OBBBA Tuesdays

Understanding & Communicating the Financial Impact for Hospital Stakeholders

Forvis Mazars: Jean Nyberg, Courtney Young, & Mike Hurlburt

UNC Health: Will Bryant, CFO

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Agenda

1. Introductions of Speakers
2. Review & Recap
3. Panel Discussion with Will Bryant
4. Q&A

The information set forth in this presentation contains the analysis and conclusions of the author(s) based upon his/her/their research and analysis of industry information and legal authorities. Such analysis and conclusions should not be deemed opinions or conclusions by Forvis Mazars or the author(s) as to any individual situation as situations are fact-specific. The reader should perform their own analysis and form their own conclusions regarding any specific situation. Further, the author(s)' conclusions may be revised without notice with or without changes in industry information and legal authorities.

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Achieving Health
Core Capabilities

Healthcare organizations should develop and continually improve upon five core capabilities as a prerequisite to Achieving Health for individuals, communities, and their enterprises.

Scan to learn more.

Achieving Health

Navigating the Legislative, Regulatory, and Payor Environment

Legislative Disruption

New Federal policies under the current administration are reshaping reimbursement, requiring new strategies due to Provider Taxes and Medicaid spending cuts

Regulatory Strategy

Federal and State budget impacts are requiring a heightened focus on short and long-term performance improvement initiatives

