

Budget Reconciliation: Impact on People with Mental Health Conditions



In July 2025, H.R. 1, also known as the *One Big Beautiful Bill Act* or the budget reconciliation bill, became law. This bill will have a far-reaching impact on people's ability to access mental health care over the next decade, particularly within Medicaid, and the Congressional Budget Office (CBO) estimates 10 million people will lose health coverage by 2034 as a result of the law. Many details of how the bill will be implemented are still to be determined.

“Community Engagement” or Work Requirements in Medicaid	More Frequent Medicaid Eligibility Reviews	New Cost Sharing for Medicaid Services
Effective Jan. 1, 2027*	Effective Jan. 1, 2027	Effective Oct. 1, 2028
What is it? Requires states to establish community engagement requirements of 80 hours of work (or related activity) per month as a condition of Medicaid eligibility.	What is it? Requires states to conduct eligibility redeterminations at least twice a year (from the current once per year).	What is it? Requires states to charge more than \$0 and up to \$35 for certain health care services. Exempts mental health and substance use care from cost-sharing and caps cost sharing at 5% of family income.
Who is affected? Applies to individuals aged 19-64 covered under Medicaid expansion**. Excludes certain adults, including individuals who are “medically frail” (which has a subcategory of “disabling mental disorder”) as defined by HHS.	Who is affected? Applies to individuals covered under Medicaid expansion**.	Who is affected? Applies to individuals covered under Medicaid expansion** and who make more than 100% of the Federal Poverty Level (FPL).
What will it mean? Affected individuals will have to engage in work or other activities or qualify for an exemption to retain Medicaid eligibility. People may lose coverage if they don't meet the requirement, are eligible for an exemption but are unable to properly apply for an exemption, or unable to navigate processes to show they meet the requirement.	What will it mean? Affected individuals will have to prove their eligibility for Medicaid more frequently. People may lose coverage if they don't update their contact information to receive notices or if they don't respond to requests for information to verify eligibility.	What will it mean? Affected individuals will now have to pay for some health care services. Individuals who cannot afford cost sharing may forego necessary care. Many people with mental health conditions frequently have other health conditions, which they may not seek care for.

Reduces Retroactive Coverage for Medicaid	Limits How States Finance Medicaid	Other Medicaid changes that impact mental health care include:
Effective Jan. 1, 2027	Effective Oct. 1, 2028	
What is it? Limits retroactive coverage, which allows for medical bills to be paid for a period before application if the person was Medicaid-eligible at the time of service. Changes current 3-month policy to 1 month for people covered by Medicaid expansion** and 2 months for people covered under traditional Medicaid.	What is it? Limits the ability of states to finance Medicaid through “provider taxes.” Non-expansion states will be limited to the current threshold of 6%. Starting in 2028, the limit for Medicaid expansion states will be reduced by 0.5% each year until it reaches 3.5% in FY 2032.	
Who is affected? Applies to all individuals newly enrolled or re-enrolled in Medicaid.	Who is affected? Potentially impacts all states (except Alaska, which does not currently rely on provider taxes), but it will impact Medicaid expansion states more significantly. Impact will depend on how states respond to decreased federal dollars.	
What will it mean? People with Medicaid will have less protection for medical costs prior to being determined Medicaid eligible, leading to more medical debt.	What will it mean? Some states will have to reduce the size of their provider tax over time, leaving less revenue for the state to pay their share of Medicaid costs. As a result, states will have to make financial choices to address decrease in available dollars.	<ul style="list-style-type: none"> • Eliminating eligibility for many lawfully present immigrants. • Cutting federal funding for certain payments to hospitals in expansion states for individuals who are undocumented. • Blocking implementation of a rule that would have simplified the Medicaid enrollment process. <p>In addition to Medicaid changes, the bill also:</p> <ul style="list-style-type: none"> • Includes \$186 billion in cuts to the Supplemental Nutrition Assistance Program (SNAP). • Does not extend tax credits to help people afford health insurance on the ACA Marketplace. • Limits eligibility for ACA Marketplace Health Insurance.

* States could choose to implement these work requirements earlier. The legislation also allows the Secretary to grant states a “good faith effort” delay in the work reporting requirement, but all states will have to come into compliance by January 1, 2029.

**The Affordable Care Act (ACA) expanded Medicaid coverage (“Medicaid expansion”) to nearly all adults with incomes up to 138% of the Federal Poverty Level and provided states with an enhanced federal matching rate (FMAP) for their expansion populations. To date, 40 states and DC have expanded Medicaid. Work reporting requirements will apply in those 40 states and DC, as well as Wisconsin and Georgia, which have not expanded Medicaid but provide a limited benefit for certain adults. As a result, only Alabama, Florida, Kansas, Mississippi, South Carolina, Tennessee, Texas, and Wyoming will not be required to implement work requirements.