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# Impact of Federal Reconciliation Act on Maryland

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**July 2025**



# Overview

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- Statutory changes in the Reconciliation Act will adversely impact Maryland finances and result in some Maryland residents losing access to entitlement programs and the health exchange
- This document focuses on Medicaid, Supplemental Nutrition Assistance Payments (SNAP), and revenue impacts. There may be other losses of federal funds not captured in this analysis
- There is some uncertainty about how the Centers for Medicare and Medicaid Services (CMS) will interpret and implement Medicaid provisions related to provider taxes. Depending on the interpretation, the impact could range from minimal to significant



# Overview (cont.)

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- Modest impact on fiscal 2026 budget outlook
  - Small increase in spending to prepare for Medicaid work requirements and other changes
  - Lower general fund revenues from increase to State and local tax (SALT) deduction cap to \$40,000 for tax year 2025
- Out-year impacts are potentially far more significant and could exceed \$400 million annually
  - The proposals shift \$80 million to \$300 million of SNAP costs from the federal government to the State
  - Medicaid work requirements and more frequent eligibility redeterminations should generate net savings for the State after accounting for administrative costs
  - Revenue decreases may result from increase in SALT cap and/or if the State allows other federal tax changes to flow through to State taxes
  - Some risk to managed care organization (MCO) provider tax revenue depending on CMS interpretation
- National estimates indicate about 130,000 Maryland Medicaid recipients may ultimately lose coverage due to work requirements and more frequent eligibility redeterminations
- SNAP work requirements could lead to loss of benefits for 40,000+ adults. Other SNAP changes will reduce benefits for over 100,000 households and lead to the loss of benefits for as many as 5,000 asylees and refugees



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# SNAP

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# SNAP – Cost-sharing Requirements

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- Before Reconciliation Act
  - The federal government paid 100% of the benefits for SNAP
  - The administrative costs are shared evenly (50/50) between the State and federal government