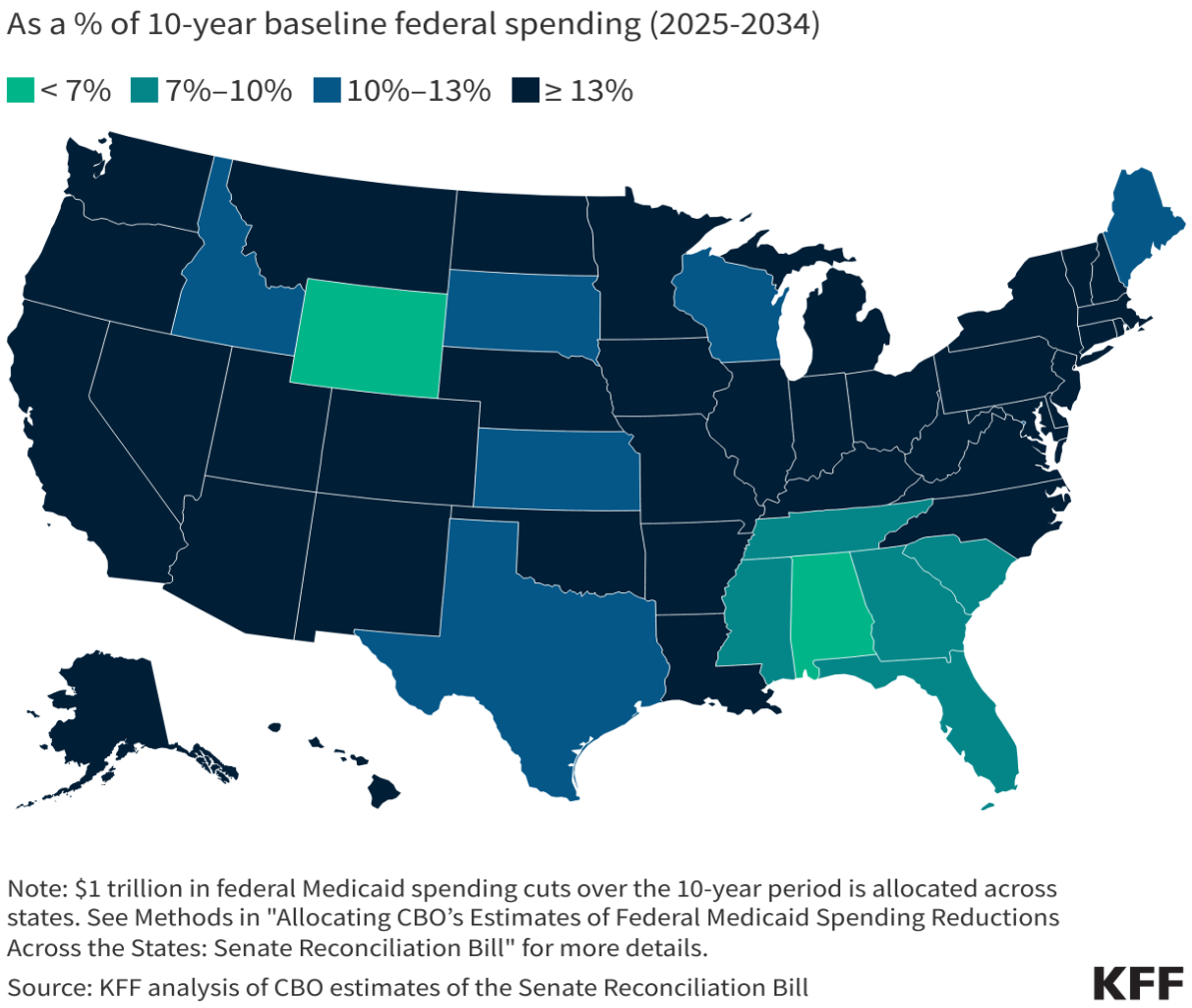
Payor Dynamics

Evolving reimbursement models demand stronger talent in health systems, highlighting the shortage of this workforce pipeline

Sources: Forvis Mazars Mindsets 2025, Forvis Mazars Market Point of View

OBBBA: Medicaid Financing

Federal cuts to states of $1T over 10 years represent 15% of federal spending on Medicaid.



Note: $1 trillion in federal Medicaid spending cuts over the 10-year period is allocated across states. See Methods in "Allocating CBO's Estimates of Federal Medicaid Spending Reductions Across the States: Senate Reconciliation Bill" for more details.

Source: KFF analysis of CBO estimates of the Senate Reconciliation Bill

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Key Financing Changes

- Provider tax freeze & reduction to 3.5% for expansion states ($191B)
- State-directed payment freeze & reduction ($149B)
- Uniform provider tax requirements ($35B)
- Emergency Medicaid FMAP reduction for expansion population ($28B)
- Repeal FMAP enhancement for states that haven't expanded ($14B)

Source: "Inflation Reduction Act Health Insurance Subsidies: What is Their Impact and What Would Happen if They Expire? | KFF

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OBBBA: Medicaid Financing

Provider Taxes

- No new provider taxes allowed after enactment (July 4, 2025)
- Phases down (beginning in FFY 2028) the current provider tax 'safe-harbor' threshold of NPR will reduce by 0.5% per federal fiscal year until new cap of 3.5% is reached for Medicaid expansion states by FFY 2032
    - Exempts nursing facilities and intermediate care facilities

State Directed Payments (SDPs)

- Existing SDPs can be grandfathered up to the amount approved for the rate period approved or for which "good faith" effort to receive approval was made before May 1, 2025, until the first phase down in SFY 2029
- Beginning with rate periods on/after January 1, 2028 the total amount of the grandfathered preprint is phased down by 10% each SFY until the amount reaches 100% of Medicare for expansion states and 110% of Medicare for non-expansion states
- Any new SDP are capped at 100% of Medicare for expansion states and 110% for non-expansion states

Temporary 5% FMAP Bonus for New Medicaid Expansion

- Eliminated temporary 5% FMAP bonus incentives for newly expanded states on January 1, 2026

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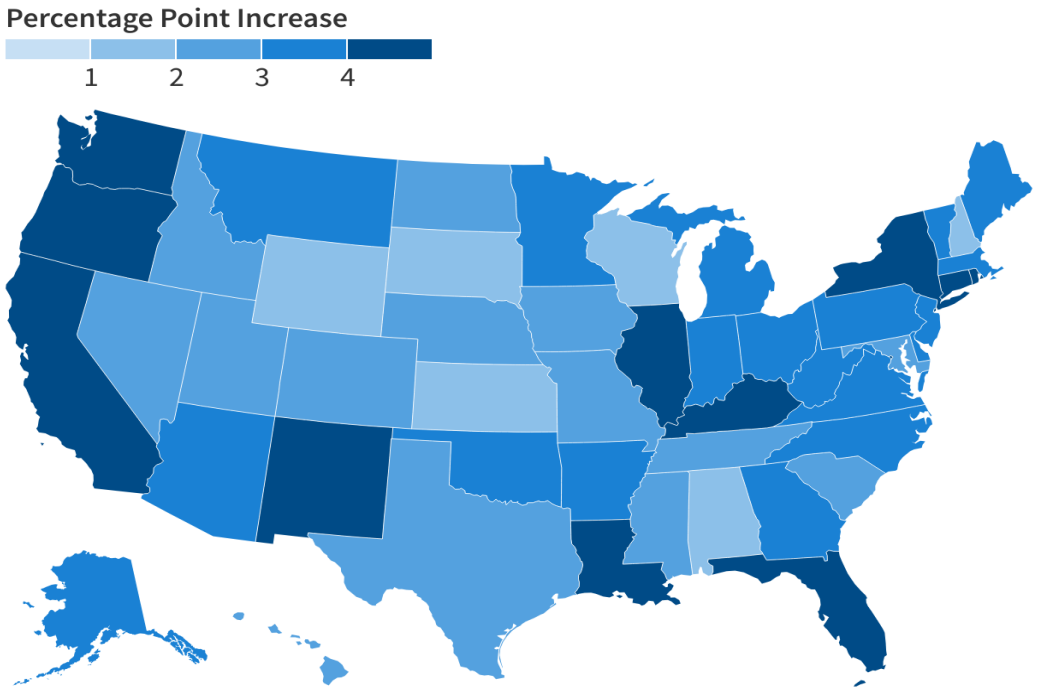
OBBBA: Coverage Impact

