

**Testimony of the United Hospital Fund to the Council of the City of New York  
Committees on: Governmental Operations, State & Federal Legislation;  
General Welfare; and Hospitals**

***Oversight: The Impacts of Federal Budget Cuts***

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Chair Restler, Chairs Ayala and Narcisse, honorable members of the committees, thank you for the opportunity to testify today on *The Impacts of the Federal Budget Cuts*. My name is Chad Shearer, Senior Vice President for Policy and Program at United Hospital Fund (UHF). UHF is an independent nonprofit organization dedicated to building a more effective and equitable health care system for every New Yorker. Since 1879 UHF has helped solve vexing problems in the health care system, collaborated on addressing critical health care issues facing New York, and along the way facilitated the creation of many of the organizations and institutions that today help define the city's health care landscape.

For more than two decades UHF's Medicaid Institute has been deeply engaged in helping the field understand the Medicaid program and in working directly with the New York State Department of Health to conduct data and policy analysis to improve the program. Each year we host the only statewide conference focused on Medicaid, and this July's conference included a significant focus on the existential threats posed by the federal cuts included in H.R. 1. The whole of the conference is [available on our website](#), and I would specifically call your attention to the opening keynote by New York State Medicaid Director Amir Bassiri who talks specifically about the implications of H.R. 1 for New York. In preparation for the conference this year UHF also released a [series of briefs](#) highlighting the importance of Medicaid for particular populations in observance of Medicaid's 60<sup>th</sup> anniversary on July 30.

**H.R. 1 Impacts Expand Over an Extended Timeframe**

The cuts in H.R. 1 are already having immediate effects in New York, but the whole of the cuts will not be fully felt until 2032 when the final health care financing and payment changes are fully phased in. Other impending scheduled federal policy changes will compound the effects and the intersection of all the cuts will have especially devastating consequences for New Yorkers that rely on multiple systems of support, e.g., Medicaid and SNAP. Throughout this extended timeline stakeholders at every level of the system will need to react to immediate changes while planning to blunt the effects of future cuts. While it will be impossible to ameliorate all the potential effects of federal policy changes on New Yorkers, it is imperative that all of us from the grassroots to the halls of City Hall and the State Capital work together to do everything in our power to minimize to the greatest extent possible the impact of these cuts on individual New Yorkers, the providers that serve them, and the communities in which they live.

Just this past week the first coverage domino fell as the State responded to the impending \$7.5 billion annual funding loss to the Essential Plan with a request to terminate its federal 1332 waiver expanding program to individuals between 200-250% FPL. The State estimates that 450,000 New Yorkers will lose access to zero-premium comprehensive health insurance, and many could become uninsured. About half of these essential plan enrollees reside in New York City and may now be an illness away from incurring medical debt or foregoing care because of fear of rising medical bills. This is just the first of multiple coverage loss scenarios resulting from H.R. 1, and with each increase in the number of uninsured will come an increase in uncompensated care (estimated to ultimately total an additional \$1.3 billion annually) that will be shouldered by providers. The broader loss of health care dollars in the system will also have broader economic implications hurting local communities through direct and indirect job loss as health care dollars leave the system.

The biggest changes to Medicaid in H.R. 1 don't hit until 2027, but discussions about how to operationalize these changes in a way that minimizes the effects on individuals and continues to maximize coverage are already underway. Beginning January 1, 2027, Medicaid must redetermine eligibility for Medicaid expansion adults every 6 months, instead of the current once a year. This increased administrative burden will not only impact Medicaid enrollees, but it will also double the support necessary to help New Yorkers stay covered, and that support often comes from providers and community-based enrollment partners. Ultimately those that slip through the cracks of the redetermination process will add to the rolls of the uninsured increasing uncompensated care, even though they likely remain eligible for the program.

Absent an approved delay from CMS, New York will also have to implement the Medicaid work requirement on January 1, 2027. With some exemptions, adult Medicaid expansion beneficiaries will have to prove 80 hours of work, community service, or education activities to retain eligibility. We know from other states that have attempted work requirements that the administrative barriers are a significant barrier to retaining coverage regardless of whether individuals are actually meeting the requirements. This will also add to the administrative burden of city agencies, hospitals and community organizations helping New Yorkers try to meet the requirements and ultimately further increase the uninsured and resulting uncompensated care burden.