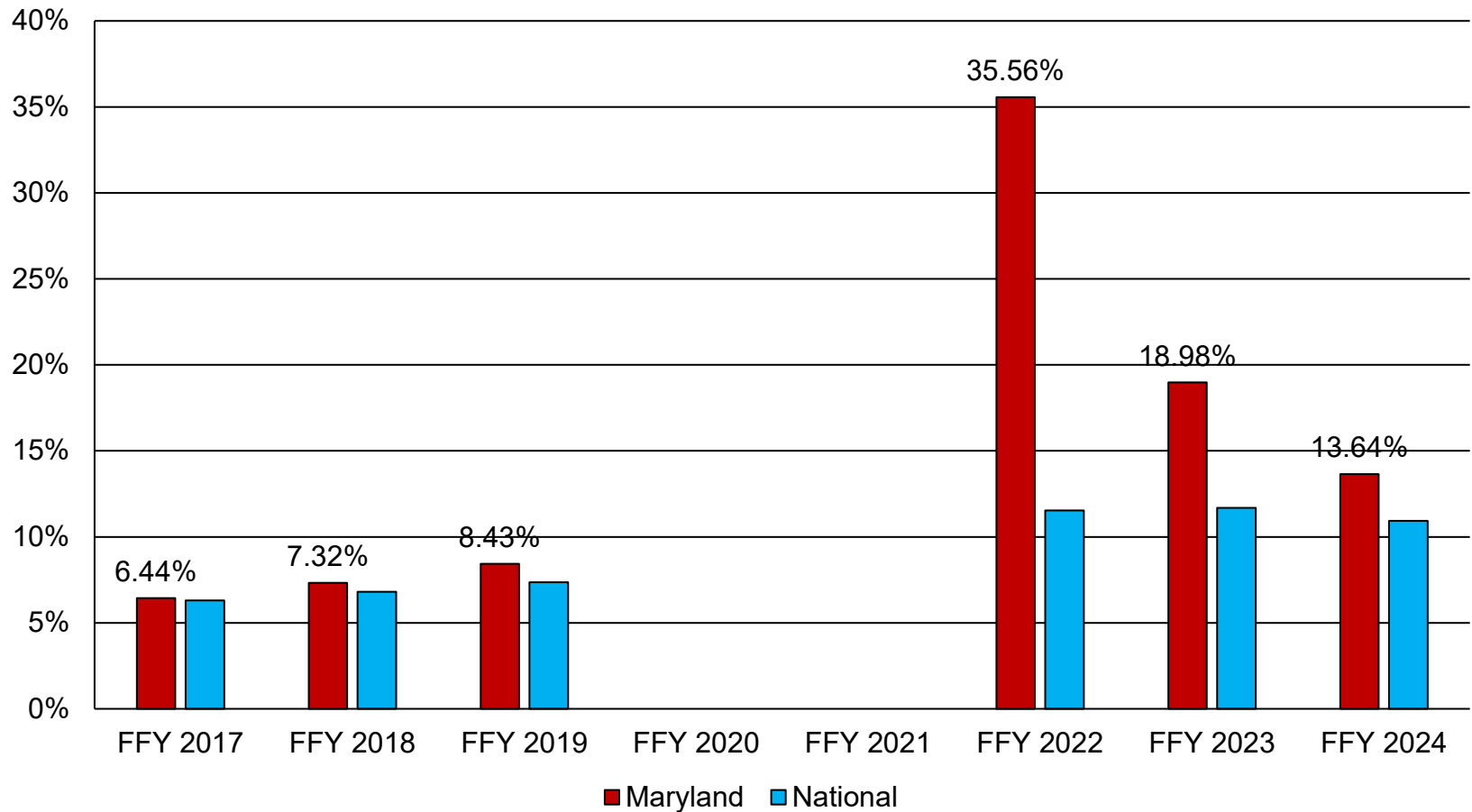


# Benefit Cost Sharing

- Beginning in federal fiscal year (FFY) 2028, states would be responsible for a cost share if the payment error rate is 6% or higher
  - 5% if the payment error rate is 6% to 8%
  - 10% if the payment error rate is 8% to 10%
  - 15% if the payment error rate is 10% or higher
- In FFY 2028, states could use either the FFY 2025 or 2026 rate in determining the cost share. Beginning in FFY 2029, the cost share would be based on the third preceding year (for example, in FFY 2029 it would be based on FFY 2026 payment error rate)
- The Act authorizes a delayed implementation for states with a payment error rate that when multiplied by 1.5 is equal to or exceeds 20%
  - Delayed to FFY 2029 if the FFY 2025 rate meets this criteria
  - Delayed to FFY 2030 if the FFY 2026 rate meets this criteria



# Maryland Payment Error Rate





# Impact of Benefit Cost Sharing Changes

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- Current estimated benefit costs in FFY 2028 are \$1.5 billion
  - For each 5% cost share at that level, Maryland would be responsible for \$75 million
- Maryland's most recent payment error rate of 13.64% in FFY 2024 would make the State responsible for the maximum under the Act (\$225 million)
  - At the FFY 2024 rate, the State would be eligible for a delayed implementation. However, any decrease in the payment error rate will remove the State from the delayed implementation provisions



# Administrative Cost Sharing

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- The State share of administrative costs increases from 50% to 75% beginning in FFY 2027 (October 1, 2026)
  - Annualized impact of change is about \$78 million, with a lower impact in the first year due to implementation for only three-quarters of the year
  - Other provisions may increase administrative costs so actual impact will vary



# Work Requirements Prior to Reconciliation Act

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- Able-bodied adults without dependents are limited to receipt of benefits for 3 months in a 36-month period unless working or participating in employment and training for an average of 20 or more hours per week (80 hours per month)
- Individuals are exempt if physically or mentally unfit to work, pregnant, caring for a dependent child, homeless, a veteran, or under age 25 and aged out of foster care
- States receive discretionary exemptions annually that relieve the requirement for 1 month per exemption
- Between May 2024 and April 2025, the Department of Human Services (DHS) reported 26,285 cases were closed (at least temporarily) due to failure to meet work requirements, of which 7,377 were reopened during that period



# Work Requirement Changes

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- Increases the upper age limit from 54 to 64
- Expands requirements to households with dependents age 14 and above
- As of May 2025, DHS reports 667,981 SNAP recipients (371,828 households)
  - DHS reports 79,696 adults will be newly subject to work requirements as a result of these provisions
  - A portion of these individuals are likely to comply or qualify for exemptions. However, DLS anticipates some individuals losing benefits and a reduction in State benefit costs beginning in FFY 2028



