Illinois & H.R. 1 (“One Big Beautiful Bill Act”)

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1. Big picture: what H.R. 1 does

- On July 4, 2025, President Trump signed the budget reconciliation law formerly known as H.R. 1 – One Big Beautiful Bill Act (OBBBA) into law.
- It combines major tax changes with deep cuts and structural changes to Medicaid, Medicare, SNAP, and federal student aid, plus a new $50B Rural Health Transformation Fund (2026–2030).
- Illinois is highly exposed because it:
    - Is an ACA Medicaid expansion state with ~770,000 “ACA adults” plus millions of other Medicaid enrollees.
    - Relies heavily on state-directed payments (SDPs) and hospital assessments to shore up hospital financing.
    - Has 23% of rural hospitals vulnerable to closure and 30% operating on negative margins.
    - Has ~1.9 million residents relying on SNAP and a large low-income student population dependent on Pell Grants and federal loans.

Bottom line: 2026–2028 is the window where Illinois either blunts the damage or lets the floor drop out under core safety-net, rural health and college access.

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2. Taxes

What OBBBA does federally

- Raises the standard deduction further starting tax year 2025 (e.g., $31,500 MFJ, $15,750 single; indexed up again in 2026).

- Extends / reshapes several TCJA-style business and high-income tax benefits, while offsetting part of the cost via deep cuts to safety-net programs.

- Adds new endowment/investment excise taxes on some wealthy institutions.

Why this matters for Illinois

- Illinois conforms in part to the federal tax base, so higher federal standard deductions can shrink the state income-tax base unless offset.

- At the same time, the law's structure funnels most tax benefits upward while funding cuts land on Medicaid, SNAP, and higher ed—programs where Illinois is a heavy user/partner.

State policy priorities (Taxes)

- Direct a 2026 revenue/ distributional impact study of OBBBA's tax changes on Illinois tax base, with options to:

    - Adjust Illinois personal exemptions / credits rather than mirroring federal standard deduction increases.

    - Explore state-level surtax or minimum tax on very high incomes to help backfill federal cuts, if politically feasible.

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3. Medicaid & Medicare

Medicaid (Medi-caid in Illinois)

Key federal changes (from KFF, AMA, CMS):

- Work/community engagement requirements for many expansion adults by end of 2026 (with exemptions, but high red-tape risk).

- 6-month eligibility redeterminations for many adults starting 2027, increasing churn.

- Cost-sharing up to $35/visit for expansion adults 100–138% FPL starting 2028, with some service carve-outs (FQHCs, MH/SUD, etc.).

- State-directed payments capped at 100% of Medicare rates in expansion states, and existing SDPs must be stepped down 10%/year until they hit that cap, cutting IL hospital SDPs by an estimated $3.4B over five years.

Illinois context:

- At the end of SFY24, >770,000 adults enrolled under ACA expansion; total Medicaid enrollment ~3.4M.

- HFS warns that SDP caps and eligibility-driven coverage loss will reduce federal funding and strain hospital finances.

Medicare

- OBBBA plus related budget mechanics are projected to drive up to 4% annual Medicare sequestration cuts starting 2026 if deficits spike.

- Analyses show Part B and Part D premiums and deductibles rising sharply in 2026, with higher costs especially for middle- and lower-income seniors.

Illinois implications:

- Rural and safety-net hospitals rely heavily on Medicare + Medicaid; squeeze both and you're pushing borderline hospitals over the edge.

State policy priorities (Medicaid/Medicare)

- 2026–2028 "Medi-Safety Net" package:

    - Backstop SDP cuts with state-funded supplemental payments targeted to high-Medicaid / high-Medicare mix hospitals and nursing facilities.

    - Fund technology, staffing and outreach so 6-month redeterminations don't randomly purge eligible people (auto-renewal, data matches, community navigators).

    - Codify broad exemptions + due-process for work requirements (disability, caregiving, treatment, very low incomes) and require HFS to minimize wrongful

terminations.

- Coordinate with Illinois' congressional delegation on sequestration waivers or carve-outs for Medicare-dependent rural providers.

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4. Hospital closures & rural effects

What we know:

- 23% of Illinois rural hospitals are vulnerable to closure; 30% operate on negative margins; at least one rural hospital has closed and three have converted since 2010.

- Recent reporting from Illinois clinicians and EMS leaders highlights razor-thin margins and heavy reliance on Medicare and Medicaid; shutdowns and delayed payments already threaten EMS and rural care.

- OBBBA's Rural Health Transformation Fund provides $50B nationally 2026–2030, but analyses say it will only partially offset broader Medicaid cuts and SDP caps.

State policy priorities (Rural & Hospitals)

- Create an Illinois Rural & Safety-Net Stability Fund (2026–2030) to:
    - Bridge SDP losses for hospitals with high Medicaid/Medicare share.
    - Provide rapid-response grants to facilities at closure risk (especially maternity/L&D, trauma, and behavioral health).
- Require HFS to develop an Illinois Rural Health Transformation Plan that leverages federal dollars for:
    - Telehealth, mobile clinics, rural EMS stabilization, and integrated primary-behavioral health.
- Mandate annual rural access reports to the General Assembly (service lines, closures, diversions, EMS coverage, OB units).

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5. SNAP

What OBBBA does to SNAP:

- USDA memo: OBBBA changes eligibility, benefits, and administration for SNAP, including stricter rules and more state cost-sharing.

- Illinois Executive Order 2025-08 notes that starting Oct 1, 2026, H.R. 1 shifts an additional 25% of SNAP administrative costs to states, costing Illinois ≈$80M/year, and ends food assistance for thousands of legally present immigrants.

