H.R. 1 Could Create Hardships for Medicaid Enrollees in Three Chronic Disease Areas

ISSUE BRIEF – AUGUST 2025

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EXECUTIVE SUMMARY

- Recent policy changes enacted through H.R.1, such as work requirements and funding changes, are poised to significantly affect coverage and healthcare services for the 80M Medicaid recipients.
- 25% of employed Medicaid enrollees with mental health, diabetes, or cardiovascular conditions could lose Medicaid coverage as a result of H.R.1 work reporting requirements.
- Non-disabled Medicaid enrollees with mental health, diabetes, or cardiovascular diagnosis in the South and West will be the most affected by Medicaid work requirements.
- State funding challenges from H.R.1 could result in Medicaid changes and loss of coverage in all 3 disease areas, with cardiovascular patients hit the hardest.

H.R.1 and Medicaid Coverage

The Medicaid program is a key pillar in the US healthcare system, providing health coverage to approximately 80M people in 2025, including 48M children.[i] Medicaid is jointly funded by states and the Federal government, with the Federal share based on the per capita income of each state. States have significant flexibility related to covered populations and benefits provided in Medicaid, but must follow certain requirements that are defined and updated by the Centers for Medicare & Medicaid Services (CMS).

Each state can determine the income level for its covered Medicaid eligible populations. The Affordable Care Act (ACA) created an opportunity for states to expand Medicaid programs up to 138% of Federal poverty level (FPL), or $21,597 for an individual in 2025, and provided enhanced funding for those expansion populations. As of May 2025, 41 states and the District of Columbia operated expanded Medicaid programs[ii], covering about 22M people.[iii]

Under President Trump's second administration, Medicaid has been a significant focus, with various significant cuts under consideration. After weeks of discussions, the Senate version of H.R.1 was passed by both chambers and signed into law on July 4, 2025. Magnolia Market Access (MMA) conducted an analysis to understand how select changes and situations potentially resulting from H.R.1 could affect Medicaid enrollees.

Impact of H.R.1 Work Requirements on Employed Medicaid Enrollees

A key provision of H.R.1 is the creation of work requirements for Medicaid expansion-enrolled adults aged 19-64 without children younger than 14 years old. Under the law, an expansion enrollee must demonstrate engagement of at least 80 hours per month in paid work, job training, education, or community service. While there are exceptions for some enrollees, the work requirement is expected to account for $325B in savings from decreased Medicaid enrollment over 10 years.[iv]

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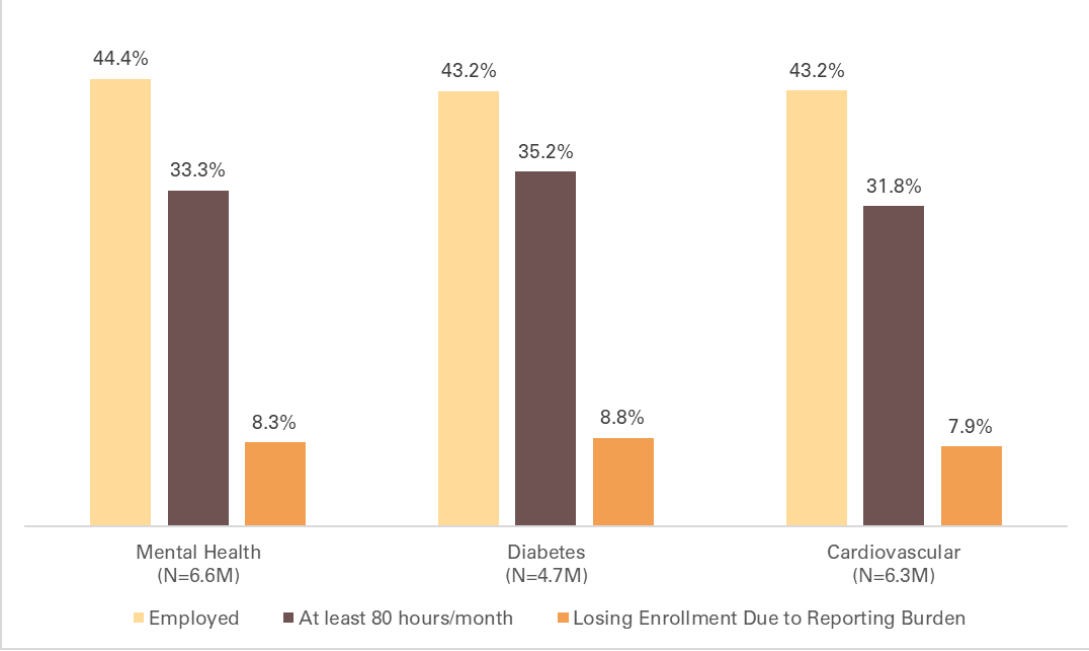
Although some states have previously attempted to institute work requirements, H.R.1 includes the first Federal work-related stipulation ever enacted. During the first Trump administration, 13 states enacted work requirements for certain Medicaid enrollees[v]; most of these were implemented via CMS-approved waivers of standard Medicaid requirements. Although the Biden administration ended these waivers, the experiences in these states still provided key learnings:

