

Agenda

- 1. A Challenging Environment
- 2. OBBBA Overview
- 3. How to Respond

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01

A Challenging Environment



Providers Under Pressure

50% of provider executives rank margin improvement as one of their top priorities over the next three to five years.

40% of hospitals had negative margins in 2024

16 hospitals closed in 202525 hospitals closed in 2024

338 rural hospitals at risk of closure

Medicare margin for "efficient hospitals" is -2%

78% of physicians employed in 2024

774 nursing homes have closed since 2020

Sources:

- Mindsets Healthcare Executive Leadership Report," Forvis Mazars, 2024.
- 2) https://www.markey.senate.gov/imo/media/doc/letter_on_rural_hospitals.pdf
- https://www.fitchratings.com/research/us-public-finance/fitch-revises-sector-outlook-for-us-nfp-hospitals-to-neutral-09-12-2024
- 4) www.medpac.gov/wp-content/uploads/2024/08/Tab-D-Hospital-payment-adequacy-January-2025-SEC.pdf
- https://www.beckershospitalreview.com/finance/4-hospital-closures-in-2-weeks/?
- 6) https://www.beckershospitalreview.com/finance/5-hospital-closures-in-2024.html#:~:text=Becker's%20has%20reported%20on%2025,This%20article%20was%20updated%20Dec
- https://www.beckershospitalreview.com/finance/10-hospitals-closing-departments-or-ending-services-5.html
- https://www.physiciansadvocacyinstitute.org/PAI-Research/PAI-Avalere-Study-on-Physician-Employment-Practice-Ownership-Trends-2019-2023
- 9) https://www.ahcancal.org/News-and-Communications/Press-Releases/Pages/Report-Access-to-Nursing-Home-Care-is-Worsening-.aspx



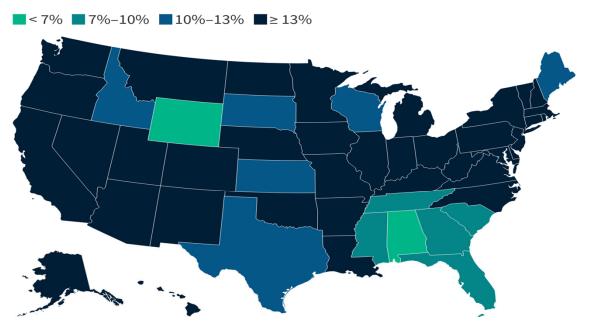
OBBBA Overview



OBBBA: Medicaid Financing

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

As a % of 10-year baseline federal spending (2025-2034)



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

KFF

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) forv/s

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SDP Questions

While there are many questions about the OBBBA, those related to the SDPs could have the greatest impact on providers.

Grandfathered?

Definitions:
 Depends on how CMS defines "good faith effort" or "completed preprint."

Medicare Rate?

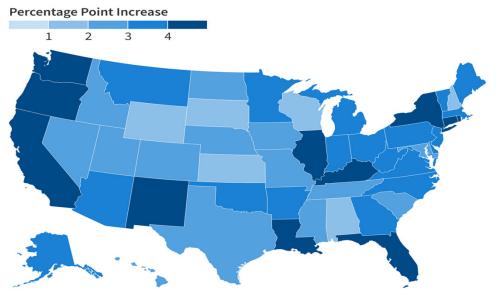
Definitions:
How will CMS define, "the specified total published Medicare payment rate?"



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).

KFF

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)

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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/

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

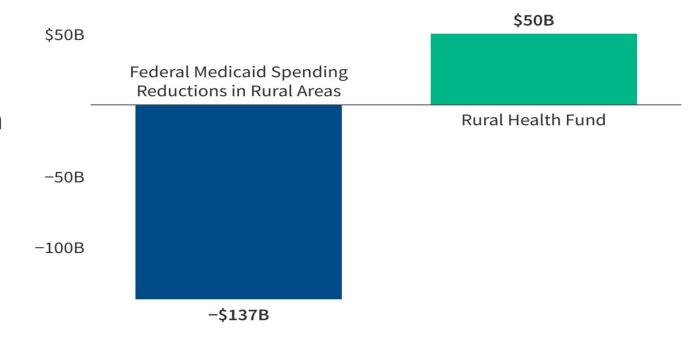
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Insufficient Transformation Funding