Changes to Medicaid and Exchange eligibility are projected to increase the uninsured by 10 million.

2034 Projected Uninsured Increase
OBBBA Medicaid & Exchange Provisions



Note: This map takes into account the effects on the uninsured population of passing the One Big Beautiful Bill Act. See methods for details.

Source: KFF analysis of population data from Weldon Cooper Center for Public Service; estimates of uninsured population growth by policy change from CBO, and KFF estimates of how the uninsured increase would be allocated across states (see Methods for additional sources and details).

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Medicaid

- Work requirements for select individuals ($326B)
- Increased redeterminations for expansion population ($62B)
- Reduced retroactive eligibility ($4.2B)

Exchange

- Increased income verification requirements ($37B)
- Limits premium tax credit eligibility for certain SEPs ($39B)
- Restricts premium tax credit eligibility for non-citizens ($120B)

Source: https://www.kff.org/affordable-care-act/issue-brief/how-will-the-2025-reconciliation-bill-affect-the-uninsured-rate-in-each-state-allocating-cbos-estimates-of-coverage-loss/

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OBBBA: Coverage Impact

Work/Community Engagement Requirements

- Requires states to condition Medicaid eligibility for individuals ages 19-64 applying for coverage or enrolled through the Affordable Care Act (ACA) expansion group (or a waiver) on working or participating in qualifying activities (e.g., employment, community engagement, volunteering, or qualified education) for at least 80 hours per month
  - Seasonal workers may qualify if average monthly income meets statutory standard.
- Mandates that states exempt certain adults, including parents of dependent children (aged 13 years and younger) and those who are medically frail, from the requirements
- Requires states to verify that individuals applying for coverage meet requirements for 1-3 months preceding the month of application; and that individuals who are enrolled meet requirements for 1 or more months between the most recent eligibility redeterminations (at least twice per year)
- Specifies that if a person is denied or disenrolled due to work requirements, they are also ineligible for subsidized Marketplace coverage

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OBBBA: Coverage Impact

Work/Community Engagement Requirements (continued)

- Provides $200 million in funding to states for systems development for FFY 2026
- Requires HHS to promulgate an interim final rule on work/community engagement requirements no later than June 1, 2026
- Effective Date: States must enact and communicate work requirements to impacted beneficiaries no later than the first quarter after December 31, 2026, or the state may enact earlier
- Allows the Secretary to exempt states from compliance with the new requirements until no later than December 31, 2028, if the state is demonstrating a good faith effort to comply and submits progress in compliance or other barriers to compliance

State Eligibility Determinations

- Requires states to conduct eligibility redeterminations at least every 6 months (HHS needs to issue guidance on procedures within 180 days) and effective no later than December 31, 2026
- No later than October 1, 2029, the Secretary must ensure an individual is not simultaneously enrolled in the State Plan (or waivers) of multiple States.

Immigrant Eligibility

- Restricts the definition of qualified immigrants, effective FFY 2027

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OBBBA: Other Key Provisions

Good

- Increases 2026 Medicare PFS ($2B) conversion factor
- Delays LTC staffing ratio requirement ($23B)

Bad

- Moratorium on Biden administration eligibility & enrollment rules ($122B)
- Alien Medicaid eligibility ($6.2B)

Not Included

- Delay of ACA Medicaid DSH reduction

OBBBA: Rural Health Transformation Program

OBBBA creates a $50B rural health transformation program, available for five years, that states can apply for with funding starting in 2026.