- 92% of adult Medicaid enrollees were working full- or part-time in 2023
- Almost half of Medicaid enrollees working full-time worked in small companies not required to provide health benefits under the ACA
- Reporting and documentation required to demonstrate employment resulted in employed Medicaid enrollees losing Medicaid coverage
- A large number of Medicaid-enrolled full-time employees made minimum wage, with incomes significantly below the FPL[vi]

MMA's analysis, focused on mental health, diabetes, and cardiovascular disease, identified potential challenges work requirements and reporting could place on employed Medicaid enrollees (Figure 1). A significant number of Medicaid enrollees within these disease areas are employed, and many work at least 80 hours per month. Based on learnings from Arkansas and Georgia[vii], 25% of enrollees who are employed could have challenges completing the documentation necessary to maintain Medicaid coverage due to administrative burden. Losing coverage could result in a significant decline in health and subsequent job loss.

Figure 1. Estimated Loss of Coverage for the Employed Medicaid Population Due to Work Requirement Reporting*



*Includes Medicaid enrollees aged 19-64.

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Impact of H.R.1 Work Requirements on Unemployed Medicaid Enrollees

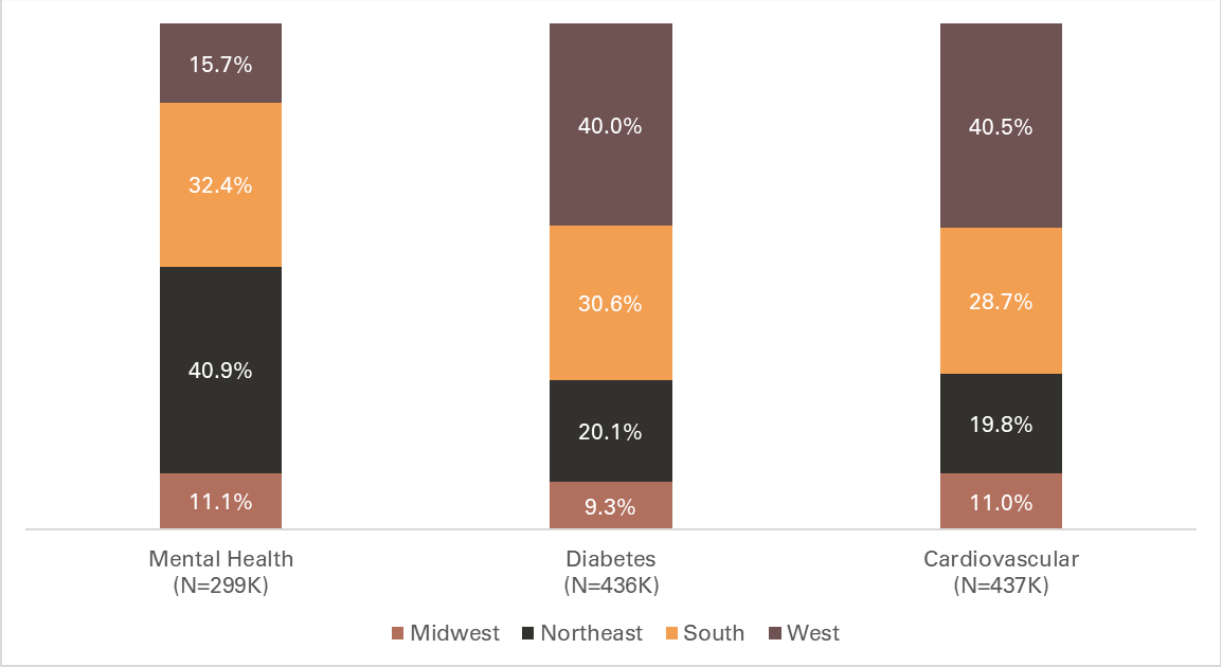
Medicaid-enrolled adults can be unemployed for various reasons. KFF found that of the 26.1M adults enrolled in Medicaid and not receiving Social Security Income or disability benefits, 64% were employed prior to the pandemic. Reasons for unemployment included caregiving (12%), disability or illness (10%), inability to find work (8%), and school attendance (7%).[viii]

It is estimated that 1.1M Medicaid enrollees with one or more of the three conditions of interest are currently unemployed (including only those who are not disabled, not enrolled in school, and without children under 14). The new work requirements could have varying effects by disease and geographic region (Figure 2).

- Mental health patients in the Northeast could be disproportionately affected by work requirements, resulting in a loss of Medicaid coverage.
