



Special OASAS Town Hall: Federal Update

Impact of Federal Actions on NYS

An email will go out to all providers with follow up answers to questions asked during the webinar.

Overview of HR1

- \$13 B cut per year
- 2M Nyers will lose insurance coverage between Medicaid and Essential Plan cuts
 - o 1.3M lose Medicaid
 - o 730K lawfully present noncitizens could lose EP coverage
- 51,000 preventable deaths annually
- \$8B cut to hospitals and health systems
 - o Estimated 63K hospital & related jobs (\$14.4B in lost economic activity)
- SNAP cuts affect those who are served by OASAS
 - o 300k expected to lose part or all of their benefits.

Closer look at Medicaid changes and timelines

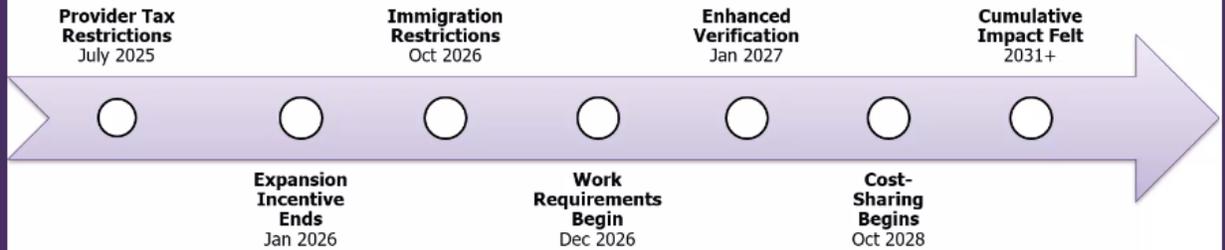
- Work Requirements (by 12/31/26)
 - o Must work/engage in qualifying activity 80 hrs per month (or qualify for an exemption)
 - o Coverage loss bars access to Marketplace insurance
 - Key Exemptions: Parents/guardians of children 13 and under
 - Medically Frail individuals, including those with SUD or disabling MH diagnoses
 - Active SUD treatment participant

There are still questions about definition of “active treatment”. OASAS understands that this means involved in treatment program at least 1x per week. The term *treatment* may not include those in recovery services or harm reduction services. There is lack of clarity on this key exemption. NYS is looking for clarification.

- Eligibility Redeterminations (12/31/26)
 - o Every 6 months – rather than annually

- Immigrant Coverage
 - o Emergency FMAP cut for immigrants (10/1/26)
 - Shifts burden of cost to hospitals and states for withdrawal managements/emergency SUD
 - o Narrows list of immigrants eligible for Medicaid CHIP/ Health exchange (10/1/26)
 - Reduces access to SUD services for legally present individuals
- Mandatory Cost Sharing (10/1/28)
 - o SUD services are exempt – as are primary care, MH services, and services from CCBHC, FQHC and rural health clinics
- Retroactive Coverage
 - o Retroactive coverage decreased from 90 to 30 days
- Provider payment caps
 - o Caps Medicaid payment for hospital based bedded services to 100% of Medicare
 - Risks underfunding hospital-based SUD bedded services
- 1115 waiver changes (1/1/27)
 - o Must be certified cost neutral
 - Limits NY's ability to innovate or expand integrated SUD care models
- Improper payment penalties
 - o HHS to recoup Medicaid funding
 - Ineligible enrollees
 - overpayments

H1 Timeline Recap



Federal Fiscal Year 2026 Budget Remains Unclear

Reconciliation Law Separate from Federal Budget Plan

'Skinny Budget' released May 2

- Still lacks detail; seeks to eliminate harm reduction services and DEI
 - OASAS developing guidance on addressing DEI
- New Behavioral Health Innovation Block Grant proposed (SAMHSA absorbed into "Administration for Healthy America")
- Targeted cuts sought:
 - SAMHSA: >\$1B (15%) cut
 - CDC: >\$3.5B (~50%) cut
 - CMS: ~\$674M cut:
 - Eliminate DEI & health equity activities
- Continuing Resolution maintains current federal funding thru Sept. 30



More changes not in HR1 that will likely be in the 2026 budget. This is separate from the reconciliation bill, and brings with it more pain to come. We will know in coming months whether these proposed changes are passed.

Substance Use block grant, MH block grant, and SOAR block grant are proposed to be merged. If this happens, there will not be dedicated funds for substance use in the United States. Concern is by merging they will cut the funds as well.