- Illinois has ≈1.9 million residents on SNAP; shutdowns and funding pauses have already exposed how fragile this is.

State policy priorities (SNAP)

- Backfill the admin cost shift so DHS and counties can manage eligibility rules without cutting customer-facing staff.

- Establish a state-funded food support program for legal immigrants losing federal SNAP, administered through Illinois DHS and community partners.

- Invest in technology + community navigators to reduce wrongful terminations and language/tech barriers.

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6. Pell Grants & Federal Education Loans

What OBBBA does nationally:

- Pell:
    - Provides short-term dollars to plug Pell budget holes, but alters eligibility, cutting students whose Student Aid Index (SAI) is above a new threshold and changing treatment of “last-dollar” scholarships and outside grants.

- Loans:
    - Eliminates Grad PLUS, imposes new aggregate borrowing caps for grad and Parent PLUS loans, and sets lifetime borrowing limits starting July 1, 2026.

    - Replaces most existing income-driven repayment plans with a new Repayment Assistance Plan (RAP) that raises total payments for many low-income borrowers.

Implications for Illinois:

- Public universities and community colleges serving low-income and first-gen students face reduced Pell and tighter loan availability just as state and federal Medicaid cuts are also squeezing campus health and teaching hospitals.

State policy priorities (Higher Ed & Loans)

- Create an Illinois College Affordability & Completion Fund (2026–2030) to:
    - Replace some lost Pell/loan capacity for low-income undergrads at public institutions.
    - Support students in short-term workforce programs that now qualify for Pell but may struggle with the new borrowing caps.
- Direct IBHE and ISAC to:
    - Map which Illinois institutions and programs are most exposed to Pell eligibility tightening and loan caps.
    - Recommend targeted increases in MAP grants or last-dollar scholarships for those cohorts.

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7. Immigration

Key federal changes tying immigration to safety-net:

- OBBBA tightens eligibility for multiple programs; Illinois EO 2025-08 notes loss of SNAP for thousands of legally present immigrants starting Oct 1, 2026.
- Similar eligibility tightening is expected in Medicaid and ACA marketplaces for some categories of lawfully present immigrants.

State policy priorities (Immigration)

- Pass a “No Wrong Door for Immigrant Families” Act to:
    - Preserve access to state-funded food, health, and cash supports for categories of legal immigrants losing federal eligibility.
    - Prohibit state agencies from sharing benefits data for immigration enforcement except as required by law.
- Fund trusted CBOs (immigrant-serving orgs) to explain shifting rules and help families re-enroll in alternative programs.

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8. Potential Legislative Package (2026–2028)

Here’s a coherent package you can float as a multi-bill strategy:

1. Illinois Safety-Net & Rural Stability Act (2026)
    - Creates the Rural & Safety-Net Stability Fund.
    - Authorizes targeted Medi-Safety Net payments to offset SDP caps and Medicare-related funding hits.
    - Requires annual rural access + hospital stability reports.
2. Coverage, Food Security & Immigrant Protection Act (2026)
    - Backfills SNAP admin costs and creates a state food benefit for legal immigrants losing SNAP in 2026.
    - Codifies work-requirement exemptions, due-process rules, and 6-month renewal safeguards in Medicaid.
    - Requires DHS and HFS to operate “no wrong door” eligibility systems across health and nutrition programs.
3. College Access & Federal Aid Gap-Filling Act (2027)
    - Creates the College Affordability & Completion Fund.

- Directs IBHE/ISAC to target MAP and similar grants to students most harmed by Pell restrictions and new loan caps/RAP.

4. OBBBA Implementation Transparency & Fiscal Resilience Act (2026–2028)
    - Mandates quarterly OBBBA impact dashboards (Medicaid enrollment & churn, SNAP caseload, hospital SDPs, rural closures, Pell/loan usage).
    - Requires annual IL-specific CBO-style projections on how federal tax and safety-net changes affect Illinois' budget and economy.
    - Triggers automatic GA hearings when key metrics (coverage, rural access, food insecurity) cross defined thresholds.

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9. Messaging for the Legislature & Governor

You'll be talking to people who are juggling budget constraints, politics, and real human consequences. Here are clear, honest frames that cut through the noise:

1. "Illinois didn't pick this fight, but we decide the fallout."

   H.R. 1 is federal. The choice in Springfield is whether Illinois absorbs the shock and protects residents—or passes it straight down to rural hospitals, low-income families, and students.

2. "Cut-now, pay-more-later is a bad deal."

   Every dollar "saved" by letting coverage, food assistance, or rural hospitals erode comes back bigger through ER use, homelessness, child welfare, and lost workforce. The Stability Fund is not a giveaway; it's cost-avoidance.

3. "Rural collapse isn't theoretical."

   Nearly a quarter of Illinois rural hospitals are already vulnerable, and 30% are in the red. Add Medicaid/Medicare cuts and SDP caps, and you're one bad year away from losing essential services county by county.

4. "Federal aid cuts hit students and workers exactly when we need them most."

   We're asking Illinois students to upskill while shrinking Pell and capping loans. If we

don’t fill that gap, we’re turning away our own future workforce.

5. “Immigrant and low-income Illinoisans are bearing cuts to fund someone else’s tax break.”

   Legal immigrants losing food assistance, disabled and low-wage workers facing churn in Medicaid, students losing aid—this is a straight redistribution upward. Illinois can choose to rebalance within its borders.

6. “We can’t control Congress, but we can control whether people in Illinois go without care, food, or college.”

   The public needs to hear that state leaders are not powerless—they’re choosing whether or not to protect them.