- Mental health patients in the West make up the smallest share of those at risk of losing coverage, but diabetes and cardiovascular patients will be affected to a greater degree than in other regions.

Regional differences could be a result of current state programs promoting employment and job training for Medicaid enrollees. Voluntary initiation of such programs by states could assist unemployed Medicaid enrollees in finding jobs that would protect their Medicaid access.

Figure 2. Estimated Unemployed Medicaid Enrollees Who Could Lose Coverage Due to Work Requirements*



*Unemployed, without children under 14, not disabled or in school.

Reversal of Medicaid Expansion

The first states to take advantage of the ACA's Medicaid expansion created their programs in 2014, receiving a 100% Federal match between 2014 and 2016. Starting in 2017, Federal matching gradually decreased, and has been 90% since 2020. The policy reasons behind the ACA's generous financial commitment to this population were interrelated and numerous, including the need to address the uninsured crisis in low-income populations and states' requirements to balance budgets.

During discussions of H.R.1, direct changes to the enhanced match for Medicaid expansion populations were considered, but ultimately not included in the final law. However, other provisions included in H.R.1 will significantly affect state budgets. For example, states that voluntarily cover undocumented immigrants under their Medicaid expansion program will see a reduction in the federal Medicaid matching rate for certain immigrants, from 90% to 80%. Additionally, changes to permitted state Medicaid funding mechanisms were enacted, removing important flexibilities that had previously been recognized and permitted by CMS. These changes and others will affect Medicaid expansion states to a greater extent than non-Medicaid expansion states, and are expected to account for over half of the 10-year estimated savings from H.R.1 ($564B).[ix,x]

The effects of changes in states' commitments to Medicaid expansion on enrollees with mental health, diabetes, and cardiovascular conditions could vary. Because the ACA requires Medicaid expansion to cover up to 138% of FPL, states cannot implement adjustments to income qualifications. The most significant impact of states' decisions to stop the Medicaid expansion program would be to childless adults (Figure 3).

