

As of this afternoon, the U.S. House Energy and Commerce Committee is actively engaged in negotiations concerning potential Medicaid cuts as part of the broader budget reconciliation process. The committee has been tasked with identifying \$880 billion in savings over the next decade. Our team has been canvassing the Hill over the past week and has been able to get a deeper look at where committee Republicans appear to be heading.

### **Key Developments:**

- **Savings Target and Medicaid's Role:** The Congressional Budget Office has indicated that achieving the \$880 billion savings target is unlikely without substantial reductions to Medicaid. Medicaid accounts for approximately 93% of the non-Medicare mandatory spending under the committee's purview, making it the primary focus for potential cuts.
- **Proposed Measures:** House Republicans are considering several policies to reduce Medicaid spending. All dollar savings are projected for ten years. We now believe the committee is trying to reach approximately \$550B in Medicaid savings. In the list of least controversial measures listed below, they are getting close to \$500B. The key question is simply whether they have enough GOP votes to pass each of these provisions. Democrats on the committee are likely to vote against each of the policy changes.
  - **The current list of provisions with the least amount of opposition:**
    - Implementing work requirements for able-bodied adults. (Men and women who don't have pre-school children at home.) This provision had previously been scored by the CBO as saving \$109B over 10 years. As of yesterday, a new, unpublished CBO score says this provision now saves between \$230B and \$270B.
    - Enhancing eligibility verification processes. Go from the current annual eligibility review to quarterly review. This provision saves an estimate \$170B
    - Eliminating federal support for states that use local funds to cover undocumented immigrants. Savings approximately \$25B - \$30B
    - Eliminate mandatory nursing home staffing rule. Saving \$28B.
    - Lowering the payment cap on the Direct Payment Program from average regional commercial rate to the Medicare rate. Savings not available.
  - **The current list of provisions with the highest amount of opposition:**
    - Lowering federal contributions to states for Medicaid expansion beneficiaries from a 90% match to 70%.
    - Lowering the 6% cap on Medicaid provider taxes
    - Lowering the FMAP floor
    - Per capita caps
    - Medicaid managed care tax reform (similar to the proposed rule under review at OMB that would require equal distribution of funds as part of any provider tax on health plans).
- **Other key points:**
  - House Republicans generally oppose any reduction in provider taxes.
  - Senate Republicans generally oppose any reduction in FMAP for expansion population.

- More Republicans in the House and Senate are making public their opposition to big Medicaid cuts. For example, moderate Republican Rep. Don Bacon of Nebraska has set a threshold, stating he will not support reductions exceeding \$500 billion and advocates for reforms over significant spending cuts.
- **Upcoming Committee Actions:** The House Energy and Commerce Committee has scheduled a markup session for May 7, 2025, to deliberate on its portion of the reconciliation package. This session is expected to address the proposed Medicaid changes and other related measures. If the Committee holds its markup on that date, it likely means it has enough GOP votes to move a package that includes some Medicaid cuts. If it is delayed, it likely means they don't have the votes.