶ ~\$1,050 in Spokane
 - ▶ ~\$1,500 in Tacoma
 - ▶ ~\$2,000 in Seattle

Total Medicaid enrollment (June 2024)



Percent of district enrolled in Medicaid (%)

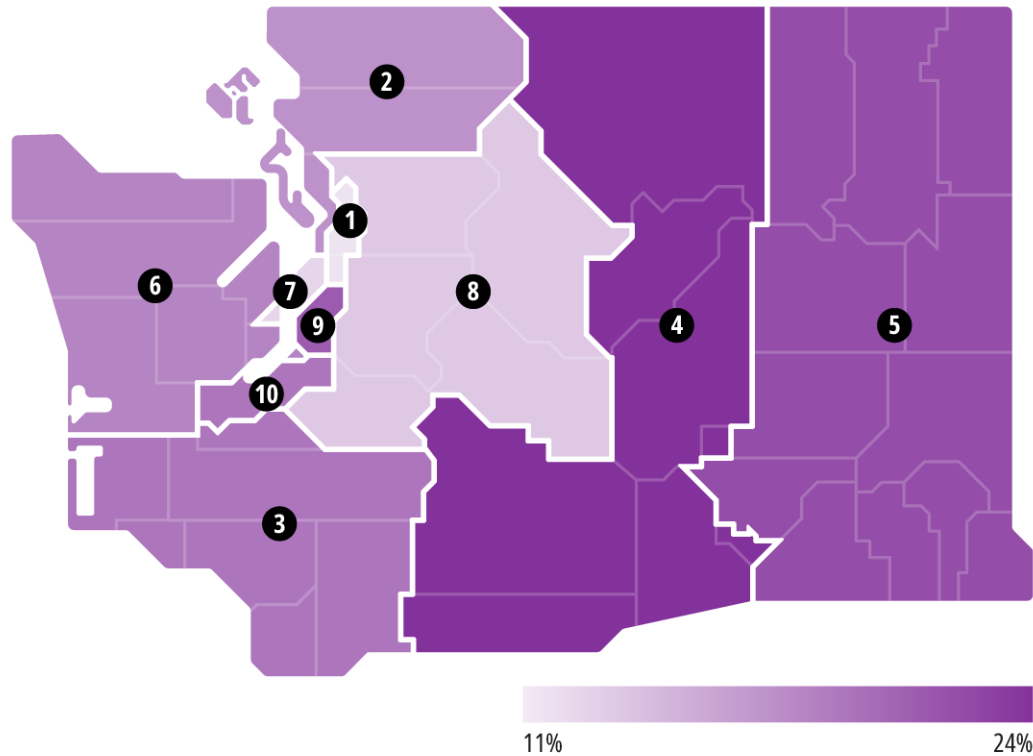


District	Total people enrolled in Medicaid	Percentage of district enrolled in Medicaid
1	122,612	15%
2	189,625	24%
3	213,699	27%
4	300,511	38%
5	237,567	30%
6	189,261	24%
7	115,792	14%
8	147,493	19%
9	229,070	29%
10	205,196	26%
State total	1,950,826	25%

Adult Medicaid enrollment (June 2024)



Percent of district adults enrolled in Medicaid (%)

