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WASHINGTON POLICY STRATEGY Potomac Perspective

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The Senate Parliamentarian advised that the Senate Finance Committee's proposal on Medicaid does not comply with reconciliation rules, according to Punchbowl News. This will force Republicans to either rewrite their proposal or find offsets elsewhere. This development could delay consideration of the "One Big Beautiful Bill" (OBBB) and lower the already slim chances that the bill can be finished by July 4, a goal of Republican leaders.

- Senate Republicans already faced obstacles to passing their version of the OBBB in time for President Trump to sign the legislation on July 4, but reports that the Senate Parliamentarian advised that the bill's Medicaid provisions violate reconciliation rules (aka Byrd Rule) raise them even higher. Just passing the bill through the Senate by July 4 would be an accomplishment, much less finishing the entire legislative process.
- Today's news is not fatal to the OBBB or even to the proposed Medicaid cuts. It appears the Parliamentarian may have ruled those parts of the plan impacting Medicaid funding for certain groups (illegal immigrants) would violate the Byrd Rule. Republicans could possibly rewrite those provisions.
- The Republicans' bigger challenge is that the changes to Medicaid which do not violate the Byrd Rule face opposition from a significant block of GOP senators, without whose support the bill cannot pass. Any disagreements on Medicaid might mean Republicans need to pivot to other offsets. This raises the risk for items not currently in the bill and makes the removal of other controversial proposals more problematic. Republicans had been relying on Medicaid savings to "pay for" some tax cuts and deficit reduction.
- Today's development could slow down the ongoing negotiations over the OBBB, but it does not change our base case which has been that Congress is likely to pass a final OBBB in late July or early/mid-August.

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