TuSalud

In the Fallout From Trump's Health Funding Cuts, States Face Tough Budget Decisions

State and local governments have made painful program cuts in the wake of major reductions in federal health funding and are sizing up financial hits to come.

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Patients begin lining up before dawn at Operation Border Health, an annual five-day health clinic in Texas' Rio Grande Valley. Many residents in this predominantly Latino and Hispanic region spanning the Mexican border lack insurance, making the health fair a major source of free medical care in South Texas for more than 25 years.

Until this year. The Trump administration's plan to strip more than $550 million in federal public health and pandemic funds from Texas helped prompt cancellation of the event just before its scheduled July 21 start.

"Some people come every year and rely on it," said Hidalgo County Health and Human Services Director Dairen Sarmiento Rangel. "Some people even camp out outside of Border Health so they can be the first in line to receive services. This event is very important to our community."

States and local governments have made painful program cuts in the wake of major reductions in federal health funding that have already taken effect. Now, they're sizing up the financial hits to come — some not until late next year or beyond — from the "One Big Beautiful Bill Act," the tax and spending law congressional Republicans passed in July that enacts much of President Donald Trump's domestic agenda.

Texas, for instance, expects to see its federal Medicaid funds reduced by as much as $39 billion over 10 years due to new barriers for enrollment, such as more frequent eligibility checks, according to a July analysis by KFF.

Taken together, the reductions amount to a seismic shift in how state health programs are provided and paid for. The administration is, in effect, pushing a significant amount of health costs to states. That will force their leaders to make difficult choices, as many state budgets are already strained by declining tax revenues, a slowdown in federal pandemic spending, and economic uncertainty.

Revenue forecasters in more than a dozen states have lowered expectations for the coming year, according to a June report by Pew.

“It’s almost inevitable that states will enact a number of cuts to health services because of the fiscal pressure,” said Wesley Tharpe, senior adviser for state tax policy at the left-leaning Center on Budget and Policy Priorities.

Some are proactively trying to stanch the impact.

Hawaii lawmakers are looking to aid nonprofits that are already contending with federal funding cuts. They’re doling out $50 million in grants to health, social service, and other nonprofits hit by federal funding cuts. To get the money, nonprofits must show a termination or drop in funding, or that they have otherwise been harmed by the cuts.

“It is not fair that organizations dedicated to supporting the people of Hawaii are being forced to scale back due to federal funding cuts,” Democratic Gov. Josh Green said in a statement.

Other states are scaling back projects to contend with cuts. Delaware Gov. Matt Meyer, a Democrat, received notice in March that the Trump administration was cutting $38 million in public health funding from the state. The next month, state legislative leaders halted a planned project to upgrade and expand the Capitol complex as a result.

“We recognized that the reckless federal cuts to the social safety nets of thousands of Delawareans called for us to hold back resources to protect our most vulnerable,” said David Sokola, president pro tempore of the Delaware Senate.

In New Mexico, the state with the highest percentage of residents enrolled in Medicaid, a bipartisan group of lawmakers voted to create a trust fund to boost funding for the program. About 10% of the more than 800,000 state residents covered by Medicaid and the related Children’s Health Insurance Program could lose their health coverage under the federal spending law, based on some estimates.

Some state leaders are warning constituents that the worst may be yet to come.

At an August 18 event at a hospital in the South Bronx section of New York City, New York Gov. Kathy Hochul, a Democrat, stood on stage among health care workers in white coats to skewer Trump’s new law.

“What Republicans in Washington have done through the ‘Big Ugliest Bill’ I’ve ever seen is literally screwing New Yorkers,” she said. The state’s health system is bracing for nearly $13 billion in annual cuts.

And in California, lawmakers weighed the impact of the coming cuts from the federal law at a general assembly committee hearing on August 20, where some Democratic legislators said state efforts to protect reproductive health services and other programs were in jeopardy.

“We’ve been bracing for this reality: President Trump’s so-called ‘Big, Beautiful Bill’ is now law,” Democratic lawmaker Gregg Hart said at the hearing, calling it a “direct assault on California’s core programs and our values.”

“Sadly, the reality is, the state does not have the capacity to backfill all of these draconian federal funding cuts in the current budget,” Hart said. “We cannot simply write a check and make this go away.”

The sweeping budget law, which passed without any Democratic support, will reduce federal spending on Medicaid by about $1 trillion over the next decade, based on estimates from the Congressional Budget Office. The spending reductions largely come from the imposition of a work requirement on people who’ve obtained Medicaid under the Affordable Care Act’s expansion, as well as other new barriers to coverage.

The law will mean more than 7.5 million people will lose Medicaid coverage and become uninsured, according to the Congressional Budget Office, while extending tax cuts for wealthy people who, Democrats say, don’t need them. Republicans and Trump have said the spending package and its accompanying program cuts were necessary to prevent fraud and waste, and to sustain Medicaid, a state-federal program for people with disabilities and lower incomes.

“The One Big Beautiful Bill removes illegal aliens, enforces work requirements, and protects Medicaid for the truly vulnerable,” the White House said in a June 29 statement.

The Medicaid cuts won’t begin until after the midterm elections in November 2026, but other cuts have already hit.

The Trump administration has sought to claw back $11 billion in federal public health funds earmarked to states because of the pandemic, spurring a legal fight with a coalition of Democratic-led states. It also cut about $1 billion in federal grants for mental health services in schools, and halted grants from the National Institutes of Health that provided money to more than 90 public universities.

HHS press secretary Emily Hilliard said the agency is prioritizing investments that advance Trump’s mandate to confront chronic disease. She defended some of the cuts and said, erroneously, that the spending law doesn’t cut Medicaid.

“The COVID-19 pandemic is over, and HHS will no longer waste billions of taxpayer dollars responding to a crisis that Americans moved on from years ago,” she said.

State leaders say the pandemic funding the administration wants returned was earmarked for other public health measures, such as tracking emerging diseases, outbreak responses, and staffing. State attorneys general in May won a temporary restraining order against the administration.

“What we’re seeing now is states anticipating big cuts in Medicaid coming, but they’re also dealing

with a whole variety of federal cutbacks in public health programs that are smaller but still quite meaningful," said Larry Levitt, executive vice president for health policy at KFF, a health information nonprofit that includes KFF Health News.

Part of the challenge for states is simply understanding the changes.

"I think it's fair to say there is concern, confusion, and uncertainty," said Kathryn Costanza, a Medicaid expert at the National Conference of State Legislatures.

States are struggling to sort it all out, forming advisory groups that are tracking federal changes, suing to try to block the cuts, and reallocating funding.

In Colorado, lawmakers passed a bill to let state Medicaid dollars pay for non-abortion care at Planned Parenthood of America clinics after Trump's law banned federal funding for such care. Whether the ban holds up in court remains to be seen.

The Louisiana Legislature sent $7.5 million to state universities to make up for cuts to federal research funding, much of which goes to health-related research.

And in South Dakota, the state's largest food bank has asked lawmakers to spend $3 million to make up for funding cuts to the U.S. Department of Agriculture.

States must balance their budgets every year, so cuts put many services at risk if state lawmakers are unwilling to raise taxes. The work will begin in earnest in January, when many states begin new legislative sessions.

And the tough choices are likely to continue. Congressional House Republicans are considering legislation that could bring more cuts, including by slashing the generous cost sharing the federal government provides for 20 million adults who enrolled in Medicaid under the ACA's Medicaid expansion.

Some states will roll back their Medicaid expansions and cut more health programs as a result.

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