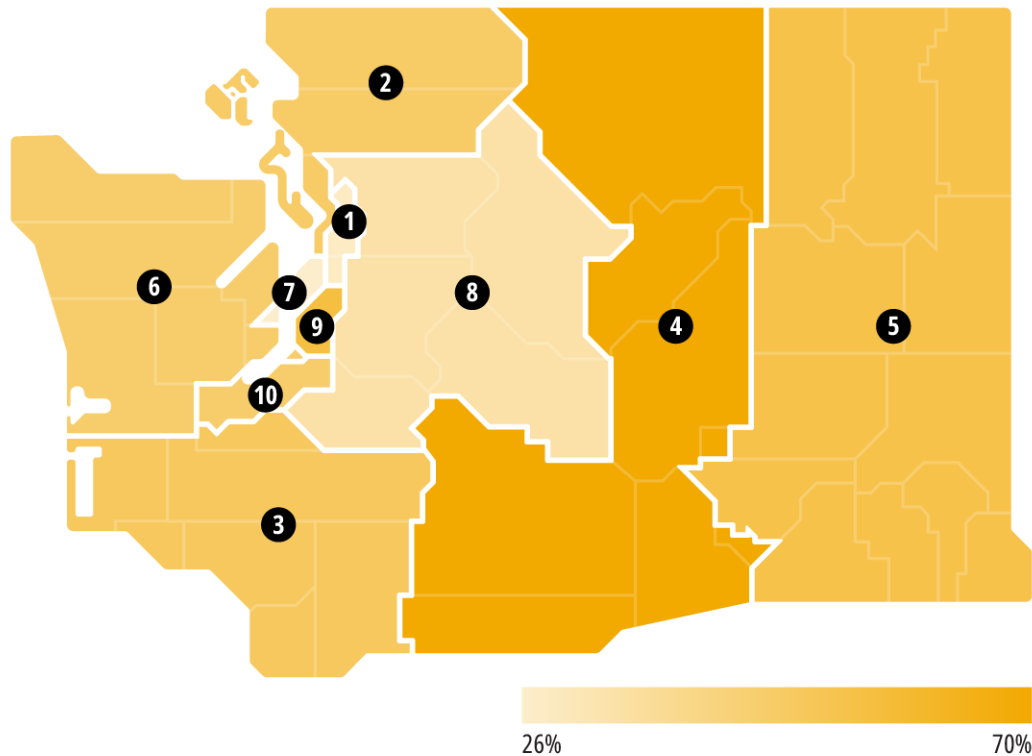


District	Adults (ages 20+) enrolled in Medicaid	Percentage of district adults enrolled in Medicaid
1	66,537	11%
2	106,465	17%
3	115,786	19%
4	135,436	24%
5	134,763	22%
6	112,781	18%
7	80,132	12%
8	76,081	13%
9	125,029	21%
10	110,909	19%
State total	1,063,919	18%

Child Medicaid enrollment (June 2024)



Percent of district children in Medicaid (%)

