



Policy Brief – Budget Reconciliation and Health Care

2-10-2025

Introduction

Immediately following the 2024 presidential election, GOP leaders in the House of Representatives, Senate, and incoming administration expressed a desire to use a procedural tool to advance partisan spending legislation.¹ Known as budget reconciliation, this process allows Congress to override the 60-vote threshold to advance legislation in the Senate, if the bill pertains to spending and revenue matters. Although health care remains lower on the list of GOP policy priorities this year, the use of the budget reconciliation process may impact the Trump administration and 119th Congress' health policy agenda in 2025.

What is budget reconciliation?

Budget reconciliation is an optional parliamentary procedure that accompanies the [annual budget resolution process](#). Following the President's submission of a detailed budget request (traditionally on or before the first Monday in February), the House and Senate Budget Committees compile concurrent, annual budget resolutions, which sets total spending and revenue targets for the upcoming fiscal year (beginning Oct. 1). While budget resolutions are not submitted for the President's signature and do not become law, the Senate is not permitted to [filibuster](#) their consideration. Given this caveat, the budget reconciliation process allows Congress to enact some legislation proposed in the non-binding budget resolution. When following this procedure, each chambers' Budget Committees may include reconciliation instructions in their annual budget resolution. These instructions direct specific House and Senate committees to draft legislative recommendations that: increases or decreases government spending by a predetermined amount within a predetermined timeline; increases or decreases federal revenue by specified amounts over a specified timeline; or modifies the public debt limit. Once the relevant committees complete their recommendations, they are reported back to the Budget Committees, which compile said recommendations into an omnibus budget reconciliation bill for full consideration by each chamber.

In the House, a simple majority is required to pass most legislation, including budget reconciliation bills. In the Senate, budget reconciliation bills must meet specific guidelines to receive expedited consideration and override the 60-vote threshold commonly used to end debate and advance legislation. These specific guidelines fall under the "Byrd Rule," named after former Senator Robert Byrd (D-WV), which limits extraneous provisions from inclusion and protects the rights of the

minority party. Review is sometimes referred to as a “Byrd bath.” Extraneous provisions include measures that do not affect federal outlays or revenues, measures that increase the federal deficit when a committee fails to reach its instructed reconciliation target, measures that fall outside the jurisdiction of the recommending committee, measures that raise the deficit for any year outside of the specified timeline (the reconciliation window), measures that produce only an incidental budgetary policy change, and measures that implement changes to Social Security. Any Senator may object to a provision they consider extraneous. It is the duty of the [Senate parliamentarian](#) to determine whether a reconciliation provision violates the Byrd Rule.

Budget reconciliation, established by the [Congressional Budget Act of 1974](#), was first used in 1980. Since then, Congress has delivered 27 reconciliation bills to the President’s desk, with 4 vetoed and 23 enacted in that timeframe. Most recently, the budget reconciliation process was used in 2022 to pass the landmark [Inflation Reduction Act](#), which granted Medicare the power to negotiate the prices of certain prescription drugs for the first time. However, the Senate parliamentarian notably struck down a proposal to extend inflationary penalties to drug companies offering products to private insurers, while the threat of rejection quashed prior efforts to extend drug price negotiations to the commercial market.ⁱⁱ

Why use budget reconciliation now?

President Trump, Speaker of the House Mike Johnson (R-LA), and Senate Majority Leader John Thune (R-SD) have all expressed a desire to utilize the budget reconciliation process to pass several GOP policy priorities this year. With a thinly divided Senate (53 R-47 D, including 2 independents caucusing with Democrats) and even smaller majority in the House (218 R-215 D, with 2 vacancies as of 2-10-2025), this expedited process will prove critical for passing Republican priorities without the support of congressional Democrats. Priorities including an extension of the 2017 [Tax Cuts and Jobs Act](#), immigration and energy permitting reform, and increased border security were floated for inclusion in a potential 2025 budget reconciliation bill.ⁱⁱⁱ While parliamentary guidelines allow for the passage of up to three reconciliation bills per fiscal year, congressional Republicans have initially committed to passing a single reconciliation bill in 2025.^{iv}

An extension of the 2017 Trump tax cuts alone is expected to increase federal spending by [up to \\$4.6 trillion over the next ten years](#). To offset these anticipated costs, GOP leaders in Congress have [proposed](#) a myriad of cuts to other federal programs, such as Medicaid, Medicare, the Temporary Assistance to Needy Families (TANF) and Supplemental Nutrition Assistance Program (SNAP), COVID-19 pandemic-related programs, and green energy initiatives.