Allocation

- Provides $10B per year for five years
- $5B distributed evenly to each state
- $5B distributed to states based on CMS allocation method

Application

- States must apply via a one-time application
- Required to submit a detailed rural health transformation plan
- Funds are not eligible for FMAP
- Not more than 10% can be used for administrative costs

Uses

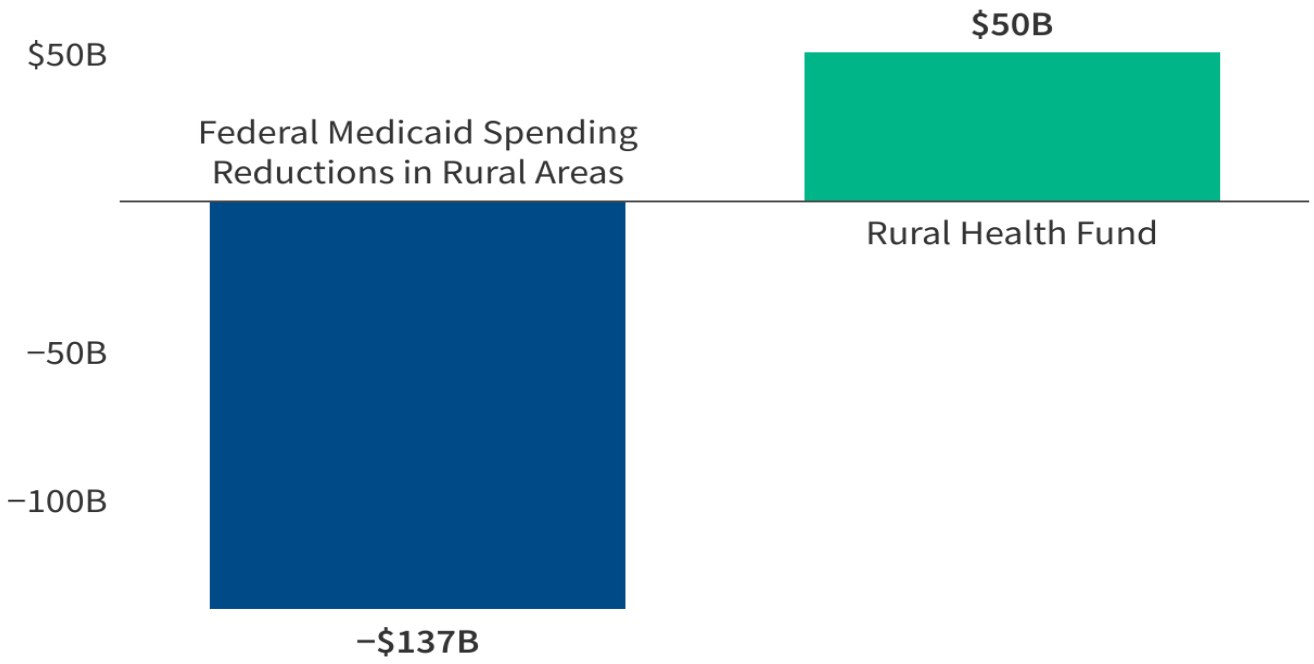
- Prevent/manage chronic disease
- Increase provider payments
- Adopt technologies to improve care delivery
- Recruit clinicians to rural communities
- Right size rural delivery systems
- Support SUD treatment
- Encourage innovative care models

Insufficient Transformation Funding

The rural health transformation fund only covers **36%** of the reduction in federal Medicaid funding for rural areas.

Source: How Might Federal Medicaid Cuts in the Senate-Passed Reconciliation Bill Affect Rural Areas | KFF

The Enacted Reconciliation Package Would Reduce Federal Medicaid Spending in Rural Areas by $137 Billion; the $50 Billion Rural Health Fund Would Partially Offset Reductions in Rural Areas



Note: The analysis uses T-MSIS data to estimate the percentage of Medicaid spending that paid for services used by rural enrollees. Those percentages were then applied to national estimated reductions in federal Medicaid spending from KFF's broader analysis of federal Medicaid spending reductions.

Source: Allocating CBO's Estimates of Federal Medicaid Spending Reductions and Enrollment Loss Across the States, and KFF analysis of the T-MSIS Research Identifiable Files, 2021

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OBBBA: Hospital Margin Impact

Changes will increase uninsured, reduce Medicaid payments, and reduce eligibility for safety net programs.