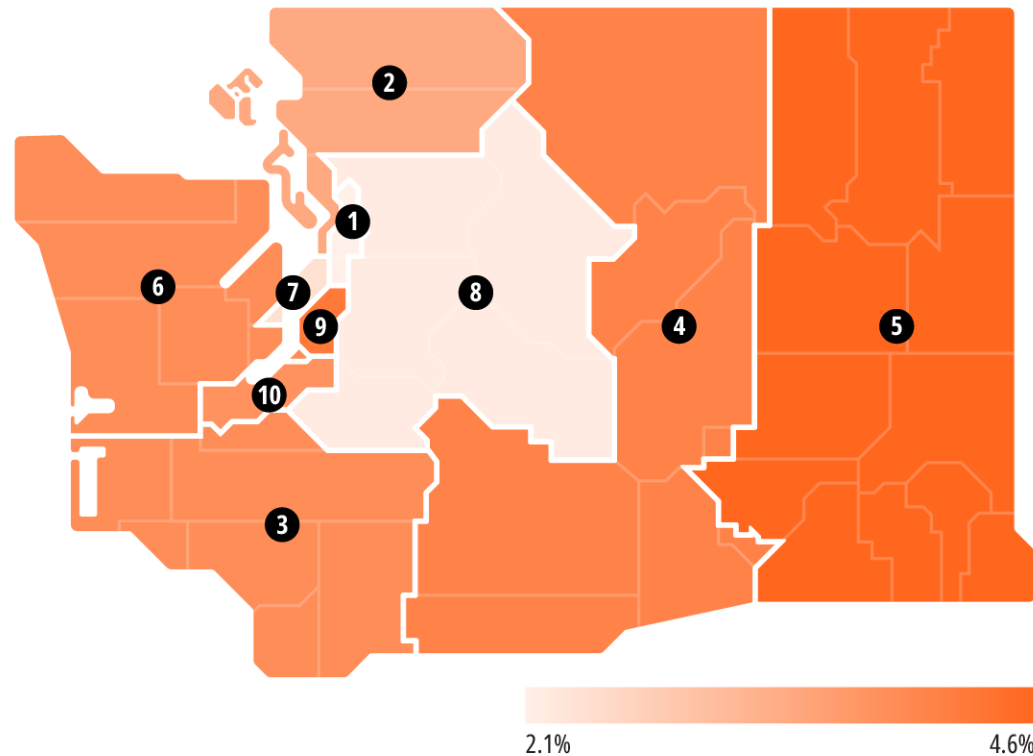


District	Children (ages 0-19) enrolled in Medicaid	Percentage of district children enrolled in Medicaid
1	56,075	28%
2	83,160	48%
3	97,913	50%
4	165,075	70%
5	102,804	54%
6	76,480	47%
7	35,660	26%
8	71,412	34%
9	104,041	56%
10	94,287	47%
State total	886,907	47%

Aged and Disabled Medicaid enrollment (SFY 2024)



Percentage of district population who are Medicaid aged/disabled



District	Aged and disabled enrolled in Medicaid*	Percentage of district that are Medicaid Aged/Disabled enrollees
1	17,236	2.1%
2	27,002	3.4%
3	30,940	3.9%
4	32,287	4.1%
5	36,088	4.6%
6	30,626	3.9%
7	19,499	2.4%
8	17,356	2.2%
9	34,252	4.3%
10	29,920	3.8%
State total	276,603	3.5%

Hospital care



Hospitals include emergency medical care, inpatient and outpatient services, maternity and newborn care, and more



\$3.36 B in Medicaid payments for Washingtonian hospital care (SFY 2024)

68%

Share of hospital Medicaid payments paid by federal government

District	No. of facilities	Federal share (%)	Total paid (SFY 2024)
1	9	75%	\$125 M
2	10	71%	\$224 M
3	10	71%	\$191 M
4	24	66%	\$318 M
5	29	67%	\$352 M
6	18	66%	\$487 M
7	12	61%	\$686 M
8	10	70%	\$113 M
9	9	77%	\$545 M
10	10	72%	\$202 M
Total*	141	68%	\$3.36 B

*Note: Total number of facilities excludes out of state hospitals, but total expenditures and federal share includes out-of-state facilities.

Community health centers



Community health centers (CHC) provide comprehensive primary care, dental care, and support services to underserved populations



\$666 M in Medicaid payments to CHCs, plus **\$450 million** in enhancements (SFY 2024)

67%

Share of Medicaid payments paid by federal government

27

Washington CHCs, half of whom serve rural communities

District	No. of CHCs	Federal share	Total paid (SFY 2024)
1	5	65%	\$19.9 M
2	3	66%	\$71.6 M
3	4	69%	\$34.8 M
4	10	61%	\$147 M
5	7	72%	\$123 M
6	4	71%	\$365 M
7	7	69%	\$42.5 M
8	5	67%	\$17.4 M
9	7	66%	\$129 M
10	4	66%	\$41.1 M
Out of state	5*	71%	\$3.7 M
Total	27**	67%	\$666.5 M

* 5 CHCs in bordering states provide services to Washington Medicaid enrollees.

