

# Special Needs Alliance: *Public Policy News You Can Use*



**June 2, 2025**

## **CMS Increases Oversight to Block Federal Funding for Undocumented Immigrants in Medicaid**

On Tuesday May 27, the Centers for Medicare & Medicaid Services (CMS) issued a [press release](#) announcing increased federal oversight to prevent states from using federal funds to provide healthcare for undocumented immigrants. CMS emphasized that, under federal law, Medicaid funding for individuals that would otherwise qualify for Medicaid if not for their immigration status is generally limited to emergency medical services. The increased oversight for select states will include targeted evaluations of state spending reports, in-depth reviews of financial management systems, and assessments of existing eligibility policies to close loopholes and strengthen enforcement. CMS is also urging all states to review and update their internal controls, eligibility systems, and cost allocation policies to ensure full compliance with federal requirements.

This action aligns with the February 19th Executive Order titled “Ending Taxpayer Subsidies of Open Borders,” which seeks to block undocumented immigrants from accessing federal benefits, enforce stricter eligibility verification, and prohibit federal funding of programs such as “sanctuary” policies that protect undocumented immigrants from deportation. Additionally, the recently passed House reconciliation bill includes a provision to reduce the Federal Medical Assistance Percentage (FMAP), or the percentage of Medicaid spending that the federal government pays to states, from 90% to 80% for any state that provides healthcare coverage to undocumented immigrants.

## **Congressional Republicans Seeking to Reform ACA Marketplaces via Reconciliation**

The House narrowly advanced its version of the reconciliation package to the Senate and broad uncertainty remains over one of the [less covered elements of the bill](#) – its proposed changes to the Affordable Care Act’s state marketplaces. Since 2020, enrollment in ACA marketplace plans has more than doubled – particularly in Republican-led states – but House Republicans’ new legislative agenda could slash that growth by a third. The House proposal, known as the *One Big Beautiful Bill Act*, would reverse Biden-era policies that

expanded access by tightening eligibility requirements and ending enhanced premium subsidies, potentially cutting marketplace [coverage by up to 8 million](#) people.

Although Republicans backed off steeper Medicaid cuts due to political risks, they've shifted focus to the ACA, despite increasing reliance on these plans in GOP strongholds. The White House and Congressional Republicans have argued Medicaid was originally meant to be a welfare program, and the expansion under the ACA diverged the program away from its original intention. Stakeholders warn the bill's restrictions may disproportionately hurt low-income and gig economy workers while shrinking access in states that have still not expanded Medicaid. The Senate returns to the Hill next week to continue reconciliation proceedings in the upper chamber, with a self-imposed deadline of July 4<sup>th</sup> to advance the bill to the President.

## What's on Tap

The Senate [returns to Capitol Hill](#) today after the House advanced its version of the reconciliation package just before the Memorial Day Weekend recess. GOP leadership has tasked Senate Majority Leader John Thune (R-SD) with delivering the reconciliation bill to President Trump's desk by July 4<sup>th</sup>, providing Senate Republicans only four weeks to find consensus on a variety of contentious components of the bill including Medicaid, SALT taxes, and child tax credits. Since the House narrowly advanced its version of the budget bill by only one vote, at least half a dozen Senate Republicans have publicly voiced opposition to the package. Holdouts range from fiscal hawks to moderate Republicans, taking aim at everything from sprawling Medicaid cuts to significant additions to the deficit.

Senate Democrats are expected to challenge key aspects of the Republican legislation, taking particular issue with how Republicans scored the portion of the bill that would make the expiring 2017 tax cuts permanent. Republicans in the upper chamber argue that Senate Budget Committee Chair Lindsey Graham (R-SC) has the authority – not the parliamentarian – to set the budgetary baseline for the bill. In a somewhat unprecedented move, Majority Leader Thune opted to go with the baseline produced by the Budget Committee rather than the Senate parliamentarian. Democrats were [quick to condemn](#) the choice, with Senator Warren (D-MA) calling for renewed discussions on filibuster reform. The budget reconciliation process allows for the Senate filibuster to be bypassed, although rarely has the majority party circumvented the parliamentarian.

Health and Human Services (HHS) Secretary Kennedy [quietly released](#) the department's fiscal year 2026 proposed budget, which consists of \$260 million to address the chronic illness epidemic in line with the Make America Healthy Again (MAHA) initiative. The Trump Administration also proposed an additional \$240 million to the Food and Drug Administration

(FDA) to carry out the MAHA agenda. The proposed budget was released only a week after the President's Make America Healthy Again Commission released *The MAHA Report*, which attributed many of the potential drivers of childhood chronic disease to poor diet, environmental chemicals, lack of physical activity and more – possibly indicating the future focus of the MAHA initiative. The recently released proposal is consistent with the leaked version that came out of the White House in April.

### **HHS Budget Proposal Details Reorganization and Significant Cuts to Health Agencies**

On Friday evening, the U.S. Department of Health & Human Services (HHS) released its formal [budget proposal](#) for Fiscal Year (FY) 2026. The document details a proposed \$94.7 billion in discretionary spending – a decrease of \$32 billion in funding compared to FY 2025 – to promote President Trump's Make America Health Again initiative, reiterating the Trump Administration's focus on reduced federal spending. HHS plans to combine multiple health agencies into one new entity called the Administration for Healthy America (AHA), consolidate 28 operating divisions to 15, and close 5 offices. The department aims to administer \$14 billion in discretionary spending through the newly developed AHA, eliminate several mental health programs currently existing under Substance Abuse and Mental Health Services Administration (SAMHSA), and slash the Centers for Disease Control and Prevention (CDC), Food and Drug Administration (FDA), and National Institutes of Health (NIH) budgets by a combined total of \$26.6 billion. The CDC budget would be cut from \$9 billion to just over \$4 billion, the FDA budget from \$7 billion to just over \$6.5 billion, and the NIH budget would drop from nearly \$45.8 billion to just \$27.5 billion. Many of the budget allocations in the HHS proposal are fairly comparable to the [April HHS "skinny" budget leak](#), which suggested that a nearly \$5 billion CDC budget, \$6.5 billion FDA budget, and \$26.6 billion NIH budget.

The HHS budget proposes a reduction in federal funding for state and local Medicaid agencies. Reduction in federal funding to state and local agencies could ultimately increase spending at the state level to offset lost federal dollars, or even trigger the discontinuation of Medicaid expansion, depending on state statute. HHS has also proposed to move oversight of the 340B drug pricing program, currently managed by HRSA, to the Centers for Medicare & Medicaid Services (CMS). While the budget for the 340B drug pricing program would remain at \$12 billion, reorganization would shift drug-pricing resources and expertise in-house. Some Democrats have reacted to the release of President Trump's budget request. U.S. Senator Patty Murray (D-WA) shared her thoughts in a statement, "America's research enterprise has long been the envy of the world, driving awe-inspiring technological progress and producing medical treatments and cures that have saved millions of lives. But President Trump is now proposing to destroy it by nearly halving the NIH's budget and gutting all kinds of cutting-edge scientific research."

Congress is required to approve the budget and, typically, many provisions in the President's budget are not ultimately enacted. Congressional committees are expected to begin marking up budget legislation as soon as this week.

## Upcoming Events

- Tuesday, June 3, 10:00am|[Senate Health, Education Labor and Pensions Committee holds a hearing Reauthorization of the Over-the-Counter Monograph Drug User Free Program](#)|430 Dirksen Senate Office Building