- Mental health patients would be the most affected, with over 5M enrollees potentially losing coverage.
- 4.2M patients in the South with one or more of the three diagnoses stand to lose Medicaid coverage – more than any other region.
- The lowest impact anticipated is for diabetes patients in all regions, although the impact is still significant, at more than 3.8M.

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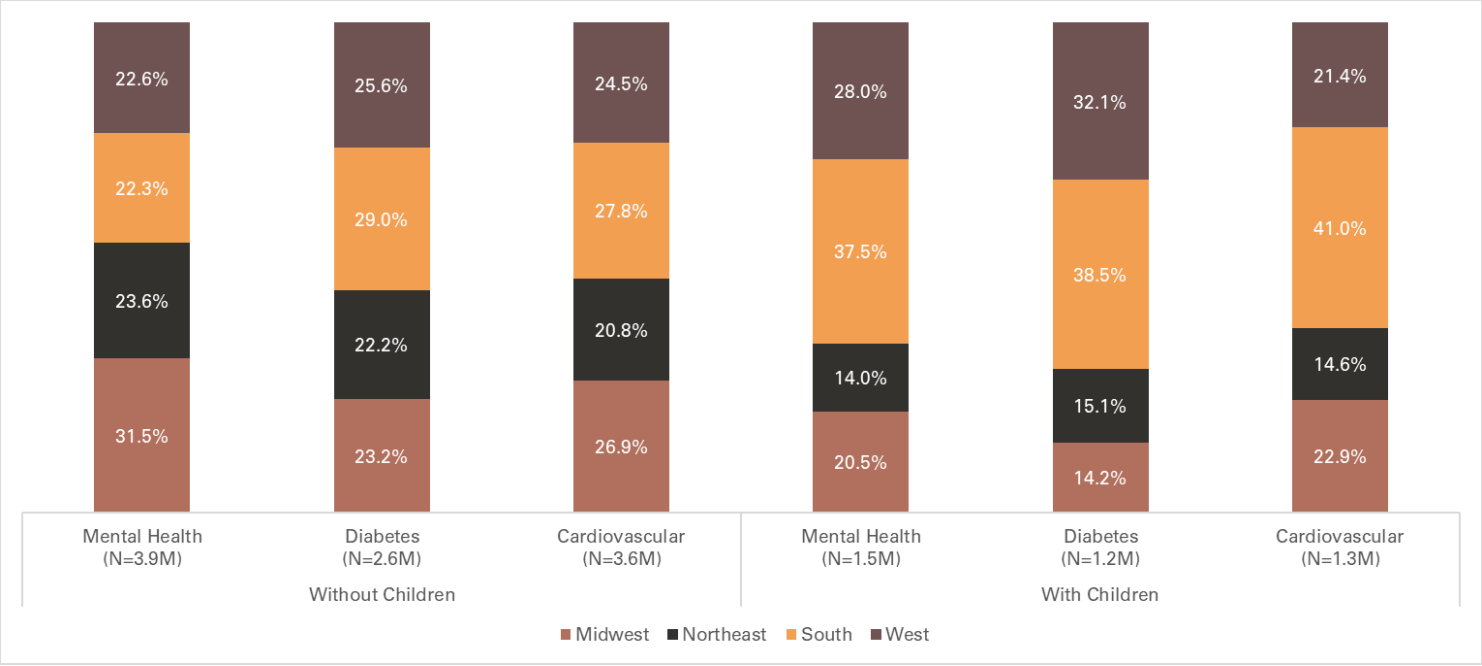
Figure 3. Estimated Enrollees at Risk of Losing Coverage Due to Reversal of Medicaid Expansion*



*Enrollees at risk of losing expansion coverage, including those aged 19-64 above 50%FPL.