** Due to CHCs having multiple locations, the total number of CHCs is not a sum of the number CHCs per district.

School-based health services



Medicaid school-based health services program reimburses for special education health-related services (evaluations, nursing, counseling, speech-language therapy, and more)



\$14.8 M in Medicaid payments (SFY 2024)

51%

Share of SBHS Medicaid program costs paid by federal government

District	School districts that offered health services	Total paid (SFY 2024)
1	8	\$0.89 M
2	15	\$1.7 M
3	29	\$2.3 M
4	21	\$1.9 M
5	16	\$2.7 M
6	11	\$0.80 M
7	5	\$1.03 M
8	15	\$0.73 M
9	4	\$0.78 M
10	11	\$1.9 M
Total	135	\$14.8 M

Rural health care

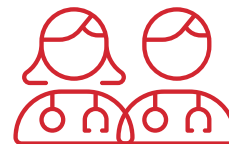


- ▶ The majority of Washington state is a Health Professional Shortage Area (HPSA) for primary care, mental health care, and/or dental care
- ▶ Rural health care providers offer critical access in these communities



39 Critical Access Hospitals
2 Sole Community Hospitals

\$346 M Medicaid payments*
69% federal share



136 Rural Health Clinic
locations

\$110 M Medicaid payments*
64% federal share

Tribal health care



- ▶ Washington has 29 federally recognized tribes
- ▶ Tribal health care facilities deliver essential, culturally-attuned health care services to all Medicaid enrollees—particularly to American Indian/Alaska Native (AI/AN) persons
- ▶ The FMAP for AI/AN enrollees is 100%



\$387 million

Total Medicaid payments for services provided at Tribal facilities

87%

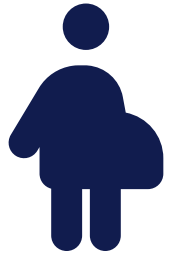
The federal government's share of payments



\$237 million

Medicaid payments for substance use disorder treatment at Tribal facilities (83% federal share)

Births in Washington State



Medicaid paid for 35,400 deliveries (SFY 2024)



Medicaid paid for 45%+ of all babies born in Washington (2018-2023)

Source: HCA analysis of 2018-2023 encounters. Medicaid-covered births defined as individuals with Medicaid-paid perinatal care encounters or Medicaid enrollment for at least three of the last six months before delivery. Total statewide births from DOH Vital Records.

Medicaid is essential to treating Opioid Use Disorder (OUD)



73,104 Washington Medicaid enrollees had an opioid use disorder (OUD)



38.6% received medications for OUD (MOUD), the gold standard of evidence-based treatment*

45,753 (62.5%) enrollees with OUD are eligible adults under ACA Medicaid expansion (**90% federal match**)



43.1% received MOUD

- ▶ Medicaid is the largest payer for opioid use disorder treatment, and the federal government pays a significant portion of those Medicaid costs
- ▶ Reductions in federal Medicaid funds jeopardize access to OUD treatment and the progress gained against the opioid crisis
- ▶ Loss of coverage for persons with untreated OUD will increase uncompensated care costs for hospitals and emergency rooms, jeopardizing the financial livelihood of treatment providers