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





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**





OBBBA: Medicare Impact

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

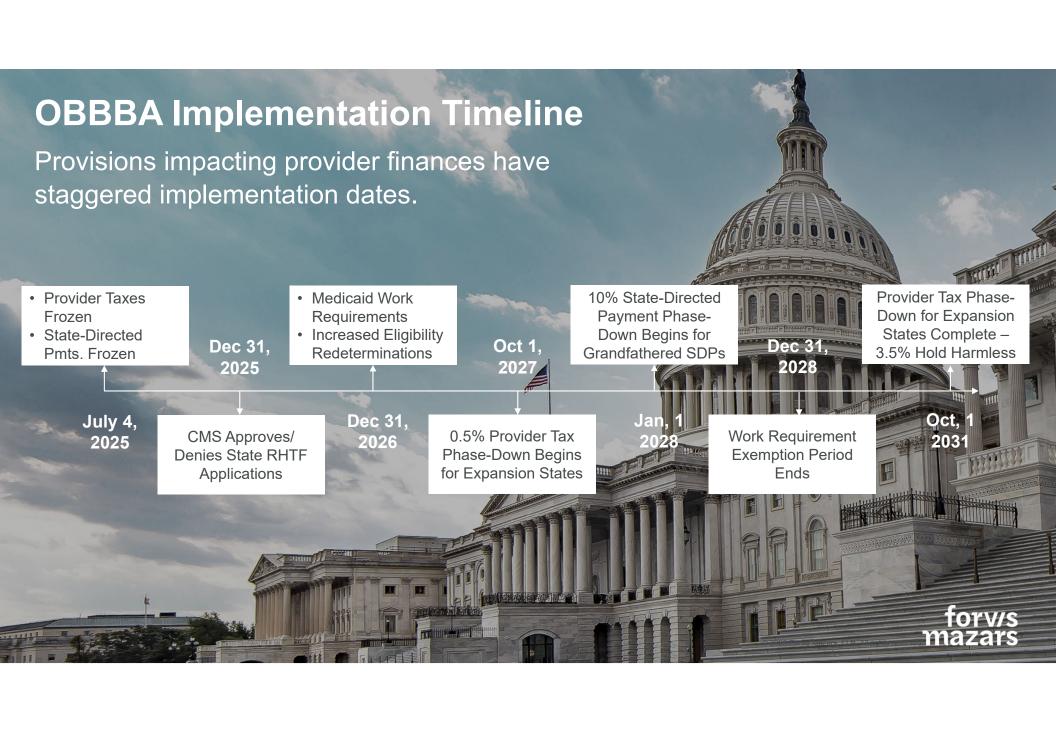
CBO's Medicare Estimate of the Statutory
Pay-As-You-Go Effects of Public Law 119-21

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.





03
How to Respond



Achieving Health What We Believe

Healthcare organizations must commit to collaboration, prioritizing resources for continual improvement, and developing core capabilities.

What is to gain from Achieving Health? 1 Enhanced competitive advantage 2 A growing public reputation 3 Improved partnership opportunities 4 Risk mitigation 5 Increased access to resources 6 Better outcomes delivered more efficiently





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

Aligned Growth



Achieving Health



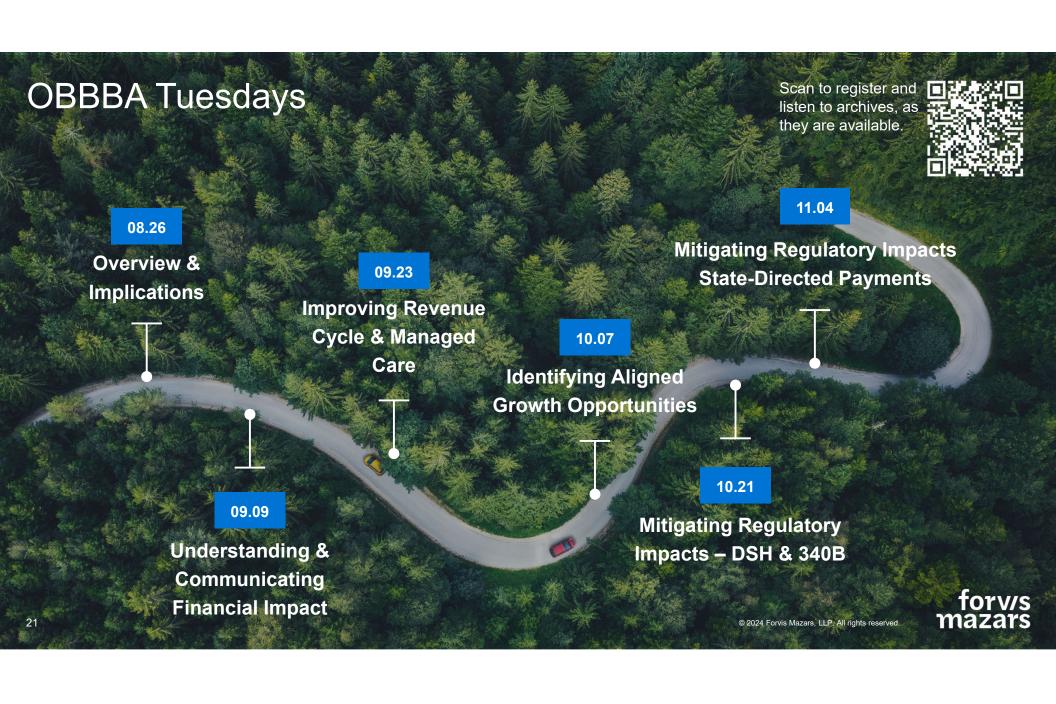
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Questions?



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