# Work Requirement Changes (cont.)

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- Removes exemptions for homeless, veterans, and former foster youth
  - DHS reports about 29,000 homeless individuals are currently enrolled in SNAP. Estimates for veterans and foster youth are not available
- DHS anticipates increased administrative costs (unspecified amount) to engage customers in work activities, monitor compliance, and handle increased churn in the caseloads as households lose and re-enter benefits
  - Data from May 2024 to April 2025 indicates around 30% of cases closed due to work requirements during that time period had the case reopened over that period
  - Initial increases in costs will result from both technology and staffing needs



# Other SNAP Changes

- Prior to the Reconciliation Act, all households were able to exclude income from energy assistance. In addition, households who received a Low Income Home Energy Assistance Program benefit of \$20 or more qualified for a higher SNAP benefit
  - The new law limits to households with disabled or elderly individuals
  - The Congressional Budget Office (CBO) estimates 3% of SNAP households nationwide will have benefits reduced by \$100 per month
  - DHS indicates 118,697 households will lose the deduction due to this change. Based on the CBO estimate of \$100 per month, this will result in lost benefits of \$142.4 million per year. At that level, State savings beginning in FFY 2028 will be \$21.4 million per year
- New law excludes certain lawfully present individuals from receiving benefits
  - DHS reports that in FFY 2024, Maryland had at least 2,912 refugees, 2,094 asylees, and 2,641 humanitarian parolees or others on special immigrant visas. If all of these individuals are currently receiving SNAP at the average monthly benefit per recipient, the households will lose \$16.7 million in SNAP benefits per year
  - At that level, State savings beginning in FFY 2028 would be \$2.5 million



# Other SNAP Changes (cont.)

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- Repeals the SNAP Nutrition Education program
  - The fiscal 2026 budget includes \$9.1 million of federal funds from this source, which includes carryover funding
  - DHS estimates lost federal revenue of \$6.4 million beginning in FFY 2026
  - DHS notes there are currently 70 individuals employed by the program statewide, and a total of 541 partners across the State
  - DHS reports approximately 424,000 individuals receive education through these efforts annually



# Estimated Number of Individuals Newly Subject to Work Requirements

|                | Newly Subject to Work Requirements | Total SNAP |
|----------------|------------------------------------|------------|
| Allegany       | 1,978                              | 13,894     |
| Anne Arundel   | 5,005                              | 41,183     |
| Baltimore City | 20,356                             | 143,761    |
| Baltimore      | 11,173                             | 101,599    |
| Calvert        | 936                                | 6,174      |
| Caroline       | 731                                | 5,467      |
| Carroll        | 1,220                              | 8,987      |
| Cecil          | 1,651                              | 13,032     |
| Charles        | 1,967                              | 15,800     |
| Dorchester     | 961                                | 7,390      |
| Frederick      | 2,119                              | 18,957     |
| Garrett        | 595                                | 3,834      |

|                 | Newly Subject to Work Requirements | Total SNAP |
|-----------------|------------------------------------|------------|
| Harford         | 2,641                              | 22,085     |
| Howard          | 1,903                              | 18,338     |
| Kent            | 299                                | 2,154      |
| Montgomery      | 6,377                              | 68,143     |
| Prince George's | 10,774                             | 104,184    |
| Queen Anne's    | 411                                | 3,382      |
| St. Mary's      | 1,509                              | 10,993     |
| Somerset        | 695                                | 5,749      |
| Talbot          | 505                                | 3,828      |
| Washington      | 2,874                              | 23,212     |
| Wicomico        | 2,079                              | 19,572     |
| Worcester       | 937                                | 6,263      |
| Total           | 79,696                             | 667,981    |



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# Medicaid Provisions

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# Medicaid Overview

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- Medicaid and the Maryland Children's Health Program (MCHP) are joint federal and state entitlement programs that provide comprehensive health care coverage to eligible low-income and medically indigent individuals
  - As of June 2025, there were just under 1.3 million Marylanders enrolled in Medicaid and approximately 197,000 children enrolled in MCHP
  - Maryland's federal match for Medicaid spending is generally 50%, with some populations receiving a higher federal match (90% for the Affordable Care Act (ACA) expansion group and 65% for MCHP)



# Work Requirements

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- Establishes an eligibility requirement for ACA expansion adults ages 19 to 64 to work or participate in qualifying activities (educational or work program) for 80 hours per month
- States are required to exempt certain adults (parents/caretakers of a dependent child ages 13 and under, disabled adults, etc.)
- Work requirements take effect December 31, 2026, but states may be exempted until December 31, 2028, if the state demonstrates a good faith effort to comply
- Provides \$200 million for states in FFY 2026 to implement work requirements



