GOVERNMENT AND REGULATORY AFFAIRS,
HEALTH CARE AND LONG TERM CARE
INFORMATION MEMO
JULY 17 2025

What Lies Ahead for Healthcare and Human Services Now that the One Big Beautiful Bill Act Is Law

With President Trump's July 4th signing of the One Big Beautiful Bill Act ("OBBBA,") Federal reconciliation package into law, we will see massive shifts – some near-term, and others over time – in the administration of and eligibility for government programs affecting health and human services. An estimated dip of more than $1T in health care spending is expected over 10 years. Key OBBBA provisions include:

- Formal halting of a key avenue for matching Federal funding,
- 10-year moratorium on enforcement of staffing standards affecting nursing homes,
- Retroactive pick-up date changes for chronic care budgeting,
- Work requirements for Medicaid eligibility,
- Medicaid enrollment changes,
- SNAP funding decrements,
- Changes in health care access for certain noncitizens, and
- Funding stream shifts affecting rural health care

In New York, the Division of the Budget (DOB) has stated publicly that the aggregate effects will result in immediate budgetary shortfalls of an estimated $750M, rising to $3B by the next fiscal year. The changes, per numerous stakeholders, will trigger significant disruptions in access to public insurance, which will elevate uncompensated care needs in New York State and place increasing financial pressure on public and 'safety net' institutions that rely heavily on Medicaid, whether in rural or in urban settings. More on the OBBBA changes and their healthcare and human services effects can be found below:

Medicaid and Medicare

- **Managed Care Organization ("MCO") Tax**
  - New York received approval from President Biden's administration in Dec. 2024 to move forward with a taxing of its managed care organizations that would spur inflows of federal matching funds into New York State – following a model that states including California, Illinois and Texas had earlier implemented. OBBBA outlaws the maneuver, the funds from which were predicate to significant elements of New York State's enacted FY '26 budget – including but not limited to provider rate increases – that Governor Hochul signed into law during May 2025. Active advocacy is underway vis-à-vis the Federal government to delay the effects of the functional cuts as long as possible to avoid immediate budget disruption in New York State.

- **Impact on New York LTC Budget, Including Changes to Medicaid Retroactive Coverage**
    - Beginning after Dec. 31, 2026, the retroactive coverage period for Medicaid coverage will be reduced. Some individuals will be eligible for coverage for a month, while others will have up to two months, rather than the current three-month retroactivity standard that applies in settings such as eligibility for long term care in a nursing home. Similar adjustments will apply to the Children's Health Insurance Program ("CHIP") for child health and pregnancy-related assistance (SEC 71112). Such changes are expected to affect funding ultimately available for care delivery and may lead to chilling effects on the provision of discretionary services, such as community-based long-term care. Others posit that these changes may result in 'churn' among Medicaid recipients who may cycle more frequently on and off Medicaid.

- **New Medicaid Community Engagement Requirements**
    - By early 2027, states must implement community engagement requirements for Medicaid eligibility, requiring beneficiaries to fulfill 80 hours monthly in work, community service, or education. Certain exceptions will exist for groups like minors, veterans with disabilities and medically frail individuals, with allowances for short-term hardships such as hospitalization or residence in high unemployment areas. Among other anticipated effects, these requirements may hamstring the ease of enrollment for individuals (i.e., due to new paperwork burdens) and states will need to develop new apparatuses to verify work as completed. Among the requirements, states will be mandated to conduct regular eligibility checks and send notices for noncompliance. OBBBA makes available $200 million in grants to support states in developing systems to enforce these requirements, with rulemaking set by June 1, 2026, according to Section 71119. According to reports, New York State's Department of Health has estimated that approximately 1.5 million people overall in New York will lose insurance due to eligibility and process shifts.

- **Medicaid Cost-Sharing Adjustments**
    - Starting Oct. 1, 2028, Medicaid beneficiaries with family incomes above the Federal poverty line will encounter new cost-sharing requirements. Although exempt from enrollment fees and premiums, these individuals will be required to pay up to $35 for certain services, with prescription drug costs also subjected to limitations. Essential services like primary care, mental health and substance use disorder treatments will remain cost-sharing exempt. Overall, the total cost-sharing is capped at 5% of a family's income, calculated either monthly or quarterly (SEC 71120).

