

CWLA-AAICAMA Policy Update

January 2026 Summary

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1. Major 2025 Recaps

Congress closed out 2025 year with two major questions still pending:

- Whether and how to extend the ACA enhanced premium tax credits
- Appropriations and funding for FY 2026

These will be two of the main focuses for Congress in the early months of this year; more on both below.

The major “achievement” of 2025 was HR 1, the budget reconciliation bill, with all the cuts to Medicaid, SNAP, higher ed, and green energy and the extension of the 2017 tax cuts. States will be grappling with the impacts on their budgets in their upcoming legislative sessions, and both Republicans and Democrats will make the impacts of this bill the centerpiece of their campaign strategy for November.

2. 2026 Forecast

The second year of this Congress will continue in some of the same ways as we’ve already seen so far:

- ICE and CBP have a massive influx in funding and are using it to rapidly expand immigration enforcement and detention of children and families. This is set against the backdrop of the murder of Keith Porter, Renee Good and others at the hands of ICE
- States are grappling with huge funding cuts as a result of HR1 and will need to figure out how to make up the holes in their budgets
- International policy in Venezuela, Iran, Israel and Greenland is complicated and is taking up a lot of Congress’s time and focus

ACA Enhanced Premium Tax Credits

These tax credits were applied when individuals or families purchase healthcare plans through the ACA Marketplace, making premiums more affordable, but they expired on December 31 because Congress did not extend them in reconciliation or in the healthcare package that passed the House. Premiums will have roughly doubled in anticipation of the expiration of the EPTCs. There were two hearings in the Senate about addressing healthcare costs, both which focused on partisan solutions:

- [Senate Finance hearing](#)
- [Senate HELP hearing](#)

In December, there were three plans that were introduced in the Senate, though none of them had enough votes to pass:

- Democrats introduced a bill to extend the EPTCs for 3 years, which was voted on, per the agreement to end the shutdown. It received some support from Moderate Republicans.
- Senator Cassidy (R-LA) introduced a bill to put funding into health savings accounts, which was voted on. It received only partisan support from Republicans.
- Senators Collins (R-ME) and Moreno (R-OH) have a plan that would extend them for a year, cap the full benefit at 400% of the federal poverty rate, and eliminate zero-premium plans. This bill has not been voted on.

Meanwhile, the House passed a healthcare package that did NOT include the EPTCs in December. Initially there was discussion about including amendments that would address the ACA tax credits, but ultimately Speaker Johnson did not hold a vote on amendments to include the extension.

BUT: Four Republicans signed on to Minority Leader Jeffries' discharge petition to force a vote on his bill to extend the EPTCs: Rep. Brian Fitzpatrick (PA-01), Rep. Ryan Mackenzie (PA-07), Rep. Rob Bresnahan (PA-08), and Rep. Mike Lawler (NY-17). There were other discharge petitions filed, but only this one got the 218 votes needed to pass. This bill, HR 1834, was passed by the House on January 8th 230-196, and 17 Republicans voted in favor. The bill was sent to the Senate, where the companion bill from Minority Leader Schumer had already been defeated and Majority Leader Thune has said he won't hold a vote on it.

3. Appropriations Update

Annual Appropriations bills are moving through Congress. As a reminder, Congress included 3 full-year funding bills in the package to reopen the government, leaving 9 more bills that they need to pass before the January 30th deadline when funding runs out.

Since then, the House and Senate have passed another 3 bills: Interior-Environment, Commerce-Justice-Science and Energy-Water. It's expected that the President will sign these ahead of the funding deadline.

Additionally, the House has passed two more appropriations bills: Financial Services and National Security and State Dept. The Senate will need to take up these bills and pass them as well.