# Eligibility Redetermination

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- Under current law, states must redetermine Medicaid eligibility for participants at least every 12 months
- The Reconciliation Act requires eligibility redeterminations at least every 6 months for ACA expansion adults, starting with renewals on December 31, 2026
- The Maryland Department of Health (MDH) estimates that administrative costs for redetermination would increase by \$22.6 million, which would be more than offset by savings from disenrollments



# Projected Impact of Disenrollments

- The Kaiser Family Foundation (KFF) estimates that approximately 130,000 adults could lose coverage in Maryland from the reconciliation provisions, including work requirements and eligibility redeterminations while Manatt estimates approximately 175,000 disenrollments resulting from all provisions in the reconciliation bill
  - These estimates are between 39% and 53% of the June 2025 ACA expansion enrollment of 331,544
  - The Department of Legislative Services (DLS) projects that annual savings from these disenrollments would reach \$1.1 billion to \$1.5 billion in total funds (\$112 million to \$151 million in general funds) by State fiscal 2029. This assumes Maryland receives an extension for good faith effort to comply
  - These savings from disenrollment would be partially offset by the increase in administrative costs to establish work requirements and conduct more frequent eligibility checks



# Projected ACA Disenrollments by County

| County         | KFF Est.<br>Disenroll. | Manatt Est.<br>Disenroll. | Percent Allocation |
|----------------|------------------------|---------------------------|--------------------|
| Allegany       | 1,957                  | 2,634                     | 1.5%               |
| Anne Arundel   | 9,279                  | 12,491                    | 7.1%               |
| Baltimore City | 23,917                 | 32,197                    | 18.4%              |
| Baltimore      | 19,012                 | 25,593                    | 14.6%              |
| Calvert        | 1,394                  | 1,876                     | 1.1%               |
| Caroline       | 932                    | 1,254                     | 0.7%               |
| Carroll        | 2,253                  | 3,033                     | 1.7%               |
| Cecil          | 2,410                  | 3,244                     | 1.9%               |
| Charles        | 3,216                  | 4,329                     | 2.5%               |
| Dorchester     | 1,082                  | 1,457                     | 0.8%               |
| Frederick      | 3,960                  | 5,330                     | 3.0%               |
| Garrett        | 696                    | 937                       | 0.5%               |
| Harford        | 4,502                  | 6,061                     | 3.5%               |

| County          | KFF Est.<br>Disenroll. | Manatt Est.<br>Disenroll. | Percent Allocation |
|-----------------|------------------------|---------------------------|--------------------|
| Howard          | 4,424                  | 5,956                     | 3.4%               |
| Kent            | 457                    | 615                       | 0.4%               |
| Montgomery      | 16,610                 | 22,360                    | 12.8%              |
| Out of State    | 232                    | 312                       | 0.2%               |
| Prince George's | 21,043                 | 28,327                    | 16.2%              |
| Queen Anne's    | 703                    | 946                       | 0.5%               |
| Somerset        | 2,036                  | 2,741                     | 1.6%               |
| St. Mary's      | 718                    | 966                       | 0.6%               |
| Talbot          | 700                    | 942                       | 0.5%               |
| Washington      | 3,956                  | 5,326                     | 3.0%               |
| Wicomico        | 3,151                  | 4,242                     | 2.4%               |
| Worcester       | 1,360                  | 1,830                     | 1.0%               |
| Statewide total | 130,000                | 175,000                   |                    |



# Current Provider Assessments Supporting Medicaid

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- In fiscal 2026, MDH and the Health Services Cost Review Commission (HSCRC) will receive a combined \$738 million from hospital assessments
- Maryland also generates State revenue from nursing home (\$158 million) and MCO assessments



# Provider Taxes

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- The Reconciliation Act gradually reduces the 6% cap on provider taxes by 0.5% of net patient revenues each year beginning in FFY 2028 until the cap decreases to 3.5% in FFY 2032
- The reduced cap would not apply to provider taxes on nursing homes and facilities for individuals with developmental disabilities
- No further increases or new assessments would be allowed
- MDH indicates that existing assessments on hospitals and MCOs are not expected to be reduced due to the caps