- **Delay on Long-Term Care Staffing Rules**
    - The bill postpones enforcing Federal staffing standards for long-term care facilities until Sept. 30, 2034 (SEC. 71111), countering initiatives from the Biden administration and acknowledging national healthcare staffing shortages that the pandemic exacerbated. The effects of OBBBA on New York State's distinct staffing standards are uncertain, to the extent the Federal and New York State systems were developed distinctly. These changes come in the context of ongoing Federal activity that has tightened immigration

standards, generally, which has placed further pressure on healthcare institutions that have relied on overseas resources for staffing solutions.

- **Changes Impacting Some Noncitizens**
    - Starting 18 months post-enactment, Medicare will be available only for U.S. citizens, U.S. nationals, lawful permanent residents, Cuban and Haitian entrants and some lawful residents (SEC 71109). Similarly, only U.S. residents who are citizens, nationals or fall into certain categories of lawfully admitted noncitizens such as permanent residents and Cuban and Haitian entrants will be eligible for SNAP benefits (SEC. 10108).
- **New Support for Home and Community Services**
    - From July 1, 2028, states will have access to waivers to facilitate home and community-based services for three years, which will be extendable to five years.

Nutritional Assistance

- **Lower Funding of SNAP in New York**
    - Starting in fiscal year 2028, federal funding for state allotments will depend on a state's payment error rate. States with lower error rates will receive more federal funding, while those with higher rates will need to contribute more. (SEC 10105). New York State estimates losing 15% of its federal funding: a State commissioner shared in a recent announcement that the State estimates a $1.2B per-year shortfall, and that it disagrees with the premise that payment error rates are indicative of fraud. OBBBA also will cut administrative funding for the SNAP program.

Effects on Rural Healthcare

- **Advancements to Rural Healthcare**
    - The Rural Health Transformation Program, launching in 2026, dedicates $10 billion annually until 2030 to enhance health care in rural regions. States must submit proposed improvement plans by Dec.3 1, 2025, to qualify for funding. The initiative aims to improve access to hospitals and healthcare providers, emphasizing prevention, chronic disease management and the use of new technologies. States can utilize funds to address various healthcare needs without the requirement of matching funds. (SEC. 71401)

Other Changes

- **Healthcare Plan Adjustments**
    - Applying to plan years beginning after Dec. 31, 2024, telehealth services can be included in high-deductible health plans without a deductible (SEC. 71306).
    - After Dec. 31, 2025, bronze and catastrophic plans will be categorized as high-deductible health plans, enabling their eligibility for health savings accounts (SEC. 71307).
    - Additionally, beginning Jan.1, 2026, direct primary care service arrangements will not count as health plans but will have a capped fee of $150 monthly per individual and will be recognized as medical expenses for health savings accounts (SEC. 71308).
- **National Education and Obesity Prevention Grant Program**
    - Funding for this program will be available only through fiscal year 2025, rather than indefinitely (SEC 10107). This may hamper public health efforts that target obesity and nutrition education.

- **Changes to Orphan Drug Exclusions**
    - Starting Jan. 1, 2028, certain rules concerning 'orphan' drugs will be liberalized, potentially to encourage the development of treatments for rare conditions, but price increases in treatment also are foreseeable. (SEC. 71203)

This piece complements Bond's OBBBA coverage in other areas of the law, including in tax and in artificial intelligence, among other disciplines, as well as its ongoing coverage of the OBBBA in its weekly 'Tuesday Webinar,' which airs live each Tuesday at noon, Eastern, (and for which one can register, here). Bond's health care and long-term care practice group will be expanding on this coverage over the coming weeks, including through additional written and digital deep dives on the most salient OBBBA provisions. In the interim, should you have questions concerning the content presented in this summary, please contact Kaydeen M. Maitland, Gabriel S. Oberfield, or any Bond attorney with whom you work closely.