



Office of
Mental Health

Briefing on Federal Actions

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Agenda

- **Overview of Congressional Budget Reconciliation Bill**
- **Impact of H.R.1**
 - New York State Essential Plan
 - Medicaid Requirements
 - MCO/Provider Tax
 - SNAP & Nutrition Assistance
 - Student Loan Borrowing
- **Other Federal Actions**
- **New York State's Response**
- **Next Steps**

Congressional Budget Reconciliation Bill

- **2 million** New Yorkers could lose current insurance coverage
- SNAP benefits in jeopardy for nearly **3 million** New Yorkers
 - **300,000+** households projected to lose some/all SNAP benefits
 - **41,000** noncitizens expected to lose all benefits

**Combined fiscal impact for New York State:
\$14 billion annually**

Impact of Congressional Budget Reconciliation Bill

Impact of Congressional Budget Reconciliation Bill

- **Congressional Budget Reconciliation Bill** enacts federal spending reductions and tax policy changes, including cuts to Medicaid funding, more restrictive eligibility rules, and major revisions to the Affordable Care Act (ACA) Basic Health Program (Essential Plan).
- Medicaid is the single largest payer for U.S. mental health services. More than **60 percent** of New Yorkers receiving mental health services are enrolled in Medicaid.
- New ACA and Medicaid cuts, eligibility hurdles, and service bans are expected to **disrupt funding** and **reduce coverage**, resulting in both immediate and long-term consequences statewide.



New York State Essential Plan Cuts

- **The New York State Essential Plan** provides comprehensive, Medicaid-like coverage to more than **1.7 million** low- and moderate-income residents, including many lawfully present immigrants who are ineligible for federal Medicaid.
- New provisions and funding cuts **eliminate eligibility** for almost half of current enrollees and reduces federal funding by more than \$7.5 billion.
- Approximately **730,000 lawfully-present non-citizens** will no longer be eligible, many of whom have no affordable alternative source of coverage. Individuals with incomes above 138% of the federal poverty level, roughly **250,000** people, who are not eligible for Medicaid will likely lose all health coverage.
- Impacts may include **reduced access** to behavioral health services as well as risk for uncompensated care burdens for providers.

Medicaid Work Requirements and Redeterminations

New mandates around “community engagement” (work requirements) for the Affordable Care Act Medicaid expansion population:

- Able-bodied enrollees ages 19–64 who do not have dependents must work or participate in approved activities **at least 80 hours each month** to qualify for Medicaid. Excludes individuals with "disabling mental health disorder." OMH is seeking to better understand this definition.
- New applicants must document at least **one month** of work/activities before enrollment.
- Activities include working, community service, a work program, an educational program, or combination of these.

Medicaid expansion enrollees must redetermine eligibility every 6 months (at minimum) starting in 2026 - doubling the existing 12-month renewal interval.

In New York, where roughly 7.5 million residents rely on Medicaid, 1.3 million are expected to lose coverage due to new eligibility and verification hurdles.

- Requirements could **disproportionately disenroll** New Yorkers with mental health conditions, leading to coverage loss, care disruptions, relapse or hospitalization.
- Risk of increase in **uncompensated care costs** for local hospitals and community providers, as well as uninsured individuals delaying or foregoing medical or behavioral health treatment.

Medicaid Coverage Changes

Mandatory Cost Sharing

- Up to \$35 per service for adults 100–138 percent federal poverty level
- Mental health services exempt (as well as primary care & SUD services; and services from CCBHCs, FQHCs & rural health clinics)
- Could reduce access/utilization of non-exempt services; indirect effects expected as individuals avoid other care or delay treatment

Medicaid Retroactive Coverage

- Retroactive Coverage decreased from 90 to 30 days for ACA Medicaid expansion and 60 days for traditional Medicaid
- Risk for OMH-licensed providers and state operated services seeing an increase in uncompensated care