# Projected Impact of Provider Tax Changes

- Maryland's current implementation of hospital assessments is at risk due to two concerns
  - Maryland collects hospital assessments through HSCRC's rate setting authority rather than through the CMS process for approving Medicaid provider taxes. This creates some uncertainty going forward
  - Current assessments apply to hospitals regulated by HSCRC. To meet CMS uniform and broad-based tax requirements, MDH may need to expand the tax to other specialty hospitals
- Technical provisions in the bill may require Maryland to expand the existing nursing home provider tax and MCO assessments to entities that are currently exempt



# Rural Health Transformation Program

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- From FFY 2026 to 2030, a total of \$50 billion will be distributed to states to improve access for rural residents to hospitals and health care providers
  - 50% of the funding will be allocated evenly among states with an approved application
  - The remaining 50% will be distributed at the discretion of CMS, accounting for the population of rural residents
- Rural providers include health clinics, federally qualified health centers, community mental health centers, and certified community behavioral health clinics, among others



# Cost Sharing

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- Effective October 1, 2028, eliminates certain fees and premiums and requires copays of up to \$35 per service for ACA expansion adults with incomes above 100% of the federal poverty limit
  - Certain services are excluded (emergency medical services (EMS), primary care, mental health, etc.)
  - Overall limit in current law for out-of-pocket costs is still in place at 5% of family income
- Adds a barrier that could lead to reduced health care utilization and enrollment
- Actual impact will depend on how high copays are set, if MDH raises copays



# Coverage of Qualified Immigrants and Undocumented Immigrants

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- Removes coverage for refugees and asylum seekers
  - Limits the definition of qualified immigrants covered under Medicaid/MCHP to lawful permanent residents and other specified exceptions, such as Cuban and Haitian nationals and individuals in the United States under a Compact of Free Association
  - Projected impact on enrollment is not yet known
- Reduces federal reimbursement to the standard match (50% for Maryland) for EMS provided to undocumented immigrants who would otherwise be in the ACA expansion group
- Both provisions take effect on October 1, 2026



# Prohibition on Reimbursement for Planned Parenthood

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- Prohibits federal reimbursement for all services from certain abortion care providers, effective for one year upon enactment
  - All services provided by Planned Parenthood would no longer qualify for a federal match
  - MDH estimates a State fund impact of \$2.5 million to replace lost federal matching funds



# Other Medicaid Provisions

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- Reduces retroactive coverage of medical expenses incurred prior to enrollment (currently set at three months)
  - Limits to 1 month for ACA expansion and 2 months for traditional Medicaid enrollees, effective January 1, 2027
- Gradually reduces State Directed Payments, which adjust rates paid by MCOs, by 10% each year starting January 1, 2028, until payments reach limit of 100% of Medicare rates
- Allows states to apply for Home and Community-based Services waivers for participants who do not require an institutional level of care. Waiver approvals may begin July 1, 2028



# Removed Provisions

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- These provisions were considered but ultimately not included in the Reconciliation Act:
  - For states that extend Medicaid coverage to undocumented immigrants using State funds, the ACA expansion federal match would have been reduced from 90% to 80%
  - Elimination of federal reimbursement during applicants' reasonable opportunity period to prove compliance with citizenship requirements
  - Prohibition of federal matching funds for certain gender affirming treatment



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# Changes to the Health Insurance Marketplace

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# Premium Tax Credit

- Premium tax credit is a refundable credit assisting eligible individuals/families with cost of premiums for health insurance purchased through the Health Insurance marketplace
- Advanced Premium Tax Credit (APTC) – application of the premium tax credit to monthly insurance payment
  - Eligible with annual household income between 100% and 400% of the federal poverty level (FPL) (in expansion states 138% of FPL)
  - U.S. citizens, U.S. nationals, lawfully present individuals (defined in regulation as lawful permanent residents, asylees, and refugees, and certain other noncitizens)



# Special Enrollment Periods

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- Under current law, Maryland offers a continuous Special Enrollment Period (SEP) for individuals with incomes below 150% of poverty
- The Reconciliation Act prohibits households entering the market through this SEP from receiving APTC or cost-sharing reductions. They would be able to receive following the next open enrollment if they remain eligible. This change would begin for plan years after December 31, 2025
- Households entering the marketplace due to qualifying life events remain eligible to receive APTC and cost-sharing reductions



# Pre-enrollment Verification

- Currently new enrollees receive conditional eligibility, under which the enrollee can begin coverage and receive APTC for 90 days while submitting verification
- In addition, returning enrollees who take no action are auto-enrolled during open enrollment in the same or similar plan
- The Reconciliation Act requires certain information (income, immigration status, family size, etc.) to be verified before receiving coverage or advanced premium tax credits
  - This action effectively prevents auto renewals
  - It is effective for tax years after December 31, 2027
  - Kaiser Family Foundation indicates nearly half of marketplace enrollees auto-renewed in 2025



