

Legislative Update

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Personal Responsibility and Work Opportunity Reconciliation Act PRWORA

PRWORA: What It Is

- Personal Responsibility and Work Opportunity Reconciliation Act
- 1996 law aimed to “end welfare as we know it”
- Replaced federal entitlements with state block grants + work requirements
- Intended as a short-term safety net, not an open-ended guarantee

Longstanding CHC Exemption

- ~30 years, federal guidance: PRWORA does not apply to CHCs
- Section 330 mandates service to all residents, regardless of status
- CHCs fall under the life & safety exemption

Abrupt Reversal (Summer 2025)

- HHS reinterpreted CHC care as a “federal public benefit”
- Would require immigration checks or denial of care
- Creates legal conflicts (Section 330 violations, malpractice, civil rights)
- Triggered multi-state lawsuit (Arizona joined)
- Other programs impacted:
 - Head Start
 - Meals on Wheels
 - SNAP
 - WIC

What's at Stake for CHCs

- Public Health: Patients avoiding care, worse outcomes, ER overload
- Economic: Higher uncompensated care - new admin burdens
- Community: Loss of trust, weaker safety net
- Workforce: Added stress, burnout, turnover

PRWORA and AACHC

- AACHC met with Solicitor General's office 8/29/25
- Government's case focused on 30 years of "misinterpretation" of rule
 - Lawsuit broadly written
 - Some specific conflicts may not be addressed
 - May require separate litigation
- TIMELINE
 - Judge's ruling on propriety of the stay of enforcement due mid-September
 - Optimistic it will remain in place
 - Also expect that ruling to be challenged. Perhaps as much as 6-month Court fight to settle the stay
 - Expect many years to final verdict
 - IF the stay falls or the final ruling is unfavorable, we should ask for delayed enforcement until appropriate guidance and systems put in place

Make America Healthy Again MAHA

What is MAHA

- Federal initiative launched in February 2025
- Led by the MAHA Commission within HHS
 - Addresses Sec Kennedy’s lifelong advocacy goals
- Mission is to address the rise in chronic disease with a focus on prevention

MAHA Goals

- Reduce chronic diseases: obesity, diabetes, asthma and allergies
- Identify and address root causes of childhood illness
- Shift focus from treatment to prevention
- Strengthen research and transparency in health and nutrition policy

Health and Nutrition Priorities

- Reduce reliance on ultra processed foods and artificial additives
- Promote whole food nutrition and healthier school food systems
- Support programs like Food is Medicine
- Highlight connection between environment, agriculture and public health

Chronic Disease Focus

- Rising rates of childhood obesity and diabetes are key targets
- Emphasis on early intervention and prevention
- Reduce long term costs by addressing health risks before they become chronic conditions

MAHA CHILDREN'S HEALTH STRATEGY

- Leaked draft 8/20
 - Identifies risks: ultra-processed foods, chemical exposures, poor nutrition
 - Focuses on voluntary reforms & more study rather than regulation
 - Redefine ultra-processed foods, phase out dyes, promote whole milk in schools
 - Study chronic disease, diet, prescription drug use
- Other proposals:
 - Embed nutrition/fitness into Medicaid & CHIP metrics
 - New vaccine schedule framework / vaccine injury reporting
 - Promote industry partnerships over structural reform
- Reactions:
 - Advocates frustrated
 - Nestle: “waffle words”
 - Farm Action: D+ grade

Rural Health Transformation Fund

Federal program created by HR1 - Administered by CMS

- Total funding: \$50 billion, distributed to states
 - 50% base allocation: distributed proportionally by rural population
 - \$100M annual over 5 years
 - 50% discretionary pool: awarded based on CMS review of state plans
 - Factors may include:
 - Depth of rural need
 - Innovation of proposed interventions
 - Coordination across sectors
 - Commitment to underserved populations

Stated Purpose

- Provide direct resources to states to stabilize and **redesign rural healthcare delivery**
- Encourage innovation in access, workforce, and payment models
- Support long term sustainability of rural health infrastructure

Ten Allowable Uses of Funds

- A. Chronic disease prevention and management
- B. Direct provider payments
- C. Consumer-facing tech solutions
- D. Remote supervision and telehealth
- E. Rural workforce recruitment/retention
- F. IT infrastructure and cybersecurity
- G. Right-sizing rural systems
- H. Access to SUD and mental health services
- I. Value-based and innovative care models
- J. Sustainable rural access infrastructure

Policy Framing

- HHS Secretary has positioned the RHTF as a balance between investment and fiscal restraint
- Cuts are framed as protective of long-term health by addressing fiscal sustainability

Arizona Conversations Underway

- Active discussions with Governor's Office
- Goal: Avoid “Thunderdome” competitive scramble for funds
- Proposed approach: statewide, prioritized investment strategy
- Emphasis on providers with the greatest risk and impact:
 - FQHCs
 - Rural hospitals
 - Behavioral health providers

Federal Updates

2025 Federal Budget landscape

- The 2025 Reconciliation budget process aimed to reduce federal spending by \$1.2 trillion over the next decade (a lofty goal).
 - Most of these cuts came from Medicaid, totaling \$911 billion reduction over the next decade (based on the CBO's estimates)
 - Mainly from the following areas
 - Work Requirements
 - Moratorium on provider taxes
 - Payment limit for state direct payments
 - Eligibility Redeterminations

2025 Federal Budget landscape

- CBO & Sequestration
 - CBO finds H.R. 1 will trigger PAYGO sequestrations cuts far exceeding available funds
 - Cuts would require:
 - +2% Medicare provider cut (total 4%)
 - \$370B in FY26 cuts, but only \$120B eligible
- Congress likely to intervene, but threat may justify FY26 discretionary cuts

Impacts of H.R. 1

— Eligibility Determinations

- **Effective 10/1/27:** Requires states to conduct eligibility redeterminations at least every 6 months for Medicaid expansion adults.

— Community Engagement Requirements

- **Effective 12/31/26:** Requires states to condition Medicaid eligibility for individuals ages 19-64 applying for coverage or enrolled through the ACA expansion group on working or participating in qualifying activities for at least 80 hours per month.

— Slashes to SNAP Funding

- \$300 billion reduction in SNAP funding by 2034
- Increases state administrative costs from enduring 50% of the administrative burden up to 75%

2025 Federal Budget Landscape

- Government shutdown 10/01?
- 12 appropriation bills face vote to fund FY26
 - Considered unlikely to complete in time
 - CR likely (although time span unclear)
- CR would result in level funding for Section 330, NHSC and THCGME
- Reconciliation 2.0
 - House GOP considering a 2nd reconciliation bill this fall
 - Senate Republicans skeptical about feasibility

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