What implications does budget reconciliation have for health policy in 2025?

While the exact list of proposed policies included in a reconciliation bill will not be known until the first draft of the bill is released, many experts anticipate that several health care provisions and programs will be targeted. This includes Medicaid, where work requirements, per capita caps on federal Medicaid funding to states, limitations on [Medicaid Provider Taxes](#), reductions in the

minimum Federal Medical Assistance Percentage (FMAP) for wealthy states, and equal Medicaid payments for able bodied adults were all offered to reduce the bill's overall costs. In the Medicare program, congressional Republicans have proposed the implementation of site-neutral payment reforms, which would allow Medicare to reimburse outpatient service costs at the same rate, regardless of the providing facility. Legislators have also proposed an increase in the annual Medicare physician payment rate for a potential reconciliation bill. However, this rate change would serve to increase, rather than decrease, the federal deficit. Congress may also seek to claw back excess premium tax credits awarded to beneficiaries covered under Affordable Care Act (ACA) insurance plans. Further proposed changes to the ACA include a repeal of the [Prevention and Public Health Fund](#), limitations on program eligibility to non-citizens, and reform of the ACA's cost sharing reductions. However, GOP leadership remains undecided on whether they may use a reconciliation bill as a vehicle for extending the ACA's premium tax credits, which expire at the end of 2025.^v

While a reconciliation bill would combine these health policies with other cost-saving measures and GOP priorities, there are major policy changes that may be omitted from any potential reconciliation legislation. This includes a repeal of the IRA's Medicare Drug Price Negotiation Program (DNP) and Part D reform provisions, which have proven [popular among beneficiaries](#) and would significantly increase the federal deficit if removed. The Centers for Medicare & Medicaid Services issued a statement on January 29, 2025, signaling their intent to continue the DNP. Reform of pharmacy benefit manager (PBM) business practices, which has received bipartisan support in Congress, was also suggested as a potential cost-saving mechanism that would lower the price tag of reconciliation. Yet, given the bipartisan support for these reforms, and the [removal of PBM language from last December's year-end government funding package](#), it is possible that Congress moves quickly to pass PBM reform legislation this year before any reconciliation bill is brought up for a vote.^{vi}

ⁱ Cama, T. C., Dumain, E., & Brugger, K. (2024, November 15). *House GOP declares victory, prepares for Reconciliation Bill*. E&E News by POLITICO. <https://www.eenews.net/articles/house-gop-declares-victory-prepares-for-reconciliation-bill/>

ⁱⁱ CBS Interactive. (2022, August 7). *Parliamentarian weakens Democrats' drug plan in inflation reduction act, as Senate prepares to vote*. CBS News. <https://www.cbsnews.com/news/inflation-reduction-act-senate-prepares-to-vote/>

ⁱⁱⁱ Svirnovskiy, G. (2025, January 5). *Johnson wants budget reconciliation bill on Trump's desk by end of April*. POLITICO. <https://www.politico.com/news/2025/01/05/johnson-budget-reconciliation-trump-april-00196504>

^{iv} Diaz, D., Hill, M. L., & Carney, J. (2025, January 4). *Johnson tells House Republicans that Trump wants one 'big beautiful' reconciliation package*. POLITICO. <https://www.politico.com/news/2025/01/04/johnson-trump-reconciliation-package-00196487>

^v Cirruzzo, C., & Leonard, B. (2025, January 13). *Health programs on the GOP chopping block*. POLITICO. <https://www.politico.com/newsletters/politico-pulse/2025/01/13/health-programs-on-the-gop-chopping-block-00197733>

^{vi} Bath, N. W., Bajnrauh, H., Hussey, K. B., & Rubinger, K. E. (2024, November 19). *Budget reconciliation and other tools to implement health policy in the 119th Congress and new administration*. Manatt, Phelps & Phillips, LLP. <https://www.manatt.com/insights/webinars/manatt-health-discusses-budget-reconciliation-and>