# Immigration Status

- Currently, U.S. citizens and lawfully present immigrants are eligible to enroll in marketplace coverage and receive APTC or cost-sharing reductions
- In 2025, Maryland was approved for a waiver that allowed individuals to receive coverage (though not APTC or cost-sharing reductions) regardless of immigration status
- The Reconciliation Act limits coverage to lawful permanent residents and Cuban and Haitian entrants and certain other populations, effective January 1, 2027
- In addition, the Reconciliation Act disallows the receipt of premium tax credits for lawfully present individuals with incomes under 100% of federal poverty level that are ineligible for Medicaid due to immigration status, effective January 1, 2026



# Recapture of Excess APTC

- Currently, if an enrollee receives excess premium tax credits because their estimated income was lower than their actual income, the amount in excess must be repaid. However, the amount of repayment is capped for households making under 400% of the federal poverty level
  - The Reconciliation Act requires repayment of the full amount of the excess tax credit regardless of income
  - This provision is effective for tax years after December 31, 2025



# Enhanced Premium Tax Credit

- The Reconciliation Act does not extend the enhanced premium tax credits first implemented under the American Rescue Plan Act of 2021 and extended by the Inflation Reduction Act of 2022. As a result, these enhanced credits will expire after calendar 2025
  - In May 2025, the Maryland Health Benefit Exchange (MHBE) expected that 190,000 enrollees will lose some or all financial assistance for insurance and that premiums would increase by 68% for tax credit eligible consumers
  - In June 2025, the Maryland Insurance Administration (MIA) released information on the 2026 proposed premium rates for ACA products. MIA reported that the overall average rate of increase proposed for individual coverage was 17.1%, noting that if the enhanced credits were reauthorized, the average increase would be 7.9%
  - As a result of Chapter 468 of 2025, MHBE, in consultation with MIA, is working to design a State-based Individual Insurance Subsidy for calendar 2026 and 2027 if the enhanced tax credits are not extended



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# Tax Provisions

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# Tax Provisions Overview

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- Extend and modify various expiring individual income tax provisions of the federal Tax Cuts and Jobs Act of 2017, which otherwise sunset after 2025
- Establish and modify various other individual income tax credits and deductions
- Terminate various energy tax credits enacted under the Inflation Reduction Act
- Make various other U.S. business and international tax changes
- Make changes concerning the administration of certain federal tax credits and filing programs



# SALT Provisions

| Provision                                          | Current Law                                                             | Enacted Bill                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|----------------------------------------------------|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Limitation on State and Local Tax (SALT) Deduction | Current \$10,000 SALT deduction limitation expires after tax year 2025. | <p>Extends and increases the SALT deduction limitation to \$40,000 (\$20,000 if married filing separately) for tax year 2025. The enhanced limitation phases out for taxpayers with modified AGI over \$500,000 (\$250,000 if married filing separately). These amounts increase by 1% annually for tax years 2026-2029, after which the SALT deduction limitation reverts to \$10,000 (\$5,000 if married filing separately).</p> <p><b><i>Compared to the DLS end of session general fund forecast, may reduce Maryland revenues for tax years 2025-2029.</i></b></p> |



# Other Individual Tax Provisions

| Provision                                                           | Current Law                                                                                                                                                                                                                                                  | Enacted Bill                                                                                                                                                                                                                                                                     |
|---------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Limitation on Tax Benefit of Itemized Deductions (Pease Limitation) | The Pease limitation is reinstated after tax year 2025. In general, this limitation reduces otherwise allowable itemized deductions by the lesser of (1) 3% of AGI over a specified applicable amount or (2) 80% of otherwise allowable itemized deductions. | Permanently repeals the Pease limitation and limits the tax benefit of itemized deductions to 35% for tax years after 2025.<br><br><b><i>Compared to the DLS end of session general fund forecast, may positively affect Maryland revenues for tax year 2026 and beyond.</i></b> |
| 0.5% Floor on Individual Charitable Contribution Deductions         | An individual may claim a deduction for charitable contributions made during the tax year, subject to certain percentage limitations.                                                                                                                        | Establishes a floor on individual charitable contribution deductions equal to 0.5% of AGI (as specified) for tax years after 2025.<br><br><b><i>May positively affect Maryland revenues for tax year 2026 and beyond.</i></b>                                                    |