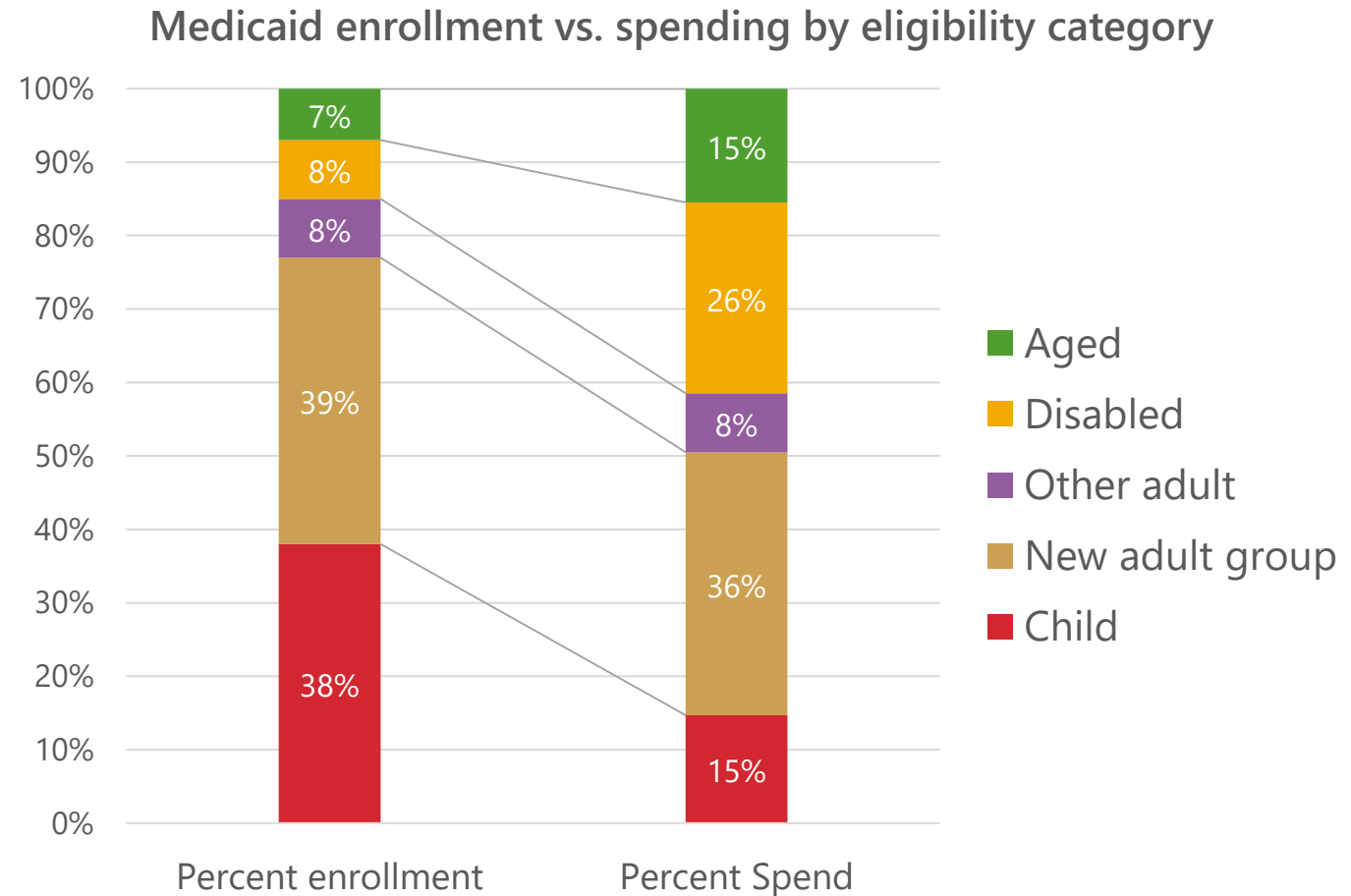
*Client count and treatment rate from Quarter 2 (April-June) 2024.

Sources: [Medications for Opioid Use Disorder \(MOUD\) Treatment in Apple Health Clients Dashboard](#)

<https://www.brookings.edu/articles/the-role-of-medicaid-in-addressing-the-opioid-epidemic/>

Long-term care

- ▶ Medicaid covers long-term care services and supports for persons with physical, cognitive, or developmental disabilities
- ▶ Services can be provided in institutional, home, and community-based settings
- ▶ Aged and disabled Medicaid persons account for 15% of total Medicaid enrollment, but 41% of Medicaid spending (FY 2022)*



*MACPAC, [MACStats Medicaid and CHIP Data Book, December 2024](#). MACPAC analyzed T-MSIS data as of February 2024, and CMS-64 financial management report net expenditure data as of June 2023.

