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*Fast & Factual*

## Medicaid and the Budget Debate: How the U.S. House and Senate Reconciliation Process Could Reshape Healthcare in Virginia

On Tuesday, February 25, the U.S. House of Representatives voted 217 – 215 to pass the [Budget Resolution](#) proposed by House Republicans, which includes \$1.5 trillion in spending cuts over 10 years. Separately, the Senate passed its own [budget framework](#) last week, which includes two separate bills, the first of which increases spending by \$342 billion. With both chambers now passing their respective resolutions, Congress has passed through the first hurdle of the Reconciliation process – a fast-tracked budget process that requires a simple majority vote. Since Budget bills must originate in the House, the House will now draft legislative text according to the guidelines set forth in their resolution. Ultimately, the House and Senate must come to an agreement on the text to pass the final Reconciliation bill with a simple majority vote.

It should also be noted that the current short-term spending bill expires March 14, which could delay negotiations between the House and Senate on Reconciliation.

### *Senate Budget Resolution: Narrow with few cuts*

The Senate passed a [Resolution](#) last week that would result in two bills, the first of which is [narrowly aimed](#) at increasing spending for border security and the military. Few spending reductions are included, with a narrow target of \$1 billion in reductions for the Senate Finance Committee with jurisdiction over Medicare and Medicaid. No specific proposals for the \$1 billion in reductions have been reported.

### *House Budget Resolution: Deep spending cuts*

The House Budget Resolution has been [endorsed](#) by President Trump and includes \$1.5 trillion in proposed spending cuts, including an \$880 billion target for the Committee on Energy & Commerce, which has oversight of Medicaid. While the Committee will likely look at areas outside of Medicaid for funding reductions, Medicaid is the largest program within their jurisdiction and has been at the center of [recent debates](#). As of Wednesday February 26, Speaker Mike Johnson [announced](#) that the final legislative text is unlikely to include some of the most aggressive cuts to Medicaid, but instead will focus on finding efficiencies within the program to reach the final committee reduction targets.

All five Republican Representatives from Virginia voted to pass the bill, with all six Democratic Representatives from Virginia voting against it.

While final decisions on proposed cuts are being debated, [cuts](#) currently under consideration include:



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Proposal	CBO estimate	Virginia Impact
<b>Per Capita Caps</b> – sets limits to cost per Medicaid member	Up to \$918 Billion	<a href="#">KFF estimates</a> Virginia will see a 16% increase in state expenditures and a 20% reduction in enrollment.
<b>Reduce FMAP for Expansion population</b> – reduces federal match for Expansion population	Up to \$690 Billion	Virginia has a “ <a href="#">trigger law</a> ” that would require the 630,000 Expansion members to be disenrolled.
<b>Limit Medicaid Provider Taxes</b> – sets limits on taxes that may be collected on providers to receive additional federal match	Up to \$175 Billion	Virginia currently uses provider taxes on hospitals to support the state share of the cost for Expanding Medicaid.
<b>Lower floor for FMAP</b> – Reduces the federal share of Medicaid spend for states at the highest per capita income	\$387 Billion	Virginia is currently slightly above the current floor, receiving 50.4% of funds from the federal government, so no change would be expected unless average per capita income increased.
<b>Medicaid Work Requirements</b> – requires individuals to meet work requirements as a part of their eligibility for Medicaid	\$120 Billion	Based on experiences in other states, <a href="#">CBO estimates</a> that approximately 10% of enrollees subject to a work requirement would be disenrolled. In Virginia, if the full Expansion population is subject to work requirements, an estimated 63,000 members would be disenrolled.
<b>Reductions in Intergovernmental Transfers (IGTs) and State-Directed Payments</b> – reduces payments to Medicaid safety net providers, especially hospitals, aimed at improving access to care for Medicaid members	No estimate available	Hospitals in Virginia are heavily reliant on IGTs and state-directed payments. As of March 2024, the Virginia Department of Medical Assistance Services <a href="#">reported</a> that hospitals received 44% of their total Medicaid reimbursement from supplemental payments.



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## *Reconciliation process*

Senate and House Republicans now begin negotiations, with House Republicans detailing what cuts they would make to hit their \$880 billion spending reduction target for programs within the Energy & Commerce jurisdiction (\$1.5 trillion for the full budget). Both chambers must pass the same language to use the fast-track process of a Budget Reconciliation, which only requires a simple majority vote to pass.

Medicaid cuts remain a central discussion point in the negotiations between the two chambers, with the [National Council of State Legislatures](#), the [American Hospital Association](#), and the [American Academy of Medical Colleges](#) all issuing statements regarding concerns over potential Medicaid cuts.

## *Conclusion*

As Congress aims to pass a budget package, Medicaid cuts will continue to be at the forefront of negotiations – with the House spending targets suggesting significant cuts to the Medicaid program while the Senate resolution includes no such cuts. The two chambers are now in negotiations, with additional proposed details expected from the House over the next month.

For more information on how federal proposals may impact Virginia, [subscribe](#) to Capitols to Commonwealth.

## **Related resources**

- Politico. [House Reconciliation Options](#)
- Politico. [Spending Reform Options – Policy Explainer](#)
- KFF. [A Medicaid Per Capita Cap: State by State Estimates](#)
- KFF. [5 Key Facts About Medicaid Work Requirements](#)
- NPR. [Senate Budget Resolution](#)
- New York Times. [What can House Republicans Cut Instead of Medicaid? Not much.](#)