

Severing Our Social Safety Net:

Potential Privatization Impacts of the One Big Beautiful Bill Act on States and Local Safety Net Programs

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The harm that the One Big Beautiful Bill Act (OBBBA) will bring to [healthcare programs](#), [clean energy efforts](#), [food assistance](#), [the tax system](#), and more has been analyzed and well-documented. But another threat to localities and states lurks in the background. The OBBBA creates conditions that could incentivize or pressure local and state governments to increase or broaden current contracting of core public programs and services, especially social safety net programs—or privatize them completely. This would result in corporations and billionaires taking control of an ever-increasing share of our public goods, while extracting more money from cities and states to increase profits.

This Issue Brief examines several provisions of the OBBBA related to the Medicaid and SNAP programs that may contribute to increased privatization of these programs in localities and states. For localities and/or states considering contracting out important functions of these programs and services, our paper, [“Understanding and Evaluating Contracts for Public Services,”](#) is also worth consulting.

State Medicaid Programs

The OBBBA makes several changes to the Medicaid program that may put financial and workload pressure on state and local governments. In response, some state and local governments may sign new contracts or increase the scope of existing contracts to fulfill these new requirements.

For example, the Act includes the following requirements:

- able-bodied adults (with a few exceptions) must work or participate in a qualifying activity, such as an educational program, at least 80 hours per month. Affected Medicaid recipients must affirm monthly that they have met this requirement;
- effective 2027, recipients in Medicaid expansion states must recertify eligibility every six months (instead of annually)
- by October 2029, states must submit to federal Department of Health and Human Services information to determine whether a recipient is eligible for Medicaid and prevent enrollment of recipients in multiple Medicaid programs;
- certain non-citizen residents may not receive Medicaid benefits (which could necessitate citizenship verification processes).

These types of provisions will increase the workload for states (and in some cases, counties) to administer their Medicaid program. States may have to hire additional staff to process additional information from program recipients and applicants, as well as submit additional documentation to the federal government. In many cases, states may opt to hire third-party private contractors to handle this additional work or expand existing contracts for call-center and program administration services. Additionally, states may have to sign new contracts or amend existing contracts to add the needed technological capabilities to existing Medicaid technology systems to be

able to process new information such as work verification documents, or the increased number of eligibility recertification documents.

Many states are already experiencing staffing shortages in their Medicaid programs, which these types of requirements could compound. In 2024, KFF and the Georgetown University Center for Children and Families (CCF) conducted its annual survey of Medicaid and CHIP program officials in the 50 states and the District of Columbia (DC). They found that 41 states reported frontline eligibility staff vacancies, while 32 states reported call center staff vacancies. Approximately two-thirds of states report moderate to significant impacts related to eligibility staff vacancies, recruitment, training, and retention.^[1] KFF and the Georgetown University CCF's 2023 survey reported that 16 states hired new contractors as a strategy for dealing with on-going staffing deficiencies.^[2]

While the above provisions increase both the type of information that Medicaid recipients must submit and the frequency at which recipients must submit it, how state Medicaid programs will pay for these increased workload demands is an important question. The Congressional Budget Office estimates the decrease in federal Medicaid expenditures resulting from OBBBA may total \$1 trillion over the next 10 years.^[3] This would represent 15% of federal spending on Medicaid over that time period.^[4] The National Academy for State Health Policy explains that the impact on state budgets will significantly impact the 40 states and Washington, DC, that have expanded Medicaid, with between 10 and 21 percent reductions in federal spending. The ten states that have not expanded Medicaid will experience reductions in federal spending of between 6 and 11 percent.^[5]

Georgia's experience with Medicaid work and qualifying activity requirements may be instructive in understanding how some of these provisions might impact state budgets and contracting behavior. In October 2020, the state was approved for a waiver from the federal Centers for Medicaid and Medicare Services (CMS) for its program, "Georgia Pathways to Coverage." The demonstration project (which the state chose to engage in instead of Medicaid expansion) began in July 2023 and covered individuals aged 19-64 with household incomes up to 95% of the Federal Poverty Level (FPL) who are not otherwise eligible for Medicaid. One key aspect of this program was the addition of an 80-hour per month work/qualified activity requirement for Medicaid coverage, like the work/qualifying activity requirement in the OBBBA. In a recent independent evaluation of the program performed by the Public Consulting Group, evaluators found that the work requirement had significant impacts on Medicaid enrollment, and older applicants were less likely to be found eligible for Medicaid due to failure to comply with the work requirement.^[6]

Importantly, the task of verifying whether recipients complied with the 80-hour work/qualified activity requirement on a monthly basis proved to be an administrative burden to both recipients and agency staff.^[7] The state found it so burdensome that they changed the verification interval from monthly to annually.^[8] *The Current* and *ProPublica* found that the program had cost federal and state taxpayers more than \$86.9 million by the end of 2024, of which 75 percent of this went to consultants, such as Deloitte. In fact, the state paid \$50 million to Deloitte for a technology system for the program that has been plagued with technological glitches and has been difficult for some applicants to navigate.^[9]

Georgia's experiment with its Medicaid program shows that the types of requirements in the OBBBA that add to the administrative burden of already squeezed state agencies not only hurt program applicants and recipients, but can create the conditions to shift limited public dollars to private contractors.

