

## Impacts of July 2025 Federal Reconciliation Bill (OBBBA/HR 1) on West Virginia State Budget

West Virginia Center on Budget and Policy  
October 2025

### New Direct Costs to West Virginia's State Budget<sup>1</sup>

	FY 2027	FY 2028	FY 2029	FY 2030
SNAP administrative share increase <i>begins 10/1/26</i>	\$7.5 million	\$10.3 million	\$10.6 million	\$10.9 million
SNAP benefit share <i>Begins 10/1/27; cost will depend on error rate</i>	\$0	Up to \$65 million	Up to \$89.1 million	Up to \$91.8 million
Impact of provider tax and state-directed payment tax phasedowns	At least \$40 million <sup>2</sup>	\$40 million + \$35.6 million	\$40 million + \$71 million	\$40 million + \$107 million
Increased SNAP administrative costs from new reporting requirements	<i>Likely significant cost but unable to estimate at this time</i>			
Increased Medicaid administrative costs from systems upgrades needed to capture work reporting/income verification	<i>Likely significant cost but unable to estimate at this time</i>			

Even without estimates of the new administrative costs associated with SNAP and Medicaid changes, the cost shifts alone in HR 1 could add up to **\$659 million** in new direct state budget costs through FY 2030.

<sup>1</sup> WVCBP estimates or calculations based on USDA FNS and West Virginia State Budget Office data and committee testimony.

<sup>2</sup> \$40 million of ongoing Medicaid costs are being funded with one-time dollars in FY 2026 (HB 3352).

## Increasing Need Falling to State and Local Governments, Charitable Entities Due to New Federal Restrictions or Reduced Federal Funding

### ***Now: FY 2026***

- Increased food needs due to SNAP coverage losses
  - 34,000 West Virginians, including parents of teenagers and adults between ages 55 and 64 years old, will be at risk of losing all SNAP benefits due to new eligibility restrictions and bureaucratic reporting requirements<sup>3</sup> (effective imminently)
  - Veterans and individuals experiencing homelessness will no longer be protected from these requirements (effective imminently)
- Rising uninsured rate from Marketplace premium increases
  - 50,000 West Virginians will see their health coverage premiums *more than double*, increasing by an average of 133 percent; at least 15,000 are expected to be priced out of coverage and become uninsured (effective 1/1/26)<sup>4</sup>
- Defunding of SNAP-Ed
  - Congress eliminated \$4.1 million in SNAP-Ed funding which resulted in the loss of more than 33 full-time positions in the WV Family Nutrition Program, as well as the termination of nutrition education and obesity prevention services (effective 10/1/25)

### ***FY 2027***

- SNAP administrative cost shift begins
  - SNAP administrative costs go from a 50/50 federal-state match to the state being responsible for 75 percent of costs, with an estimated new cost of \$10 million annually (effective 10/1/26)
- Medicaid provider tax freeze begins to impact state budget
  - In FY 2026, \$40 million of Medicaid's ongoing costs are being covered with one-time funds, creating an immediate budget need in 2027 that can no longer be filled by provider tax increases<sup>5</sup>
- Increased demand on charitable health care providers including Federally Qualified Health Centers (FQHCs), free clinics, and emergency departments as a result of Medicaid and Marketplace enrollment losses
  - Medicaid work reporting requirements go into effect and are expected to result in at least 55,000 West Virginians losing coverage through 2030 (effective no later than 1/1/27)<sup>6</sup>
  - Increased Medicaid eligibility paperwork begins and will also result in procedural denials, or people who are technically still eligible losing coverage (effective 1/1/27)

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<sup>3</sup> Joseph Llobera et al. calculations.

<sup>4</sup> Kaiser Family Foundation estimates.

<sup>5</sup> HB 3352, 2025.

<sup>6</sup> Center on Budget and Policy Priorities and Urban Institute estimates.

- Increase in uninsured persons from Marketplace cost increases (effective 1/1/26)
- Reductions in overall SNAP benefits could increase charitable need
  - An estimated 166,000 households will see a reduction of at least \$25 per month from their SNAP benefits once accounting for reductions in food benefit level adjustments via the Thrifty Food Plan (effective 10/1/26)<sup>7</sup>
- Potential for less federal funding for school meals due to fewer eligible students and fewer schools qualifying for the Community Eligibility Provision (CEP)

## **FY 2028**

- State budget will begin to absorb impacts of provider tax and state-directed payment phasedowns
  - Changes in the provider tax and state-directed payment thresholds will require the state to come up with an additional \$35.6 million in Medicaid funds in FY 2028 and an increasing amount each year or health care providers could see reduced payments. This is a result of the requirement to reduce hospital and lab provider taxes to new threshold<sup>8</sup>
- Hospitals will face funding challenges
  - Reduction in state-directed payments and other Medicaid provisions could reduce provider reimbursements and put pressure on the state budget to mitigate cost shifts in ways that potentially harm hospitals and providers if the state does not increase funding
- SNAP benefit cost shift begins
  - First full state fiscal year of 75 percent SNAP administrative cost share
  - SNAP benefit cost share begins, costing state up to \$65 million (effective 10/1/27)

## **Rural Health Transformation Fund Will Not Offset Losses**

While Congress did enact a \$50 billion Rural Health Transformation Fund (RHTF) as part of HR 1, the Centers for Medicare and Medicaid Services (CMS) has made clear that the RHTF is *not meant to backfill deep Medicaid cuts or otherwise shore up rural health providers who may be impacted by them.*

**CMS' funding notice for the RHTF specifies that no more than 15 percent of funds can be used for provider payments.<sup>9</sup>**

And while the Medicaid cuts in HR 1 are permanent, the RHTF is temporary, distributing far less than the amount of annual Medicaid cuts and for only five years. Once fully phased in, HR 1 is expected to result in a \$1 billion federal health care funding reduction for West Virginia annually, while the state is only expected to receive \$100- 200 million annually from the RHTF.

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<sup>7</sup> Urban Institute estimates.

<sup>8</sup> Commissioner Beane testimony in Joint Committee on Finance, October 6, 2025.

<sup>9</sup> Centers for Medicare and Medicaid Services Notice of Funding Opportunity: Rural Health Transformation Program Opportunity Number CMS-RHT-26-001.

To put this in perspective, West Virginia’s annual share of the RHTF is probably not even enough to offset the state-directed payment and provider tax reductions in federal funds beginning in FY 2029, which make up only a portion of the reduction in federal health care funding from HR 1.

<b>Fiscal Year</b>	<b>Provider Tax Phasedown Funding Loss</b>	<b>Federal Match Funding Loss</b>	<b>Combined Funding Loss</b>	<b>Estimated Share of RHTF</b>	<b>Gap</b>
FY 2028	\$36 million	\$108 million	\$144 million	\$200 million	\$56 million
FY 2029	\$71 million	\$213 million	\$284 million	\$200 million	-\$84 million
FY 2030	\$107 million	\$321 million	\$428 million	\$200 million	-\$228 million
FY 2031	\$142 million	\$426 million	\$568 million	\$0	-\$568 million
FY 2032	\$178 million	\$534 million	\$712 million	\$0	-\$712 million

Source: WVCBP analysis from Medicaid Commissioner Beane’s October 6, 2025 testimony to the Joint Committee on Finance; factors in 3:1 federal match is also lost compared with estimated \$200 million RHTF funding which expires after FY 2030 (each state is guaranteed \$100 million per year and West Virginia is expected to apply for another \$100 million)

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