

Impacts of Recent Federal Bill (OBBB) on Virginia Budget

New Direct Costs for Virginia Budget

	FY2026 (current biennium)	FY2027	FY2028	FY2027 + FY2028 Biennium	FY2029	FY2030	FY2029 + FY2030 Biennium
SNAP administrative cost shift (begins 10/1/2026)	None	\$66 million	\$87 million	\$153 million	\$90 million	\$95 million	\$188 million
SNAP benefit cost shift (begins 10/1/2027); cost will depend on future error rate; current error rate is in highest cost shift group	None	None	up to \$211 million	up to \$211 million	up to \$281 million	up to \$284 million	up to \$565 million
Admin costs for increased SNAP paperwork	Admin cost unknown. In effect 7/4/202						
Admin costs for increased Medicaid paperwork	Admin costs unknown. Work reporting and additional redetermination requirements go into effect 1/1/2027						
Reduces federal funding for emergency Medicaid for undocumented individuals (begins 10/1/2026)	None	Not publicly available					

Increasing Need Due to New Federal Restrictions or Reduced Federal Support

FY2026

- Rising food needs from reduced SNAP enrollment:
 - Expanded SNAP work reporting requirements (In effect 7/4/2025 but USDA guidance is not yet available)
 - 47,000 adults in Virginia will be at risk of losing all SNAP benefits. Because many live with other family members, 78,000 people in Virginia could lose some or all food assistance
 - Exclusion of some lawfully present immigrants (including refugees, asylees, and people granted withholding of removal) from SNAP (In effect 7/4/2025 but USDA guidance is not yet available)
- Rising uninsured rate from Marketplace price increases:
 - Ending of enhanced premium tax credits as of 1/1/2026. Open enrollment (visible price increases) November 1, 2025
 - Over 100,000 individuals currently on the Virginia marketplace are expected to be priced out of coverage due to the end of enhanced premium tax credits
 - Blocking lawfully present immigrants with incomes under the poverty line from receiving Marketplace subsidies as of 1/1/2026
- Potential short-term funding problem at some health clinics:
 - 1-year ban on Medicaid reimbursements for non-abortion services at Planned Parenthood and some other medical providers (blocked by temporary injunction as of 7/28/2025)

FY2027

- Rising uninsured rate and demand on FQHC/free clinics and emergency departments from Medicaid and Marketplace changes:
 - Medicaid work reporting requirements (in effect 1/1/2027, could be delayed until 1/1/2029 with approved waiver)

- By 2034, 188,000 people could have coverage taken away due to the work reporting requirement provision. That's almost 1 in 3 (33%) of all adults currently accessing coverage through Medicaid expansion in Virginia.
- Increased frequency of Medicaid eligibility paperwork (additional renewal paperwork starts Dec 31, 2026)
- Eliminating access to Medicaid for certain lawfully present immigrants (refugees, asylees, and humanitarian parolees) (in effect 10/1/2026)
- Blocking certain lawfully present immigrants (asylees, refugees, Temporary Protected Status (TPS) holders, and Deferred Action for Childhood Arrivals (DACA) holders) from receiving Marketplace subsidies as of 1/1/2027
- Disenrolls from Medicare people who are refugees, asylees, and humanitarian parolees as of 1/4/2027
- In total, roughly 323,000 people in Virginia would lose Medicaid or ACA marketplace coverage from OBBB provisions and its failure to extend enhanced marketplace premium tax credits
- Additional increased food need
 - Lower SNAP benefits for all recipients due to OBBB provisions undermining SNAP food cost ("Thrifty Food Plan") calculations (eliminates expected 10/1/2026 update)
 - Potentially less federal funding for school meals due to fewer eligible students and fewer schools with Community Eligibility due to lower Identified Student Percentage data from SNAP and Medicaid enrollment decreases
- Cost shift from federal government to Virginia begins
 - Reduced federal funding for emergency Medicaid for undocumented immigrants (begins 10/1/2026)
 - Shift in SNAP administrative costs from a 50-50 split to the state having to cover 75% of administrative costs (begins 10/1/2026)

FY2028

- Hospitals may face funding challenges
 - Limits on provider taxes and state-directed payments, with step-down beginning 10/1/2027
 - The Virginia Healthcare & Hospital Association has estimated that the reduction of state-directed payments would decrease hospital revenues by roughly \$26 billion over the next 14 years, including \$1.3 billion at VCU and UVA
- Additional cost shift from federal government to Virginia
 - Shift in SNAP costs to require Virginia to pay up to 15% of benefit costs, depending on the state's SNAP payment error rate. Virginia's current error rate would require paying 15% (begins 10/1/2027)
 - Virginia shoulders full year of costs for emergency Medicaid and SNAP administration that began partway through in FY2027

FY2029

- Medicaid cost-sharing requirements begin 10/1/2028
 - Over 147,000 people would have to pay new out-of-pocket costs to access certain health care services based on DMAS enrollment data from April 2025.
- State education funding for low-income students is potentially impacted by less-accurate Identified Student Percentage data stemming from SNAP and Medicaid coverage losses