Late Monday night, House and Senate released the last 4 appropriations bills: Labor, Health and Human Services and Education (Labor-HHS), Transportation, Housing and Urban Development (THUD) Department of Defense, and Department of Homeland Security. These are the most controversial and largest of the funding bills, and to group them together was intentional: Republicans hope to force Democrats to vote favorably on the Defense and DHS bills by pairing them with the Labor-HHS and THUD bills which contain important human services funding.

It's expected that the House will move the first 3, then vote on DHS separately, this week. The Senate will vote on all 4 together next week.

The Labor-HHS bill and THUD, which include most child welfare and human service funding, include decent "topline" funding levels and these important funds:

- Increase of \$85M for CCDBG and Head Start
- Small increase for Title IV-B PSSF, Family Violence Prevention Services, and IDEA
- Some language to protect permanent supportive housing funding
- Decrease in estimated funds to be spent on IV-E entitlements (Foster Care and Adoption Assistance payments)
- Preserved funding for ED programs
- Full funding for housing vouchers

4. Administrative Actions

SAMHSA Grant Cancellation

Last week, HHS sent grant termination letters to approximately 2,000 SAMHSA grantees, totaling nearly \$2B in rescinded funding for mental and behavioral health services around the country. The terminated grants compromised most of the discretionary mental health and substance use grants outside the block grants and 988 suicide prevention line. The President's budget request for FY 2026 would have zeroed out these grants and subsumed some of the funds into the larger block grants. The letters that programs received stated that the grant projects no longer aligned with the Administration's priorities.

Congressional Appropriators from both parties immediately weighed in and [HHS reversed course](#) less than 24 hours later. Had the cuts been allowed to go forward, this action would have entirely derailed the ongoing negotiations on the Labor-HHS Appropriations bill.

We remain very concerned that these cuts will come back around in the future, once the funding bill is passed.

HHS Funding Freeze for Child Care

Last week, [HHS announced](#) that it was freezing funding for 5 Democratic states for the Child Care and Development Fund (CCDF), Temporary Assistance for Needy Families (TANF), Social Services Block Grant (SSBG), all mandatory federal funding sources that support child care, although SSBG and TANF are much broader than just child care. This freeze was based on accusations of fraud and abuse in these programs in California, Colorado, Illinois, Minnesota, and New York, however in the letters to states, no specific instances of fraud were included.

There are multiple lawsuits underway, and a federal [Judge has issued](#) a temporary restraining order for two weeks in the suit brought by the Attorneys General in the five states.

HHS Makes Child Care Changes

On January 2, 2026, the U.S. Department of Health and Human Services, Administration for Children and Families announced a [notice of proposed rulemaking \(NPRM\)](#) to remove or modify some of the mandatory provisions included in the 2024 CCDF Final rule changes. Comments from the public are due in 30 days on February 4, 2026.

Among other things, the new rule would remove the following provisions that were finalized under the previous administration:

- capping copays at 7% of income

- repayments based on enrollment instead of attendance

Both of these provisions have impacts for children in families with low incomes and children in foster care, who have many reasons why attendance at daycare might be inconsistent and scattered.

[Summary from Child Care Aware of America](#)

Administration Seeks to End Gender Affirming Care for Minors

On December 18, 2025, the Trump Administration [announced new actions](#) restricting gender affirming care for minors, in compliance with Executive Order, “[Protecting Children from Chemical and Surgical Mutilation](#).” There were three new proposed rules that were published:

1. A CMS NPRM will prevent hospitals from providing puberty blockers, hormone treatments, or surgical procedures to minors if they wish to participate in Medicare or Medicaid. This funding nationally makes up about 50% of hospital funding (though it varies widely between hospitals).
2. A second CMS NPRM would also bar Medicaid and CHIP from paying for these same treatments for minors. 99% of children in foster care and many children adopted from foster care rely on Medicaid for health coverage.
3. An [HHS](#) rule will roll back changes to definitions of disability under Section 504 of the Rehabilitation Act to include gender dysphoria, made by the previous Administration.

Comments on all three NPRMs are due in February.