# Business Tax Provisions

| Provision                                                        | Current Law                                                                                                                                                                                                                               | Enacted Bill                                                                                                                                                                                                                                                                                                                           |
|------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Expensing of Research and Experimental Expenditures              | For tax years after 2021, taxpayers must amortize specified research or experimental expenditures ratably over a 5-year period (15-year period in the case of expenditures attributable to research conducted outside the United States). | <p>Permanently reinstates expensing for domestic research and experimental expenditures for tax years after 2024. Taxpayers with gross receipts not exceeding \$31 million for tax year 2025 may apply the provision retroactively to tax year 2022.</p> <p><b><i>May adversely affect Maryland revenues in the near term.</i></b></p> |
| Increased Business Interest Expense Deduction Limitation         | For tax years after 2021, adjusted taxable income for purposes of the business interest expense deduction limitation includes allowable deductions for depreciation, amortization, and depletion.                                         | <p>For tax years after 2024, adjusted taxable income for purposes of the net business expense deduction limitation is calculated without regard to deductions for depreciation, amortization, or depletion.</p> <p><b><i>May adversely affect Maryland revenues in the near term.</i></b></p>                                          |
| Special Depreciation Allowance for Qualified Production Property | In general, nonresidential real property is depreciated over a 39-year recovery period.                                                                                                                                                   | <p>Establishes a 100% special depreciation allowance for certain qualified production property used in agricultural or chemical production that is placed in service after the date of enactment and before January 1, 2031.</p> <p><b><i>May adversely affect Maryland revenues in the near term.</i></b></p>                         |



# Maryland Conformity

- The Comptroller must report the impact of an amendment of the Internal Revenue Code (IRC) on State revenues and various classes and types of taxpayers within 60 days of enactment
- Maryland automatically decouples from an amendment of the IRC for (1) the tax year that begins in the calendar year in which the amendment is enacted and (2) any preceding tax year if the Comptroller determines that the State revenue impact is at least \$5 million in (1) the fiscal year that begins in the calendar year in which the amendment is enacted or (2) any preceding fiscal year



# Impact on State

|                                                     | State Fiscal Impact (\$ in Millions)   |               |                                                                                                   |               | <u>Enrollee/Other Impact</u>                                                                                                                                   |
|-----------------------------------------------------|----------------------------------------|---------------|---------------------------------------------------------------------------------------------------|---------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                     | <u>SFY 26</u>                          | <u>SFY 27</u> | <u>SFY 28</u>                                                                                     | <u>SFY 29</u> |                                                                                                                                                                |
| <b><u>SNAP</u></b>                                  |                                        |               |                                                                                                   |               |                                                                                                                                                                |
| Administrative Cost Share Increased from 50% to 75% | \$0                                    | \$58          | \$78                                                                                              | \$78          | None                                                                                                                                                           |
| Benefit Cost Sharing up to 15%*                     | 0                                      | 0             | 0 to 169                                                                                          | 0 to 225      | None                                                                                                                                                           |
| Work Requirements                                   | Increase to Administrative Costs       |               | State savings from people losing coverage partially offset by higher administrative costs         |               | Almost 80,000 adults are subject to the new work requirements. Some will qualify for exemptions. An indeterminate number will lose benefits for non-compliance |
| Loss of Benefits for Refugees and Asylees           |                                        |               | Small amount of savings                                                                           |               | About 7,650 refugees/asylees/other humanitarian parolees were present in Maryland in 2024. TBD how many are receiving SNAP benefits                            |
| Heat and Eat                                        | Small Increase to Administrative Costs |               | -\$21 million annually at 15% match rate. Savings partially offset by higher administrative costs |               | Reduction in benefit levels for about 118,700 households. Lost benefits valued at about \$142 million annually                                                 |

\*Assumes error rate remains above 10%. Impact could be delayed until SFY 30.



