

Draft Reconciliation Bill Updates

Source: PMHC for The Alliance, 6/23/25

As you know, the Senate Finance Committee's draft reconciliation bill language was released on Monday. The language, surprisingly, was more aggressive than the House-passed version in generating Medicaid savings and has touched off a serious debate over Medicaid funding, creating major hurdles for Republicans aiming to pass the package by July 4. The proposed changes would hit Medicaid expansion states hardest by phasing down provider taxes (with an exception for nursing facilities and intermediate care facilities – hospitals are notably absent from the exceptions list) and capping state-directed payments (SDPs), a move critics say punishes states that expanded Medicaid under the Affordable Care Act. These Medicaid provisions are shaping up to be one of the most contentious elements in the broader reconciliation package, which also includes tax cut extensions and immigration enforcement funding. While GOP leadership wants to move quickly, they are bypassing the usual committee hearings and markup process and plan to bring the bill directly to the Senate floor next week—a strategy that accelerates the timeline but limits opportunities for negotiation or public scrutiny.

The GOP Side:

“Moderate” Senate Republicans, including Susan Collins (ME), Lisa Murkowski (AK), Josh Hawley (MO), and Jim Justice (WV), have voiced concern that the bill goes too far in cutting Medicaid—especially in rural and low-income areas. In contrast, conservative “deficit hawks” are frustrated that the bill doesn't cut enough to meaningfully reduce the deficit. The divide is forcing leadership into a balancing act between appeasing fiscal hawks and protecting politically vulnerable members.

On the Democratic Side:

Senate Democrats, though in the minority, are leveraging procedural tools to challenge the bill under the Byrd Rule, which allows the Senate parliamentarian to strike non-budgetary provisions from reconciliation bills. Minority Leader Chuck Schumer has previewed a “vote-a-rama” strategy - a process unique to budget reconciliation where, once formal debate ends, senators can offer an unlimited number of amendments. Each amendment is voted on in rapid succession, often in an all-night session as we saw in the House in May. While most of these amendments won't pass, Democrats use vote-a-rama to force Republicans to take uncomfortable votes—for example, on Medicaid protections or rural health funding. Democrats are also preparing challenges under the Byrd Rule, which allows non-budgetary provisions to be stripped from the bill by the Senate parliamentarian.

Trump's Role and the Rural Hospital Fix:

President Trump has been urging Republicans to unify and pass the bill by July 4, emphasizing the urgency of locking in his 2017 tax cuts before key provisions expire at year's end. Camps are split on the July 4 deadline with some professing certainty that the date will be met and others indicating that the August recess is the "real" deadline. Behind the scenes, Republican senators like John Thune and Bill Cassidy are scrambling to add provisions to protect rural hospitals given the challenges that would result from the reduction of the provider tax, hoping to placate skeptics of the Medicaid cuts. A proposed special fund for rural providers is under discussion, but no deal has been finalized.

Key Flashpoints:

- **Provider Taxes:** Expansion states would see their threshold cap (for hospital assessments only) reduced annually to 3.5% (on a 0.5% step down basis) by 2031, while non-expansion states remain frozen at 6%.
- **SDPs:** Payments would be reduced 10% annually in expansion states until they align with Medicare rates; non-expansion states get more flexibility at 110% of Medicare.
- **Work Requirements:** Modified from the House version to exclude parents and caregivers of children under 15, aiming to soften criticism.

Outlook:

Leadership is under intense pressure to unify the party, but with moderate pushback, unresolved SALT cap negotiations, and the threat of Byrd Rule challenges, it's unclear whether a vote can happen before July 4. [Thorn Run Partners](#) created a [comprehensive breakdown of the major health care policy](#) reforms proposed in the Senate Finance Committee's budget reconciliation bill. The group will be releasing a side by side chart of current law, House-passed and Senate-proposed provisions in the coming days. It will be shared with PMHC as part of our participation in the [Modern Medicaid Alliance](#).