Impact on Patients as States Attempt to Absorb Federal Funding Cuts and Loss of Funding Flexibility

The impact of the H.R.1 on Medicaid programs will vary by state, depending on factors such as current state Medicaid funding mechanisms, coverage of undocumented immigrants, current enrollment and re-enrollment processes, and other program features. Additionally, H.R.1 provisions will require substantial administrative changes by states. Because states must balance their budgets annually, difficult choices may be made as Federal funding decreases and enrollment and expenditures will likely not decrease proportionately. Changes included in H.R.1 and decisions made by states to adapt to these changes could result in loss of coverage for enrollees within the three disease states reviewed (Figure 4).

- In all regions, cardiovascular patients are most impacted across all decreased federal and state funding scenarios reviewed.
- A 20% cut in Federal funds with states making up 25% of the cuts – the worst scenario analyzed – could result in over 4M enrollees with one or more of the three diseases losing Medicaid coverage.

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Figure 4. Estimated Medicaid Enrollees Losing Coverage by Different Levels of Federal Spending Cuts

	Mental Health	Diabetes	Cardiovascular
10% Federal Cut; 50% State Make-up			
Total Enrollees Losing Medicaid	*469,770*	*368,993*	*548,253*
Northeast	18.9%	18.9%	18.7%
Midwest	25.0%	19.6%	21.5%
South	32.4%	32.5%	34.2%
West	23.5%	28.3%	23.5%
10% Federal Cut; 25% State Make-up			
Total Enrollees Losing Medicaid	*704,655*	*553,489*	*822,379*
Northeast	18.9%	18.9%	18.7%
Midwest	25.0%	19.6%	21.5%
South	32.4%	32.5%	34.2%
West	23.5%	28.3%	23.5%
20% Federal Cut; 50% State Make-up			
Total Enrollees Losing Medicaid	*939,540*	*737,985*	*1,096,506*
Northeast	18.9%	18.9%	18.7%
Midwest	25.0%	19.6%	21.5%
South	32.4%	32.5%	34.2%
West	23.5%	28.3%	23.5%
20% Federal Cut; 25% State Make-up			
Total Enrollees Losing Medicaid	*1,409,309*	*1,106,978*	*1,644,759*
Northeast	18.9%	18.9%	18.7%
Midwest	25.0%	19.6%	21.5%
South	32.4%	32.5%	34.2%
West	23.5%	28.3%	23.5%

Conclusion & Policy Implications

Since its creation in 1965, the state-Federal partnership that is Medicaid has provided healthcare to low-income individuals and families via a delicate balance of care requirements, funding, mandates, and waivers. Recent ACA Medicaid expansion did provide coverage for many previously uninsured adults and, in some cases, improved their health. For example, one study showed that childless adults who enrolled as a result of expansion were in worse physical health at the time of enrollment than existing Medicaid enrollees. However, after four years, costs of care for treating those enrollees lowered to approximately the same levels as other adult enrollees.[xi] Although expanded coverage has been a win for some, it has come at an enormous Federal and state financial cost.

While H.R.1 is attempting to reduce the Federal budget, it could result in discontinuation of coverage for many individuals, an increase in uninsured patients with health challenges, and job loss. Stretched state budgets will not be in a position to pick up costs where Federal funding has been decreased. It will be important to recognize how these changes ultimately affect patients and the US health care system as a whole, as chronically ill patients may become unemployed or delay care that ultimately results in increased emergency room and inpatient hospital use.

METHODOLOGY & REFERENCES

Respondents reporting Medicaid enrollment and either a mental health condition, diabetes, or cardiovascular disease were assessed from the 2022 Medical Expenditure Panel Survey (MEPS) Full Year Consolidated and Medical Conditions File. The analysis incorporated reported age, employment status, number of hours worked, income, children in the home, and disability status. MMA estimated the number of enrollees in the total Medicaid population who could be at risk of losing coverage due to work requirements, Federal funding cuts, and potential state actions. All data are projected to the 2022 civilian, non-institutionalized population of the United States.

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