Impacts of Recent Federal Bill (OBBB) on Virginia Budget

New Direct Costs for Virginia Budget

	FY2027	FY2028	*FY2027 + FY2028 Biennium*	FY2029	FY2030	*FY2029 + FY2030 Biennium*
SNAP administrative cost shift, state portion (began 10/1/2026)	$43 million	$57 million	*$100 million*	$59 million	$61 million	*$120 million*
SNAP benefit cost shift (begins 10/1/2027) *cost will depend on future error rate; Budgeted amounts would cover costs based on Federal FY26 error rate as of Sept 2026 information; Federal FY25 error rate was in highest cost shift group*	None	$135 million budgeted, could rise to $211 million	*up to $211 million*	up to $281 million	up to $284 million	*up to $565 million*
Admin costs for new outreach, workforce training, and coordination due to H.R. 1	$1.8 million	$1.8 million	*$3.5 million*	Unknown		
Reduces federal funding for emergency Medicaid for undocumented individuals (began 10/1/2026)	Not publicly available					
Provider tax-paid admin costs for Cover Virginia (Virginia's portion of Medicaid expansion costs is paid through a tax on certain health providers)	$6.9 million via provider tax fund	$6.5 million via provider tax fund	*$13.4 million via provider tax fund*	Not yet known		
Budgeted costs to backfill health access						
Increased support for health care safety net (free clinics and federally qualified health centers)	$10 million	$5 million	*$15 million*	Not yet known		
Virginia Premium Savings program	$150 million	Program currently only funded for plan year 2027				
Costs not currently funded by the state						
Local portion of SNAP administrative cost shift (began 10/1/2026)	$22 million	$30 million	*$52 million*	$31 million	$32 million	*$63 million*

Increasing Need Due to New Federal Restrictions or Reduced Federal Support

FY2026

- Rising food needs from reduced SNAP enrollment:
  - 122,000 people in Virginia have lost food assistance since H.R. 1 went into effect.
  - Reasons for this include:
    - Expanded SNAP work reporting requirements (In effect 7/4/2025)
      - 47,000 adults in Virginia are 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)
- Rising uninsured rate from Marketplace price increases:
  - Ending of enhanced premium tax credits as of 1/1/2026
  - Almost 100,000 fewer people were able to access health insurance through the Virginia marketplace in 2026 compared to 2025 due to end of enhanced premium tax credits. This coverage decline was in line with predictions.
  - 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

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, though states can choose to delay enforcement until 7/1/2027). 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.
- Virginia backfills some expired ACA tax credits
    - Virginia Premium Savings program begins 1/1/2027, providing up to 70% savings for people with household incomes between 138% and 250% of the federal poverty level. This program includes savings for lawfully present immigrants in the 138 to 250% income range who are blocked from receiving federal Marketplace subsidies as of 1/1/2027.
    - This program is currently only funded for plan year 2027.
- 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 (began 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 10% (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.