Legislative Changes

Eligibility Requirements

Financing Restrictions

Direct Margin Impact

- Increased Uninsured
- Reduced State Medicaid Pmts.
- Increased Rev. Cycle Issues

Secondary Margin Impact

- Medicare DSH Eligibility
- 340B Eligibility
- Decreased Medicare DSH Payments

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OBBBA: Medicare Impact

The enacted legislation increases the deficit by $3.4 trillion over 10 years, triggering the 4% Medicare PAYGO sequester.

CBO's Medicare Estimate of the Statutory Pay-As-You-Go Effects of Public Law 119-21

Table 1.

Estimated Statutory Pay-As-You-Go Effects of Public Law 119-21 on Medicare

Billions of Dollars, by Fiscal Year

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2027-2034
Change in Outlays	-45	-48	-54	-52	-58	-62	-66	-75	-76	-491

Source: Congressional Budget Office.

Source: https://www.cbo.gov/system/files/2025-08/61659-SPAYGO.pdf

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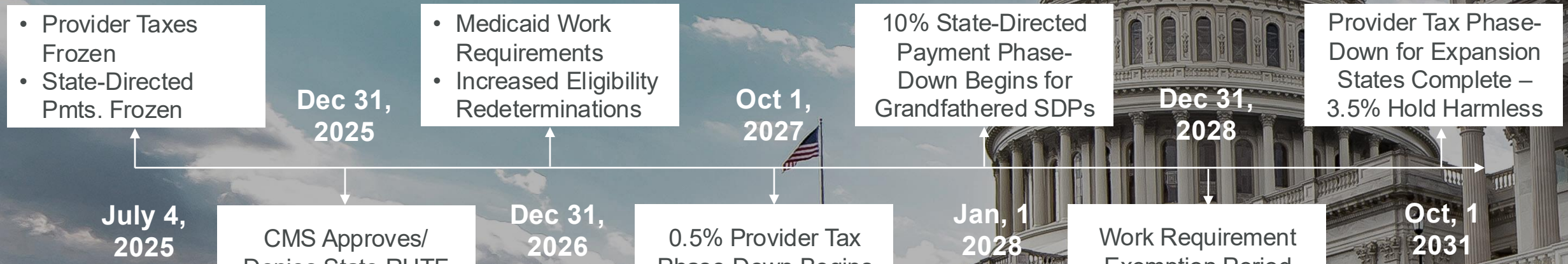
OBBBA Implementation Timeline

Provisions impacting provider finances have staggered implementation dates.



A Look at How UNC Health is Evaluating the OBBBA Impact

Featured Guest, Will Bryant, CFO UNC Health

OBBBA Impact
A Lesson from the Trenches

UNC Health – Will Bryant, CFO

Guest Speaker

Will Bryant, CFO

UNC Health

As CFO for UNC Health, Will Bryant is responsible for ensuring the financial health of the organization. He provides financial leadership and oversight to UNC Health's $10B of annual operating revenue generated through 15 hospitals, 19 campuses, and 900 clinics across North Carolina, and leads the organization's operational finance, financial planning, revenue cycle management, accounting, treasury, government reimbursement, and payor relations functions.

Mr. Bryant first joined UNC Health in 2016 when he was named CFO of UNC High Point Regional Health after serving in finance leadership roles at Novant Health and Wake Forest Baptist Medical Center. During his tenure at UNC Health, he has assumed increasingly senior roles within the health care system including System VP of Supply Chain, CFO of UNC Health Shared Services, CFO of UNC Hospitals, and Associate CFO of UNC Health prior to his current role.

OBBBA Impact – Real Dollars and Sense for one Health System

UNC Health's view of potential OBBBA financial impacts to its current $10B of revenue in the coming years.

Anticipated Medicaid & ACA Financial Impacts	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Provider Tax Cap Reduction Impact on DPPs	$ -	$ -	$ (190)	$ (330)	$ (500)	$ (670)	$ (730)
Medicaid Coverage & Policy Changes	-	(50)	(90)	(100)	(100)	(100)	(100)
ACA Premium Subsidy & Policy Changes	(30)	(70)	(80)	(80)	(80)	(80)	(80)
Medicare PFS & Rural Health Fund	30	50	50	50	50	20	10
Anticipated Medicaid & ACA Financial Impact	**$ -**	**$ (70)**	**$ (310)**	**$ (460)**	**$ (630)**	**$ (830)**	**$ (900)**

* Excludes PayGo, DSH/340b, potential repeal of state Medicaid expansion, & other State Medicaid Payment Cuts

