

# Health Care in Governor Shapiro's 2026–27 Proposed Budget

## *What Increased, What Stayed Flat, and What Was Reduced*

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**The Governor's FY 2026–27 proposed budget** includes several changes to health care funding, primarily within the Department of Human Services. While the proposal increases funding in several key areas, most of the growth reflects rising health care costs and enrollment pressures, rather than major policy expansions.

Understanding where funding increases, remains flat, or declines helps illustrate the Commonwealth's priorities and the ongoing pressures facing Pennsylvania's health care system.

### Key Takeaways

- The largest health care increases in the proposal are concentrated in Medical Assistance (Medicaid), reflecting enrollment growth and rising health care costs rather than a new expansion of coverage.
- Medical Assistance Capitation, which funds managed care plans that serve most Medicaid enrollees, increases by \$566.1 million (about 14.9%).
- Medical Assistance–Community HealthChoices, which supports long-term services and care for older adults and people with disabilities, increases by \$502.7 million (about 7.5%).
- Medical Assistance Fee-for-Service increases by \$28.3 million (about 4.0%), and the payment to the Federal Government for the Medicare Drug Program increases by \$47 million (about 4.3%).
- Mental Health Services also increases by \$64.7 million (about 6.9%), and Children's Health Insurance Program (CHIP) increases by \$7.6 million (about 7.9%).
- At the same time, several targeted health care programs are reduced or eliminated, including Medical Assistance Physician Practice Plans and Critical Access Hospitals.

### Why Health Care Funding Matters in the 2026–27 Budget

Health care is one of the largest areas of spending in Pennsylvania's state budget, and it plays a critical role in ensuring residents can access medical care, behavioral health services, and prescription drugs. As Pennsylvania lawmakers negotiate the FY 2026–27 budget, understanding how proposed investments and reductions affect health coverage and services is key to evaluating whether the budget meets Pennsylvanians' needs.

At the same time, the budget notes that federal policy changes under H.R. 1 are projected to remove more than \$20 billion in federal funding from Pennsylvania's

Medicaid program over 10 years beginning in 2028. This makes it even more important to understand how the Commonwealth is allocating state health care dollars now and what fiscal pressures may lie ahead. While the full fiscal effects of these federal changes are still being assessed, Pennsylvania Health Access Network estimates that Pennsylvania could lose more than \$1.2 billion each year through Pennie and about \$53 billion in Medicaid funding over 10 years. With that loss Pennsylvania would be left with the consequences of higher uncompensated care costs, hospitals at risk of closure, job losses, and reduced state and local tax revenue.<sup>1</sup>

### **Medical Assistance (Medicaid)**

The Governor’s proposal increases several core Medicaid appropriations. The largest increase occurs in Medical Assistance Capitation, which supports the managed care system that provides coverage for the majority of Medicaid enrollees in Pennsylvania. The proposal increases capitation funding from \$3.8 billion to \$4.4 billion, a \$566 million increase (14.9%).

The proposal also increases Medical Assistance–Community HealthChoices, which supports long-term services and care for older adults and people with disabilities, from \$6.7 billion to \$7.2 billion, a \$503 million increase (7.5%).

This growth pattern is consistent with expected cost growth and caseload changes rather than a structural redesign of coverage.

At the same time, not every Medicaid-related line item grows. The proposal reduces several specific appropriations within the Medical Assistance program, including funding for physician practice plans and long-term living services. (See “What got cut or reduced?” and Table 1.)

### **Mental Health Services**

The proposed budget increases funding for Mental Health Services from \$938.6 million to \$1.003 billion, a \$64.7 million increase (about 6.9%).

This increase is one of the more significant increases within the Department of Human Services budget and reflects continued demand for behavioral health services across the Commonwealth rather than just keeping pace with inflation.

### **Children’s Health Insurance Program (CHIP)**

Funding for CHIP increases from \$96.6 million to \$104.3 million, a \$7.6 million increase (about 7.9%).

CHIP provides health coverage for children whose families earn too much to qualify for Medicaid but cannot afford private insurance.

### **Programs That Remain Flat Funded**

Several Medical Assistance specialty lines are essentially flat funded in the proposed budget, meaning they receive little or no increase compared to the current year.

These include Obstetric and Neonatal Services, Trauma Centers, Academic Medical Centers, and Expanded Medical Services for Women.

Flat funding can effectively function as a reduction in real terms if inflation and health care costs continue to rise.

### Programs That Were Cut or Reduced

Several health-related appropriations decrease in the proposed budget. Notable reductions include:

- Medical Assistance Physician Practice Plans decreases from \$10.6 million to \$4 million (-62.2%).
- Medical Assistance Long-Term Living decreases from \$212.7 million to \$188.5 million (-11.4%).
- Autism Intervention and Services decreases from \$37.4 million to \$35.3 million (-5.6%).
- Special Pharmaceutical Services decreases from \$0.45 million to \$0.4 million (-11.1%).

These reductions occur even as overall Medicaid spending grows due to broader system costs.

**Table 1:** FY 2025–26 vs proposed FY 2026–27 (selected health care lines)

*Amounts are in thousands (as shown in the budget book).*

Line item	2025–26	2026–27 proposed	Dollar change	Percent change
Medical Assistance Capitation	3,792,846	4,358,991	566,145	14.9%
Medical Assistance Fee-for-Service	702,847	731,161	28,314	4.0%
Payment to Federal Government - Medicare Drug Program	1,082,550	1,129,538	46,988	4.3%
Mental Health Services	938,613	1,003,276	64,663	6.9%
Children’s Health Insurance Program (CHIP)	96,643	104,257	7,614	7.9%
Medical Assistance Transportation	68,346	70,117	1,771	2.6%
Medical Assistance Community Health-Choices	6,728,341	7,231,075	502,734	7.5%
Medical Assistance Long-Term Living	212,657	188,464	(24,193)	-11.4%
Medical Assistance Physician Practice Plans	10,571	4,000	(6,571)	-62.2%
Autism Intervention and Services	37,406	35,311	(2,095)	-5.6%

Source: Governor’s Executive Budget 2026–2027, PA Department of Human Services, Medical Assistance program appropriations and Human Services summary tables.

## Why This Matters

Health care funding shapes whether Pennsylvanians can access the services they need to stay healthy, manage chronic conditions, and receive care in times of crisis. State investments in Medicaid, behavioral health, and children’s coverage help ensure that families, older adults, people with disabilities, and low-income residents can get medical care, prescription drugs, and other essential services. Yet these needs come at a time of growing fiscal pressure.

Pennsylvania is already facing a growing structural deficit, and projected federal Medicaid cuts will deepen those challenges. If Pennsylvania is going to protect access to care in the face of rising costs and federal funding losses, state leaders will need new, sustainable sources of revenue. This is why our For Our Common Wealth campaign calls for the wealthiest Pennsylvanians and highly profitable multinational corporations to pay their fair share—so our Commonwealth can fund health care and other vital public services.

### **Footnotes**

1. Pennsylvania Health Access Network, “OBBA Impact on PA by CD,” PDF, July 8, 2025, accessed March 12, 2026, <https://www.pahealthaccess.org/wp-content/uploads/2025/07/OBBA-Impact-on-PA-by-CD-7-8-2025-1.pdf>.