Response to Federal Actions

Working with federal/state partners to monitor funding & policy developments

Governor Mobilizing Agencies to Safeguard Against Long-Term Damage:

- Analyzing full scope of impact
- Recommending stakeholders contact Congressional representatives to undo cuts
- Considering legal & regulatory options to mitigate damage




OASAS Meeting the New Challenges

- Associate Commissioner Pat Zuber-Wilson leading agency efforts on Federal-State matters
- OASAS holding special Town Halls and communications with our addiction services providers

 Office of Addiction Services and Supports 13

Governor's press release: <https://www.governor.ny.gov/news/governor-hochul-convenes-cabinet-meeting-devastating-impacts-republicans-big-ugly-bill-new>

Health & Human Services (HHS) Policy Change

Bars undocumented immigrants from accessing federally-funded health and social services

Reinterprets federal PRWORA law—impacts various programs, including:

- MH & SUD programs funded by SAMHSA grants, including SUPTRS & MHBG (prevention/treatment/recovery)
- CCBHCs
- Community health centers
- Any federal HHS public benefit previously extended to undocumented immigrants

Rescinds prior flexibility allowing providers to be reimbursed for services to individuals regardless of immigration status

Took effect on **July 10, 2025**, with 30-day public comment period




 Office of Addiction Services and Supports 15

HHS press release: <https://www.hhs.gov/press-room/prwora-hhs-bans-illegal-aliens-accessing-taxpayer-funded-programs.html>;
Regulatory language: <https://www.hhs.gov/sites/default/files/prwora-notice.pdf>
Abbreviation: Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996

This is a law that has been around for decades, and this is a reinterpretation of this law. The OASAS block grant is used to provide support across the continuum of care, prevention treatment harm reduction and recovery, and this reinterpretation will impact the OASAS

block grant. Many of these programs getting funding from SAHMSA are designed to help those who are uninsured and in need, this will lead to negative impacts on individuals .

Impact of Policy Change on OASAS Providers

Many providers rely on federal block grants and collaborate with federally-funded clinics

HHS policy change may:

- Restrict services to undocumented clients even if medically necessary
- Trigger compliance concerns for providers unsure how to verify immigration status
- Create gaps in access, especially in immigrant-heavy communities
- Require revisions to intake forms, billing practices, and eligibility screening

HHS press release: <https://www.hhs.gov/press-room/prwora-hhs-bans-illegal-alien-accessing-taxpayer-funded-programs.html>
Regulatory language: https://www.hhs.gov/sites/default/files/prwora_notice.pdf



Office of Addiction
Services and Supports 16

These are major changes. When this was announced it went into effect immediately. There has been no time to figure out the full impact of this, and how to respond in terms of programmatic action.

HHS Policy Change: Recommendations

Recommendations for Providers:

- Coordinate with OASAS for funding clarifications
- Stay tuned for OASAS updates & guidance
- Prepare for service disruption & changes on the intake process

HHS press release: <https://www.hhs.gov/press-room/prwora-hhs-bans-illegal-alien-accessing-taxpayer-funded-programs.html>
Regulatory language: https://www.hhs.gov/sites/default/files/prwora_notice.pdf



Office of Addiction
Services and Supports 17

Questions:

- **OASAS budgets due in 6 weeks – how are we supposed to put in our budget without knowing how this will impact our budgets?**
 - OASAS has this problem too – some of these cuts aren't going to be implemented for 1-2 years. Everyone is still preparing budgets, but threats of cuts are looming in the future. Hard to deal with that – no great guidance to give. Doing the best we can with the information we have. We may need to revise what we're doing. Federal FY 2026 budget has not come out, and we don't know what additional cuts may come.
- **Are patients in residential treatment to be exempt from work requirements?**
 - The term used is “actively engaged” in treatment for SUD services. The definition is unclear. OASAS is waiting for additional guidance that could be different than this and is looking at other sectors who have gone through this in the past for a roadmap.
- **How will cuts effect primary prevention providers?**
 - Not clear. Primary prevention isn't billing Medicaid, and these cuts are about Medicaid. Reinterpretation of the PRWORA law does impact prevention programs that get funding from the federal government. Either direct SAMHSA grant, or through OASAS block grant, it will be impacted when it comes to understanding and identifying immigration status. Providing funding only for specific immigrants on the list provided by HHS.
- **Defining a disabling MH diagnosis?**
 - There is not a clear definition given. Additional guidance to come from HHS.
- **NYS requires DEI information, is this in conflict with federal guidance?**
 - NYS is working on this. NY has state law that conflicts with the federal executive order. OASAS is working to give guidance on how to address that. It impacts many systems, so OASAS is working with other systems to address this. Executive order is focused on “illegal DEI” programs – definition unclear.
- **For providers covering undocumented immigrants at this time, are we required to stop work immediately?**
 - No. Information is incomplete and additional guidance will come.
- **When should we stop using federal funds to serve immigrants?**
 - The interpretation of the law went into effect immediately, July 10, 2025. But this is not resolved yet. Anticipate hearing more in the near future.