As if the coverage impacts of H.R. 1 weren't enough, the law also makes a number of Medicaid financing and payment changes that will affect the program and participating providers. Phased in reductions of the provider tax cap will begin to impact New York provider taxes in 2028. The reduction in provider tax collections is likely to result in reduced supplemental payments to providers that have historically been financed by those taxes, putting further pressure on already slim provider margins. A newly lowered cap on state directed payments will begin to affect financially distressed hospitals in 2029 as the payment rates directed by the state come down from the average commercial rate to 100% of Medicaid rates by 2034. Yet one final domino to

fall for many of the safety net providers that care for an outsized portion of the Medicaid population.

The ultimate application of additional financing adjustments Medicaid services for non-citizens and the interaction of all of the H.R. 1 changes with other potential federal cuts like disproportionate share hospital payments and enhanced premium tax credits in the marketplace make it difficult to yet understand the full scope of how New Yorkers and health care system stakeholders will fare in the coming years. What is perfectly clear is that the current federal administration is most interested in adding barriers to coverage for individuals and making it more difficult for states to finance that care as federal funding support decreases. The ultimate result is likely to be many more uninsured New Yorkers facing significantly more administrative barriers, but still needing and receiving uncompensated care likely from the safety net hospitals with the least financial wherewithal to weather the increased burden and decreased Medicaid financed care.

### **Helping New Yorkers Mitigate the Impacts**

While it may seem insurmountable to blunt the impacts of H.R. 1 and other federal policies, there are things the field, and specifically the City could do as part of what will need to be an all hands on deck effort to protect New Yorkers. Building on existing programs and resources, while considering innovative approaches to helping individuals retain coverage can have a positive impact that counteracts at least some of the negative impacts of H.R. 1.

The role of NYC Care is paramount in a landscape where even more New Yorkers will not qualify for or be able to afford insurance. Blunting the financial impact of the uncompensated care burden requires individuals still have access to primary and preventive care, which is the focus of NYC Care. Enrolling more individuals in the program may be the key to avoiding costly uncompensated emergency and inpatient visits that would otherwise put significant financial stress on NYC Health + Hospitals. Council could consider directing funds to NYC Care enrollment support, or expanding the program to include federally qualified health centers (FQHCs), the other main source of primary and preventive care for the uninsured that could help avoid part of the uncompensated care burden on safety net hospitals.

Local Law 78 of 2023 requires the Department of Health and Mental Hygiene (DOHMH) to generate an annual Healthcare Accountability Report. As we enter a new landscape where the uncompensated care burden is likely to be growing, it is important to understand which providers are bearing the brunt of that burden and whether any providers are not pulling their weight in the communities they serve and thereby not meeting their moral and ethical obligation to improve the health of New Yorkers. Council could consider amending the law to specifically address tracking the H.R. 1 caused uncompensated care burden, or it could work with DOHMH to adjust the research to best reflect the accountability reporting necessary in a post H.R. 1 landscape.

Finally, at the end of the day it is people helping people who will make the biggest difference in terms of how many New Yorkers fall through the cracks created by H.R. 1 and become uninsured. H+H has a long history of providing financial counselor support and connecting patients with outside enrollment assistance resources. Given the scale of the coming changes, Council may want to consider specific supports for the financial counselor program at H+H, encouraging H+H to further partner with health plan facilitated enrollers and community-based organizations that provide coverage navigators to support patients, or even build on the existing internal community health worker program to assist patients with meeting the new administrative burdens under H.R. 1.

## **Conclusion**

In the face of crisis, New Yorkers always rise to the occasion in support of those most in need. While the impact of H.R. 1 may not be the most conventional crisis, for those individuals and disproportionately impacted communities that might lose coverage because of the law, this is absolutely a crisis. The direct and indirectly associated loss of resources for providers, communities and the economy as a whole are yet another aspect of the crisis requiring all of us in positions of power and privilege to stand up and not just talk about the crisis, but to act by doing all we can to ensure as many New Yorkers as possible remain covered and that safe and affordable health care services remain available to those who will unfortunately become uninsured. At UHF we look forward to working with all of our partners in the ecosystem and with the Council and City Government to rise to the challenge and do all we can to mitigate to the best of our ability the harmful impacts of H.R. 1 on New Yorkers.