



# The One Big Beautiful Bill Act & Utah's Medicaid Program

The One Big Beautiful Bill Act (OBBBA) makes significant changes to Medicaid eligibility, financing, and provider payments. Expansion states, such as Utah, 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 Utah's Adult Expansion Medicaid and Targeted Adult Medicaid (TAM) 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 under 14, individuals with certain medical conditions, and American Indian and Alaska Native members.

On July 3, 2025, the state submitted a Community Engagement 1115 waiver amendment to CMS. If approved, it would allow Utah to align eligibility requirements with the Supplemental Nutrition Assistance Program (SNAP), refine exemptions and supports, and test state-specific approaches. The state's waiver **does not** waive the federal 80-hour requirement.

## Cost-Sharing

Beginning October 1, 2028, Utah must charge cost-sharing of up to \$35 per service for certain Adult Expansion members 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

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 Adult Expansion members. Utah's Children's Health Insurance Program (CHIP), which currently does not offer retroactive coverage, will begin allowing up to 2 months of retroactive coverage starting January 1, 2027.

## Eligibility Review

Starting January 1, 2027, Adult Expansion and TAM enrollees must complete eligibility renewals every 6 months, rather than every 12 months. American Indian and Alaska Native members are exempt from this requirement. The law also delays federal streamlining rules intended to simplify renewals for Medicaid and CHIP. It adds new checks for duplicate enrollment, address changes, and death records.

# The One Big Beautiful Bill Act & Utah's Medicaid Program

## 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.

## 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 freezes Utah's current provider tax rate and prohibits new taxes or rate increases beyond what was in place on July 4, 2025. Beginning in FY 2028, expansion states like Utah must gradually lower their maximum allowable provider tax rate each year until the cap reaches 3.5% in FY 2032.

**Hospital state-directed payments:** Under OBBBA, expansion states, such as Utah, 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.

Utah Medicaid estimates that these changes will reduce annual hospital payments by hundreds of millions of dollars once the phase-down is complete.

## 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 Adult Expansion will drop to the regular Medicaid Federal Medical Assistance Percentage (FMAP). Utah covered roughly 5,800 people through Emergency Medicaid last year, meaning hospitals and the state will absorb a larger share of costs going forward.

## 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. The provision took effect immediately and has faced multiple legal challenges; early restraining orders and a preliminary injunction were later narrowed or lifted, and enforcement is currently proceeding while litigation continues. Court decisions may alter implementation.

## 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.

Utah's Department of Health and Human Services (DHHS) has submitted its plan to CMS. It is expected to receive an award notice by December 31. If approved, Utah plans to invest in prevention and chronic disease management, rural workforce recruitment and incentives, stabilizing key rural hospitals and clinics, expanding telehealth, and upgrading shared technology and data systems so providers can better coordinate care for rural communities.