

Publications

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Budget Reconciliation and Health Policy: Understanding the Legislative Process and Where Congress May Go Next

Key Takeaways

- The FY 2027 budget process is underway, with the president submitting his proposal April 3 and committees beginning hearings the week of April 13. Senate leadership is expected to move a budget resolution the week of April 20 with reconciliation instructions.
- Budget reconciliation allows Congress to advance spending and policy changes with a simple majority in the Senate, creating a viable path for targeted health policy reforms. Lawmakers are weighing whether to revisit health care provisions dropped from prior legislation, which could reshape Medicaid, Medicare and related programs.
- Stakeholders should monitor upcoming budget resolutions and reconciliation developments for potential inclusion of health policy changes. Early engagement with congressional committees may help shape priorities and prepare for potential shifts.

The President submitted his FY 2027 budget proposals to Congress on April 3, allowing committees to proceed with the next step of the annual appropriations process. Relevant Congressional committees are scheduled to hold initial budget justification hearings the week of April 13 with Cabinet secretaries and federal department directors.

Senate Budget Committee Chairman Lindsey Graham [R-SC] has already announced his intention to move an FY 2027 budget resolution the week of April 20. The resolution would contain reconciliation instructions for several committees to report domestic spending reductions, a defense supplemental and possibly add elements of the SAVE Act affecting voter eligibility.

By law and Senate rules, budget resolutions are subject to 50 hours of debate on the floor. Resolutions contain reconciliation instructions to designated committees to report or draft legislation to the Budget Committee that meets required spending reductions or increases outlined in the budget resolution. Reconciliation bills are debated on the floor for up to 20 hours. Both the budget resolution and the reconciliation bill can be passed with a simple 51-vote majority in the Senate.

Though it appears the current reconciliation effort will narrowly focus on ICE and Customs

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and Border Patrol funding, the question remains which health care spending reductions could be included in a so-called 3.0 future reconciliation bill. A starting point may be health care provisions that were dropped from last year's reconciliation bill, the One Big Beautiful Bill Act [P. L. 119-21]. These include:

- **Medicaid penalties:** Initial proposals to penalize states for providing health care to undocumented immigrants were not fully implemented, with some provisions failing to make the final cut.
- **Specific administrative changes:** Certain tighter, initial House-proposed restrictions on Medicaid eligibility verification for specific, targeted populations.
- **HSA (health savings accounts) and HRA (health reimbursement arrangements) expansions:**
 - **Gym memberships:** A proposal to allow HSA funds to be used for gym and fitness memberships.
 - **Expanded eligibility:** Provisions to allow Medicare recipients and those with worksite health services to contribute to HSAs.
 - **CHOICE arrangements:** The Senate removed a House-passed provision that would have codified and renamed Individual Coverage Health Reimbursement Arrangements (ICHRA) as "CHOICE" arrangements.
- **Gender-affirming care bans:** A proposed prohibition on federal Medicaid and CHIP funding for gender-transition procedures for both minors and adults.
- **Pharmacy and PBM reforms:** Measures intended to modernize Pharmacy Benefit Manager (PBM) accountability and prevent "spread pricing" in Medicaid.
- **Medicare physician payment reform:** The final law omitted a permanent, inflation-adjusted fix for physician payments, opting instead for a temporary 2.5% increase for 2026.
- **Tanning tax repeal:** An initial House proposal to repeal the Affordable Care Act's 10% tax on indoor tanning services.
- **DSH payment delay:** A proposed delay of Medicaid Disproportionate Share Hospital (DSH) payment reductions was removed, meaning these cuts would proceed as scheduled in FY 2026.
- **Reproductive service restrictions:** While some restrictions were included, certain proposed prohibitions on funding for specific family planning services were left out.

House Budget Committee Chairman Jodey Arrington, [R-TX] also intends to move a budget resolution but has not announced a date. However, he previously commented that the House has a window of roughly 60 days to move a bill before calendar challenges complicate the bill's progress. President Trump has additionally requested that Congress send him a reconciliation bill by June 1 to fund ICE and Customs and Border Patrol.

Polsinelli is prepared to assist clients in educating lawmakers about their priorities and shaping policies in relevant Congressional committees throughout this budget process. Please contact Julius W. Hobson, Jr., Steve Stranne, Mark W. Weller, Michael M. Gaba, Sylvia Kornegay, Ronke Fabayo or your preferred Polsinelli attorney to stay informed and learn how advocacy may be a resource for you and your organization.