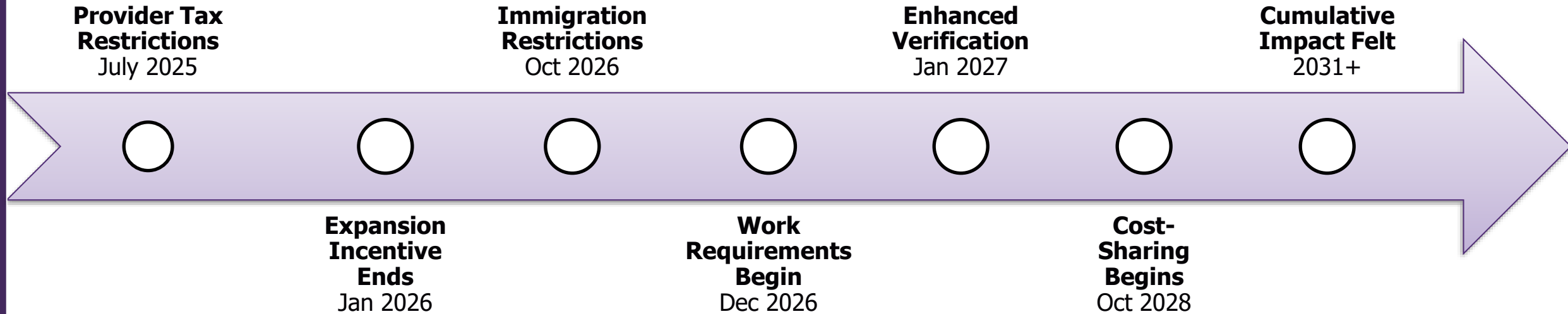
MCO/Provider Tax

- New York's Fiscal Year 2025 budget projected **\$3.7 billion in revenue** from its Medicaid managed care organization tax, with the expectation of drawing \$2.1 billion in federal match.
- New restrictions **limit** New York's ability to fund the state portion of Medicaid with provider taxes by prohibiting new or increasing taxes and directing the federal HHS to change the criteria for approving these arrangements.
- Could lead to **reduced** Medicaid reimbursements for OMH-licensed community programs and hospitals, including psychiatry units.
- Anticipated **\$8 billion in annual cuts** to New York's hospitals and health systems and \$14.4 billion in lost economic activity.



OFFICE OF MENTAL HEALTH

Implementation Timeline



SNAP and Nutrition Assistance

- The **Supplemental Nutrition Assistance Program** (SNAP) issues electronic benefits that can be used, like cash to purchase food. SNAP helps low-income working people, senior citizens, the disabled and others feed their families.
- New requirement mandates the state fund **15 percent** of all SNAP benefits starting as early as Oct. 1, 2027, at an estimated cost to the State of \$1.2 billion per year.
- Cuts in federal share of SNAP administrative costs result in **additional \$36 million** in annual costs to the state, and increased costs for counties and New York City by roughly **\$168 million** annually.
- More than **\$900 million** in lost SNAP benefits projected for New Yorkers due to new program requirements that will make it harder for people to qualify and restrictions on eligibility for legally present noncitizens.
 - More than **300,000 households** are expected to lose some/all SNAP benefits, with an average loss of \$220 per household per month, totaling more than \$800 million.
 - **41,000 noncitizens**, including individuals granted refugee or asylee status by the federal government, are expected to lose benefits, totaling roughly \$108 million.
- Residential providers could face **increasing costs** as individuals in supportive housing may lose access to supplemental food assistance.

Student Loan Borrowing Limits

- Effective July 1, 2026, **new limits** go into effect on amount graduate and professional students can take out in federal loans and eliminates PLUS loans.
 - Graduate students will have an annual limit of **\$20,500, and \$100K** lifetime for federal loans.
 - Professional students, such as medical students, will have an annual limit of **\$50,000, and \$200K** lifetime for federal loans.
 - Federal Direct PLUS loans to graduate/professional students are being terminated.
- These limits will impact the pipeline of health care providers and may exacerbate existing **provider shortages** throughout the mental health care system.



Other Federal Actions

Other Federal Actions

On July 10, 2025, a US Department of Health & Human Services notice was issued that broadens the statutory term “**Federal public benefit**” in Title IV of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, restricting benefits from being provided to **individuals who are present in the United States without lawful immigration.**

Programs newly classified as federal public benefits include:

- **Community Mental Health Services Block Grant (MHBG)**
- Projects for Assistance in Transition from Homelessness (PATH)
- **Certified Community Behavioral Health Clinic (CCBHC)** grants
- **Substance Use Prevention and Treatment Block Grant**
- All other **SAMHSA-funded** treatment, prevention and recovery initiatives not previously covered

Further guidance will be forthcoming around expectations for providers receiving this funding.

