



The One Big Beautiful Bill Act & Idaho's Medicaid Program

The One Big Beautiful Bill Act (OBBBA) makes significant changes to Medicaid eligibility, financing, and provider payments. Expansion states, such as Idaho, will face some of the steepest effects, especially around work requirements and stricter limits on provider taxes and hospital payment structures.

Work Requirements

OBBBA creates a new community engagement (work) requirement for most adults. People enrolled in Idaho's Medicaid expansion group must complete at least 80 hours per month of work, education, job training, or qualifying community service to enroll and remain eligible.

Several groups are excluded from new work requirements, including adults with disabilities, pregnant people, parents and caretakers of children or people with disabilities, individuals with certain medical conditions, and American Indian and Alaska Native members.

Cost-Sharing

Beginning October 1, 2028, Idaho must charge cost-sharing of up to \$35 per service for certain adults in the expansion group with incomes between 100% and 138% of the federal poverty level. Primary care, mental health, and substance use disorder services, and services received at Federally Qualified Health Centers (FQHCs), rural health clinics, and community behavioral health providers are exempt.

Retroactive Coverage

Currently, Idaho Medicaid provides up to 99 days of retroactive coverage for approved beneficiaries. For most Medicaid programs, OBBBA shortens retroactive coverage from up to 3 months before application to 2 months before the month of application, and to 1 month for expansion group members.

Eligibility Review

Starting January 1, 2027, adults in Idaho's expansion group must complete eligibility renewals every six months instead of every 12 months. American Indian and Alaska Native members are exempt from this requirement. The law also delays federal streamlining rules intended to simplify Medicaid and CHIP renewals and adds new checks for duplicate enrollment, address changes, and death records.

Qualified Immigrants

Under OBBBA, only lawful permanent residents, certain Cuban and Haitian immigrants, and migrants from the Compact of Free Association (COFA) remain in the "qualified immigrant" category. Beginning October 1, 2026, certain abused spouses and children, asylees, refugees, trafficking survivors, and humanitarian parolees will no longer qualify for Medicaid or CHIP.



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Provider Taxes and State-Directed Payments

The OBBBA makes significant changes to Medicaid funding with provider taxes and state-directed payment (SDP) programs. The changes begin in FY 2028 and will be phased in over a 10-year period.

Provider tax rate: OBBBA limits Idaho's ability to use provider fees to finance Medicaid and other health affordability efforts. As of July 2025, states are prohibited from establishing any new Medicaid provider fees and, except for nursing facility provider fees, from increasing the rates of existing fees above the levels in place when the bill was signed.

Hospital state-directed payments: Under OBBBA, expansion states, such as Idaho, will begin phasing down their commercial rate-based payment structure in FY 2028, reducing allowable payment ceilings by 10 percentage points of the commercial rate each year until they meet Medicare rate limits.

The Idaho Department of Health and Welfare (DHW) notified Medicaid providers that the state would reduce reimbursement rates by 4%, effective September 1, 2025. The cut applies to nearly all provider types and services, except Indian Health Services and tribally operated clinics.

Emergency Medicaid Match Reduction

Starting October 1, 2026, the federal match rate for Emergency Medicaid services provided to non-citizens who would otherwise qualify for expansion group adults will drop to the regular Medicaid Federal Medical Assistance Percentage (FMAP).

Federal Payments to “Prohibited Entities”

For one year following enactment (July 4, 2025 – July 4, 2026), federal Medicaid funds may not be paid to certain nonprofit family planning providers that offer abortion services and deliver family planning or reproductive health services to Medicaid members.

Rural Health Funding

OBBBA creates a **\$50 billion Rural Health Transformation Program** to support rural healthcare access, infrastructure, and workforce. The program provides \$10 billion annually from FY 2026 through FY 2030, distributed to states with approved rural health transformation plans. States that applied are expected to receive about \$100 million per year in baseline funding, with the potential for additional competitive dollars based on rural needs and the strength of each state's plan.

The Idaho DHW has submitted its plan to CMS and is expected to receive an award notice by December 31, 2025. The state's application was shaped by feedback from the public, federally recognized tribes in Idaho, and Idaho legislators. If approved, Idaho plans to invest in prevention and new access points, help rural providers become financially sustainable, strengthen the rural health workforce, support innovative care models, and expand the use of technology and digital health tools in rural communities.