Home-based long-term services and supports



Personal and respite care provided in the client's own home by Individual Providers and Agency Providers; includes supported living and State Operated Living Alternatives



\$4.66 B in Medicaid expenditures for Washingtonians in SFY 2024

55%

Share of home-based Medicaid LTSS payments paid by federal government

District	Medicaid clients*	Total paid (SFY 2024)
1	8,498	\$329 M
2	10,167	\$425 M
3	11,580	\$501 M
4	11,426	\$502 M
5	11,572	\$620 M
6	10,461	\$438 M
7	8,025	\$323 M
8	7,523	\$272 M
9	15,529	\$675 M
10	10,919	\$536 M
Total	105,700	\$4.66 B

*Annual clients served

Facility-based long-term services and supports



Primarily adult family home and assisted living community settings; includes nursing homes, enhanced service facilities (focused on behavioral health needs), and residential habilitation centers



\$2.3B in Medicaid expenditures for Washingtonians in SFY 2024

55%

Share of facility-based Medicaid LTSS payments paid by federal government

District	No. of facilities*	Medicaid clients**	Total paid (SFY 2024)
1	720	2,723	\$142 M
2	656	4,270	\$229 M
3	646	4,173	\$184 M
4	253	3,327	\$199 M
5	669	5,874	\$354 M
6	303	4,113	\$217 M
7	327	2,165	\$211 M
8	347	2,246	\$151 M
9	1,092	5,280	\$314 M
10	1,010	5,410	\$287 M
Total	6,023	39,581	\$2.29 B

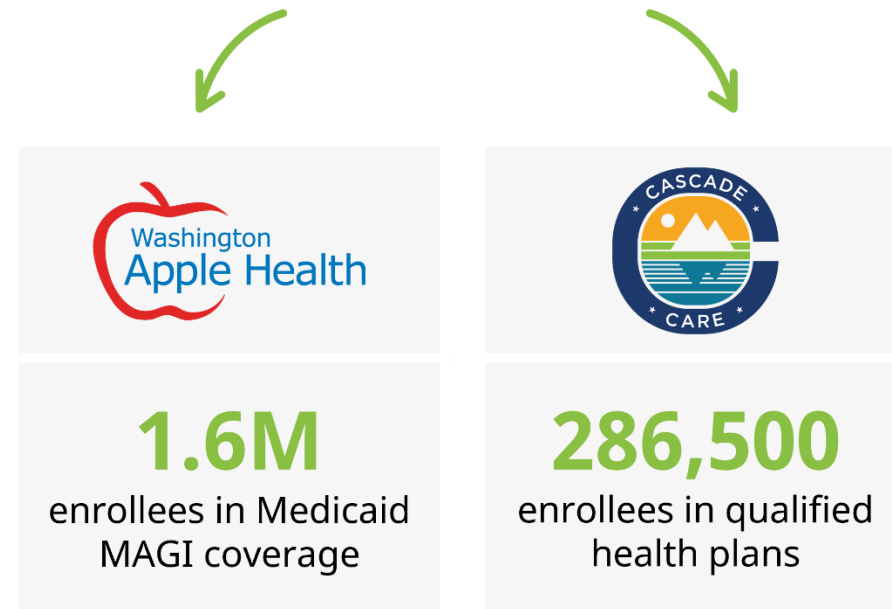
*All licensed LTSS facilities

**Annual clients served

Medicaid and the ACA marketplace



- ▶ The Washington Health Benefit Exchange manages the eligibility and enrollment for Medicaid MAGI coverage and ACA marketplace health plans (qualified health plans).
- ▶ Today, Washingtonians can easily continue coverage when their income changes.
- ▶ When transitioning from Medicaid to qualified health plans, enhanced premium tax credits and state premium assistance help drive affordability and keep people covered.



Nearly 1 in 4 Washingtonians get health insurance through Washington Healthplanfinder



Contact us



Evan Klein

evan.klein@hca.wa.gov



Jon Noski

jon.noski@dshs.wa.gov



Shirley Prasad

shirley.prasad@wahbexchange.org