PERSONAL RESPONSIBILITY
AND WORK OPPORTUNITY
RECONCILIATION ACT
OF 1996

H.R. 3734

PUBLIC LAW 104-193
104TH CONGRESS

Volumes 1 to 19

BILLS, REPORTS,
DEBATES, AND ACT

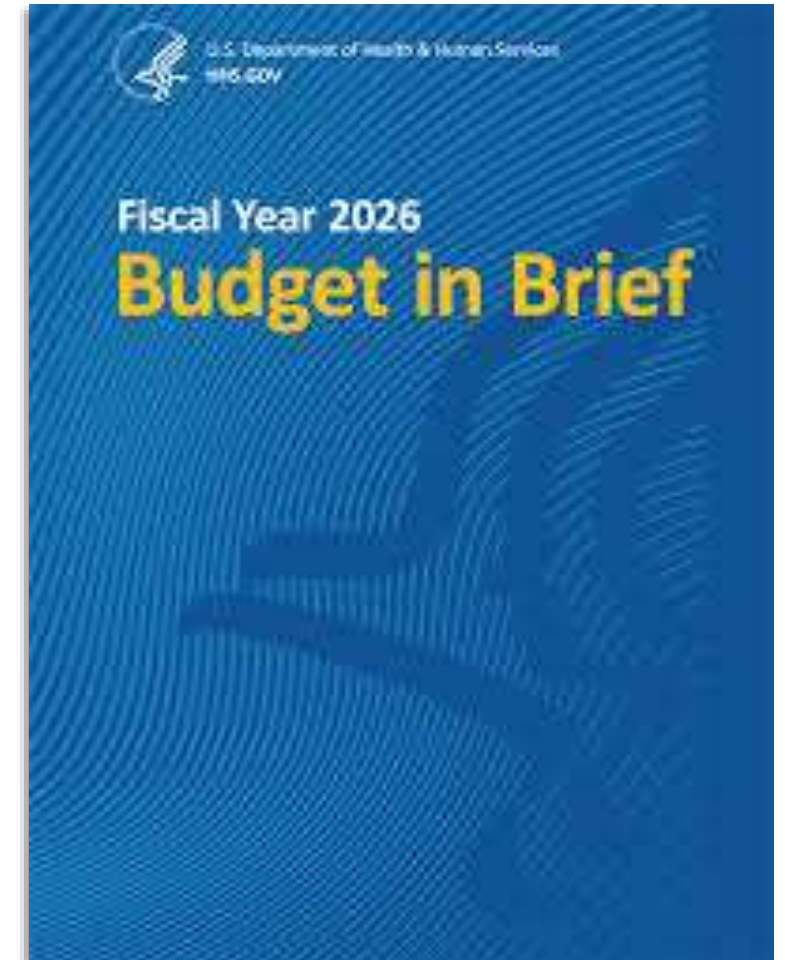
Social Security Administration

Other Federal Actions

Fiscal Year 2026 Federal budget proposals include:

- **Reorganization and consolidation** of several agencies, including the Substance Abuse and Mental Health Administration (SAMHSA) and others—into a new agency called the Administration for a Healthy America (AHA), housed in HHS.
- **A new block grant program**, Behavioral Health Innovation Block Grant, which would consolidate funding for the Community Mental Health Services Block Grant, Substance Use Prevention, Treatment and Recovery Support Services Block Grant, and State Opioid Response.

At this time, it remains unclear whether there will be reductions in funding to the block grant program. OMH continues to monitor for changes and impact.



New York State's Response

NYS Response

- Governor Kathy Hochul has directed State agencies to prepare **comprehensive strategies** to help limit the long-term damage to vital programs facing federal cuts.
- OMH is committed to **minimizing** the negative impacts to our behavioral healthcare system, provider networks, Local Government Units, and individuals receiving mental health services. Simultaneously, OMH will be seeking opportunities to increase efficiency and decrease burdens on our system of care.



NYS Response

- To date, New York State, through the Attorney General's office, has brought several **lawsuits**:
 - **SAMHSA Grants**: Challenging the termination of SAMHSA COVID-related grants, winning a permanent injunction to restore funding.
 - **MH Research Grants**: Suing over NIH grant cuts targeting DEI, and LGBTQ research, resulting in a court ruling voiding the cuts.
 - **School Mental Health Services**: In July 2025, James sued the U.S. Department of Education over the termination of over \$1 billion in school-based mental health funding, arguing it was unlawful and harmful to students.
 - **Essential Services Grants**: In June 2025, Part of a challenge of the administration's cuts to billions of dollars in grants supporting law enforcement, environmental protection, food assistance, and other essential services.
 - **ACA Amendments**: In July 2025, challenging the final rule introduced by CMS to amend marketplace coverage, including stricter verification requirements for eligibility, shortened open enrollment periods, and eliminating coverage for gender-affirming care as an essential health benefit.

Next Steps

We need your input and involvement!

- OMH will soon be hosting **regional planning meetings** with counties, providers, advocacy groups, and service recipients to develop strategies for addressing increasing need in response to the changing federal landscape.
- OMH will be hosting **frequent meetings**, including one in the next two weeks, for the public to learn more about recent federal developments and potential impacts on OMH programs and funding.
- Questions and suggestions can be submitted at any time via the following email address: planning@omh.ny.gov.





Office of Mental Health