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Polling Question

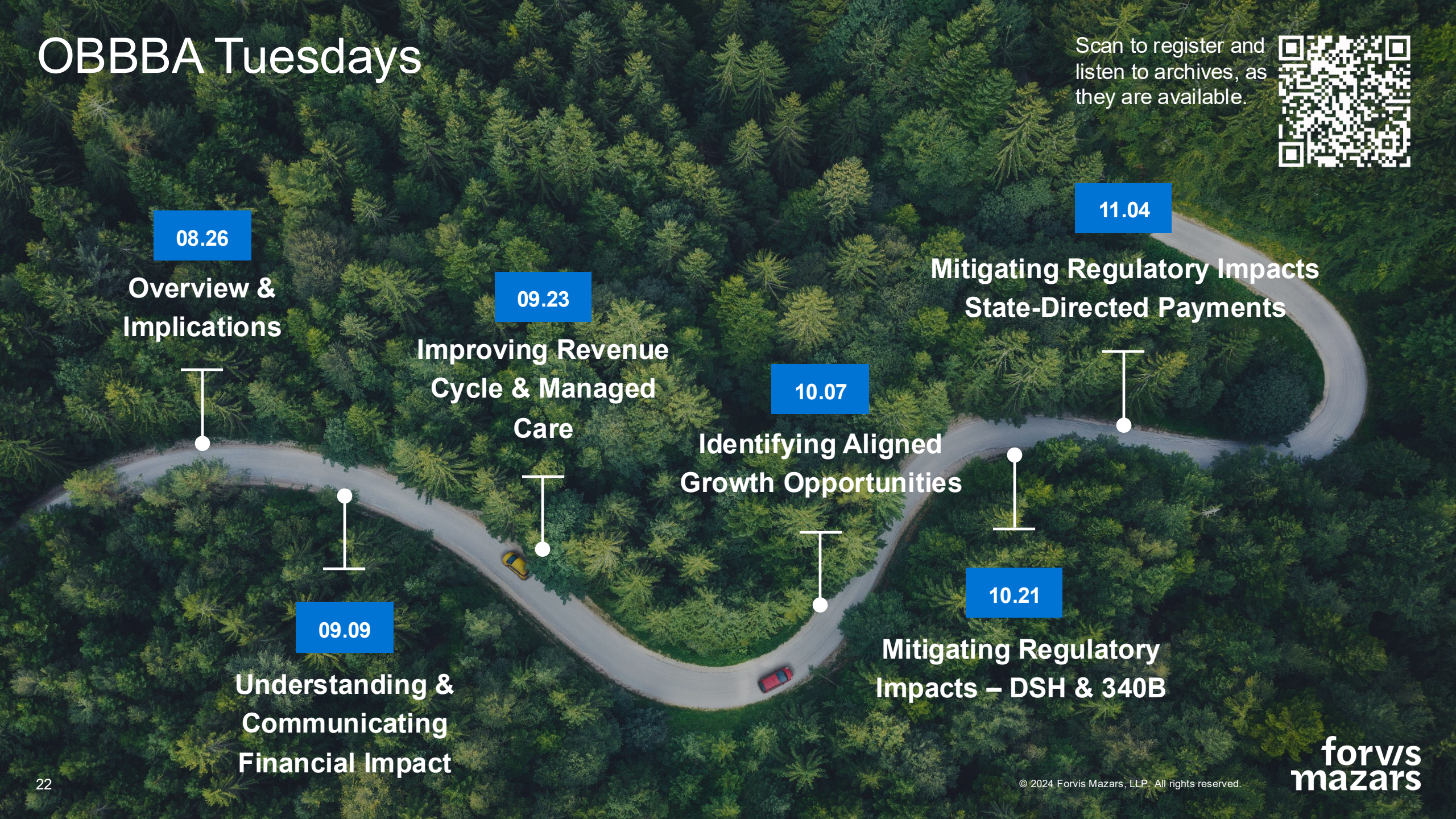
Would you like Forvis Mazars to follow up with you on this topic?

A Yes

B No

OBBBA Tuesdays

Scan to register and listen to archives, as they are available.



08.26
Overview & Implications

09.09
Understanding & Communicating Financial Impact

09.23
Improving Revenue Cycle & Managed Care

10.07
Identifying Aligned Growth Opportunities

10.21
Mitigating Regulatory Impacts – DSH & 340B

11.04
Mitigating Regulatory Impacts State-Directed Payments

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Questions?