# 2025 Policy and Budget Recommendations

## HR 1 impact

This briefing analyzes the impact of the federal bill HR 1 (2025) on the Utah Behavioral Health Commission's top budget and policy recommendations.

## Overall impact on recommendations

### Recommendation 1: Expand the capacity of the Utah State Hospital

#### A. Increases in people who are uninsured

Federal changes to Medicaid and the Affordable Care Act (ACA) are currently estimated to increase the number of uninsured individuals by 65% in Utah (additional details are provided below). As Utah sees an increase in its uninsured population, more individuals may experience behavioral health crises as they lose access to the ongoing health care services that stabilize them, such as medications or outpatient services. This could lead to an increased demand for state hospital beds, in addition to the increase already forecasted. Increased demand could lead to longer waiting lists for state hospital services, further demonstrating the need for an expansion of state hospital beds.

#### B. Disproportionate Share Hospital payment reductions

Medicaid makes Disproportionate Share Hospital (DSH) payments to hospitals that serve a large number of Medicaid and uninsured individuals. These payments are intended to offset hospitals' uncompensated care costs for serving these individuals. Each of the next three fiscal years (2026-2028) has scheduled cuts to the DSH program. Previous versions of HR 1 would have delayed these cuts, but the final version did not.

Utah is still unsure of total DSH cuts for future years, given uncertainties related to this funding at the federal level. However, significant DSH cuts could reduce funding for the state hospital.

## Recommendations 2 and 3: Fund two additional Mobile Crisis Outreach Teams (MCOTs) and up to two additional rural behavioral health receiving centers

### A. Reduced revenue from Medicaid claims

Many people who receive MCOT and receiving center services are covered through Medicaid. In calendar year 2024, Medicaid paid 3,479 claims for MCOT and receiving center services. Assuming a 36% reduction of claims paid for MCOT and receiving center services from Medicaid (based on our estimates of reduced numbers of individuals receiving Medicaid expansion), revenue from Medicaid claims will be reduced by approximately $779,000 per year.

MCOTs and receiving centers are emergency services and provided regardless of insurance status, meaning that the state and counties will be responsible for paying this additional $779,000 per year for MCOT and receiving center services for the uninsured.

### B. Increases in people who are uninsured

The increase in the uninsured population and the anticipated increase in behavioral crises may also lead to an increased demand for MCOT and receiving center services. It is difficult to estimate how many more MCOTs and receiving center services could be required and how quickly, as these policy changes will be implemented over several years.

### C. Rural Health Transformation Program options

Utah will receive at least $500 million over five years through the Rural Health Transformation Program, which was created to reduce the negative impacts of HR 1 on rural areas. However, this program funding cannot be used to build new infrastructure. Consequently, Utah could not use this fund to pay for the one-time costs of building rural receiving centers.

The Behavioral Health Commission does not recommend using the Rural Health Transformation Program for ongoing receiving center costs. Program funds will end after five years, while receiving centers will require ongoing funding beyond that timeframe.

*The following sections provide further detail on assumptions used to estimate the impacts of HR 1 on the Utah Behavioral Health Commission's recommendations.*

## Changes to Medicaid under HR 1

HR 1 created mandatory work/community engagement and six-month renewal requirements for some Medicaid members. Specifically, adults in the ACA Medicaid expansion group and in the Targeted Adult Medicaid Program will be required to complete 80 hours of work or community service activities per month, or meet exemption criteria to enroll in and maintain coverage. States will be required to complete eligibility renewal every six months (currently, this occurs every 12 months in Utah). HR 1 has a number of other provisions that impact Medicaid, including a moratorium on new or increased provider taxes and the repeal of two eligibility and enrollment rules.[1]

There are several exemptions for the new work requirements, including participating in a substance use disorder (SUD) treatment program and being "medically frail." The definition of medically frail includes individuals with SUD or a disabling mental disorder and those with serious or complex medical conditions.

It is unclear how these exemptions will be implemented, how they will be further defined, and how an individual can document that they qualify for these exemptions. Depending on implementation, individuals with these behavioral health exemptions could remain enrolled in Medicaid without meeting the work requirements and continue receiving services. Alternatively, they may face serious barriers in documenting their exemptions and lose Medicaid coverage. In addition, the exemptions would be difficult to document for individuals who have not yet received a behavioral health diagnosis and can't access treatment. Without health insurance, they would not have access to a health care provider who could provide a behavioral health diagnosis or provide them with treatment.

Approximately 33,000 individuals in Utah may lose Medicaid coverage as a result of these changes. The majority of these individuals (about 85%) are adults enrolled in Medicaid

[1] The first of the repealed rules reduced barriers to enrolling into Medicare Savings Programs, which help low-income Medicare enrollees pay their premiums. The second repealed rule required states to simplify the process of applying for and remaining enrolled in Medicaid and Children's Health Insurance Program (CHIP) coverage for seniors, persons enrolled based on disabilities, and children covered by CHIP.

expansion. (The repeal of two eligibility and enrollment rules may lead to fewer seniors, people with disabilities, children, and others receiving Medicaid coverage.)

## Changes to ACA marketplace coverage

In addition, enhanced premium tax credits for ACA marketplace coverage are expiring at the end of 2025. In Utah, 359,083 individuals purchased coverage through the ACA marketplace as of 2023. (Approximately 20% of those individuals have a behavioral health diagnosis.)  95 percent of individual policies sold through the ACA marketplace receive these premium tax credits. Researchers expect that the expiration of these tax credits will increase out-of-pocket premiums and lead to individuals' inability to afford health insurance coverage through the marketplace.

Gross premiums for ACA marketplace health plans are expected to increase, as healthier individuals drop their health insurance coverage because of increased premiums. The Congressional Budget Office has estimated that gross silver premiums (one of the tiers of marketplace coverage) will increase by approximately 7.9% as the risk pool for marketplace plans becomes sicker and more individuals become uninsured. These premium increases can cause additional individuals to drop their health insurance coverage (on top of those who drop their coverage because they no longer receive the enhanced premium tax credits).

## Total changes to uninsured population

Considering all changes to Medicaid and the ACA under HR 1, the Congressional Budget Office has estimated that HR 1 will increase Utah's uninsured population by approximately 93,000 people (a 34% increase).

Combining the impacts of HR 1 and the expiration of the ACA marketplace tax credits, the Congressional Budget Office has estimated that HR 1 will increase Utah's uninsured population by approximately 180,000 individuals. In 2023, 276,800 Utahns were uninsured, meaning these federal changes may increase the number of uninsured individuals by 65% in Utah.

## Long-term impacts of additional uninsured individuals

People without insurance coverage are less likely to access care and more likely to delay or forgo their care because of costs. Uninsured individuals are less likely to receive preventive care and services for health conditions and chronic diseases, and more likely to be hospitalized for avoidable health problems and experience declines in their health. When they are hospitalized, uninsured individuals have higher mortality rates.

There are no available analyses on how the increase in uninsured individuals in Utah may impact health care outcomes. However, previous research on changes in uninsured status suggests that health outcomes may worsen over time for Utahns, especially for individuals with chronic conditions, including mental illnesses and substance use disorders.

Finally, total health care costs may increase, as fewer individuals receive low-cost preventive and outpatient services for these chronic conditions and instead receive treatment in crisis settings, such as emergency departments and jails, which are much more expensive. Specific types of providers may face higher costs as well. Public hospitals and community clinics are often where uninsured people receive their health care. These entities may face higher costs as they serve increased numbers of individuals without health insurance. (On average, each uninsured individual leads to an additional $800 for hospital uncompensated care costs.) In addition, individuals themselves may face increased medical debt and bankruptcies.