# Impact on State (cont.)

|                                                                                                                                                    | State Fiscal Impact (\$ in Millions) |               |               |               | <u>Enrollee/Other Impact</u>                                                                                                                                                                                                                                                                                                                                                   |
|----------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|---------------|---------------|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                    | <u>SFY 26</u>                        | <u>SFY 27</u> | <u>SFY 28</u> | <u>SFY 29</u> |                                                                                                                                                                                                                                                                                                                                                                                |
| <b><u>Medicaid</u></b>                                                                                                                             |                                      |               |               |               |                                                                                                                                                                                                                                                                                                                                                                                |
| Work Requirements (starting December 1, 2028) and Eligibility Redetermination Starting Every 6 Months (calendar 2027) for ACA Expansion Population |                                      | -25 to -34    | -56 to -75    | -\$84 to -113 | Kaiser Family Foundation estimates 130,000 people will lose coverage due to additional redeterminations and work requirements. Manatt assumes 175,000 lose coverage. ACA expansion population is currently about 330,000. DLS assumes Maryland receives good faith exemption delaying implementation from December 31, 2026, to December 31, 2028.                             |
| Cost of Administering New Requirements                                                                                                             | 15                                   | 20            | 50            | 35            | None. Actual costs will depend on complexity of IT investments and State resources dedicated to helping individuals comply with new requirements                                                                                                                                                                                                                               |
| Additional Hospital Uncompensated Care Increases Hospital Rates                                                                                    |                                      | TBD           | TBD           | TBD           | Higher insurance premiums                                                                                                                                                                                                                                                                                                                                                      |
| Eliminate Federal Match for Certain Lawfully Present Immigrants (October 1, 2026)                                                                  | 0                                    | TBD           | TBD           | TBD           | Cost shift to State if it wishes to continue coverage of refugees and asylees. Number impacted TBD but not more than 7,650                                                                                                                                                                                                                                                     |
| Prohibition on Paying Certain Abortion Care Providers**                                                                                            | 2.5                                  |               |               |               | Non-abortion services provided by Planned Parenthood ineligible for federal match for one year. If State backfills, no impact on enrollees                                                                                                                                                                                                                                     |
| Provider Taxes                                                                                                                                     | TBD                                  | TBD           | TBD           | TBD           | Maryland may need to expand providers subject to hospital, MCO, and nursing home taxes to meet broad-based requirement. Small risk that CMS will interpret in way that imperils MCO assessment. Hospital assessment possibly at risk depending on results of State negotiations on AHEAD model as hospital tax established under HSCRC authority not as Medicaid provider tax. |

\*\* Assumes State backfills the lost federal match.



# Impact on State (cont.)

|                                                                                                                                                                                                                                          | State Fiscal Impact (\$ in Millions)                  |               |               |               | <u>Enrollee/Other Impact</u>                                                                                                                                                                                                                                                               |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|---------------|---------------|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                          | <u>SFY 26</u>                                         | <u>SFY 27</u> | <u>SFY 28</u> | <u>SFY 29</u> |                                                                                                                                                                                                                                                                                            |
| <b><u>Rural Hospital Fund</u></b><br>Every State with an approved plan is eligible for funding from a \$10 billion pot available in each of federal fiscal 2026 thru federal fiscal 2030. First \$5 billion divided evenly among states. | New annual revenue and expenditures of \$100+ million |               |               |               | Rural hospitals and certain other facilities (opioid treatment program, FQHC, rural health clinic, community mental health center, etc.) should see an increase in funding for service delivery, etc. Maryland should qualify for at least \$100 million annually if its plan is approved. |
| <b><u>Revenues</u></b>                                                                                                                                                                                                                   |                                                       |               |               |               |                                                                                                                                                                                                                                                                                            |
| Increase in SALT Cap. BRE to score.                                                                                                                                                                                                      | TBD                                                   | TBD           | TBD           | TBD           | Lower tax payments for some Maryland residents                                                                                                                                                                                                                                             |
| Various other tax changes. BRE to score. Maryland decouples for one year from any provision with an impact of \$5 million or more. Out-year impact will depend on General Assembly actions.                                              | TBD                                                   | TBD           | TBD           | TBD           | Reduced federal tax liability for some taxpayers                                                                                                                                                                                                                                           |



# Future Concerns

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- Negotiations regarding Maryland's AHEAD model under which Maryland's unique all-payer hospital rate setting system is expected to operate in future
- Impact of accelerating federal workforce reductions on Maryland revenues for fiscal 2026 and beyond
- Retention of federal match for Healthy Babies Program
- Congressional actions on the federal fiscal 2026 budget and ongoing efforts to freeze/rescind funds
  - President's proposed budget would reduce funds in the State budget by about \$600 million (major impacts to housing programs, low-income energy assistance, clean water & clean drinking water) with additional reductions impacting local governments