Supplemental Food Assistance Program (SNAP)

Similarly, the OBBBA makes changes to the SNAP program that impact states' workload required to comply with new requirements, including:

- expanding existing work requirements to include able-bodied adults aged 55-65 and parents or guardians with children over the age of 14; and
- no longer allowing certain non-citizen residents to receive SNAP benefits (which could necessitate citizenship verification processes)

These types of requirements can add administrative burdens and costs to states as they administer the SNAP program. Moreover, the OBBBA cuts important SNAP funding for states, such as:

- beginning in 2028, requiring states to contribute a percentage of the cost of SNAP benefits based on their payment error rate. States with payment error rates below 6 percent would pay no portion of SNAP benefits costs, states with error rates between 6-8 percent would pay 5 percent, states with error rates between 8-10 percent would pay 10 percent, and states with error rates above 10 percent would pay 15 percent;
- beginning 2027, reducing federal share of the cost of administering SNAP from 50 percent to 25 percent.

The SNAP benefit cost reduction will likely impact many states. Only one state in the last 20 years has never had an error rate above six percent. The Center on Budget and Policy Priorities has published [charts](#) that detail past state error rates and calculate the fiscal impact states would experience under various error rate scenarios.^[10]

This punitive provision misses the important context that errors in state SNAP programs are happening in an environment of long-term decline in federal funding for SNAP administration and public sector employment issues, such as staffing shortages and high turnover rates.^[11] Taking additional funding away from the program while increasing program administrative workloads does not enable states to improve program outcomes. Instead, it opens the door wider for corporate takeover of a vital program.

Additionally, the OBBBA's reduction of the share of program administration costs paid by the federal government will increase the share of program administration costs to states from 50 to 75 percent. This increased cost to states may reduce the capacity of state agencies, some already stretched thin,^[12] to adequately administer the SNAP program.

These funding cuts may force states to severely shrink their SNAP programs or reduce other essential public services to pay for funding gaps. Some states may turn to contractors in an attempt to rein in costs to keep their SNAP program afloat.

Past experiments in privatization, such as those in Texas and Indiana, which privatized many functions related to the administration of SNAP and other social service programs, provide lessons in how disastrous privatization of social safety net programs can be. These privatization efforts were driven in part by contractor promises to save administrative costs.^[13] But contractor promises of doing public work better, cheaper, and faster often have been unfounded. In Texas, privatization led to many eligible applicants waiting months for food assistance or erroneously denied assistance all together. In the end, cost savings never materialized, and the state cancelled the contract early.^[14] Similarly, Indiana cancelled their over \$1 billion contract only three years into the ten-year term. SNAP applicants and recipients experienced numerous problems, "including lost documents, delays in benefit approvals, and poor service."^[15] The state of Indiana and its contractor were engaged in years of litigation related to the contract failure.^[16] The negative fiscal and public program capacity impacts of these failed privatization experiments have lingered for years in both states.^[17]

Medicaid and SNAP are important bedrock social safety net programs that many Americans rely on for health care and food assistance. As of January 2025, 71.4 million people were enrolled in Medicaid.^[18] Over 40 million people utilize SNAP to put food on their dinner tables.^[19] Starving these programs does not make them better. Starving these programs prevents them from carrying out their critical public missions, while hurting large numbers of people, including children and people with disabilities. Starving these programs also creates conditions for the privatization of these vital programs. As states and localities consider options to deal with the OBBBA's impacts on these programs, it is important that they examine the lessons from past experiences with privatization that show that corporate control of public safety net programs often fails those in need and takes public programs even further away from their public missions.

Endnotes

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- [2] Tricia Brooks, Alexa Gardner, Peyton Yee, Jennifer Tolbert, Bradley Corallo, Sophia Moreno, and Meghana Ammula, "A Look at Medicaid and CHIP Eligibility, Enrollment, and Renewal Policies During the Unwinding of Continuous Enrollment and Beyond," KFF, June 20, 2024. <https://www.kff.org/report-section/medicaid-and-chip-eligibility-enrollment-and-renewal-policies-as-states-prepare-for-the-unwinding-of-the-pandemic-era-continuous-enrollment-provision-report/>
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- [7] Ibid.
- [8] Margaret Coker, "Georgia Touts Its Medicaid Experiment as a Success. The Numbers Tell a Different Story," ProPublica, Feb. 19, 2025. <https://www.propublica.org/article/georgia-medicaid-work-requirement-pathways-to-coverage-hurdles>
- [9] Ibid.
- [10] Katie Bergh, Dottie Rosenbaum and Wesley Tharpe, "House Reconciliation Bill Proposes Deepest SNAP Cut in History, Would Take Food Assistance Away From Millions of Low-Income Families," Center on Budget and Policy Priorities, May 28, 2025. <https://www.cbpp.org/research/food-assistance/house-reconciliation-bill-proposes-deepest-snap-cut-in-history-would-take>
- [11] Samantha Sanders and Nina Mast, "How Republicans in Congress are trying to quietly privatize SNAP through the back door of disaster relief," Economic Policy Institute, November 26, 2024. <https://www.epi.org/blog/how-republicans-in-congress-are-trying-to-quietly-privatize-snap-through-the-back-door-of-disaster-relief/>
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