National Rural Health Association

Talking Points: "*One Big Beautiful Bill*" and Rural Health

Points of Emphasis

- The One Big Beautiful Bill Act, enacted into law on July 4, 2025 made sweeping changes to Medicaid and the ACA Marketplaces that will result in coverage losses for rural Americans. Medicaid is a lifeline for rural America, and it plays a larger payer role in rural communities compared to urban communities.
- Further, the legislation may limit access to care for rural residents by putting financial strain on rural facilities who care for them.
- It is estimated that the combined impact of the Medicaid cuts alone in the OBBBA could decrease spending in rural areas could decrease by $155 billion over 10 years.

Medicaid is a Lifeline for Rural America

- Medicaid provides health coverage for over 90 million low-income Americans and plays a significantly larger role in rural areas than in urban ones.
- Nearly 1 in 5 or 20% of rural adults and 40% of rural children rely on Medicaid or CHIP.
- Medicaid is essential to the survival of many rural hospitals, rural health clinics, long-term care facilities, EMS agencies, and community health centers.
- Medicaid represents about 20% of the payer mix for rural hospitals, which already operate under severe financial pressure. Rural hospitals are expected to see a 21% decline in Medicaid reimbursement due to provisions in OBBBA. With almost half of rural hospitals having negative operating margins, we are concerned about rural hospital closures or elimination of key services.
- Changes to provider taxes and state-directed payments could significantly reduce Medicaid funding for rural facilities, making it harder for providers to sustain key services and keep their doors open.
- Work reporting requirements and frequent eligibility checks could result in coverage losses due to paperwork hurdles, particularly in rural areas with limited internet access.

Understanding The One Big Beautiful Bill Act (OBBBA)

- The Rural Health Transformation Program
  - The One Big Beautiful Bill Act created a $50 billion fund, called the Rural Health Transformation Program, in an attempt to offset losses that rural health providers will experience associated with other health provisions in the legislation.
  - The $50 billion will be distributed to states between fiscal years (FYs) 2026 – 2030, with $10 billion distributed each fiscal year.
  - The program notes that 50% of the funds will be distributed equally across all 50 states, and the remaining 50% of funds will be distributed in a manner to be determined by the CMS Administrator based on the concentration of rural health

facilities within each state compared to national numbers, the percentage of the population living in rural areas, and the financial health of rural hospitals.

- Applications must be approved by the CMS administrator by December 31, 2025. Much of the information on applications and implementation will come from CMS in the coming months.
- Rural Health Transition funds may be used for health related activities as specified by the CMS Administrator including: assisting rural communities to right size their health care delivery systems, payment to providers, use of technology in prevention/management and use of evidence-based interventions of chronic diseases, recruitment and retainment of clinical staff, supporting behavioral health care, supporting value-based care arrangements, value-based care and providing technical assistance for cybersecurity.
- NRHA recommends that rural hospitals be prioritized in the funding distribution for the Rural Health Transformation program. Hospitals serve as the health care hubs in rural communities, as well as a major employer and community lynchpin. It is essential that funding goes to rural health care providers, not diverted to larger, urban providers or for activities that will not directly benefit rural communities.

- Rural communities have always been at the forefront of innovation out of necessity. Many of the health care provisions in the OBBBA will likely create a deficit for rural providers. However, states have an opportunity to use the Rural Health Transformation funds to scale what we know works and build a healthier, more sustainable future for rural America.

Medicaid Eligibility Requirements

- New work requirements will go into effect by 2027, requiring most enrollees aged 19–64 to verify 80 hours of work per month, with limited exceptions.
- These requirements may be difficult to meet in rural areas where jobs are seasonal, informal, or less accessible and residents face unique barriers like lack of broadband or transit.
- More frequent redeterminations (every 6 months) and reduced retroactive coverage (from 3 months to 1) will also cause administrative losses of coverage, rather than losses due to true ineligibility, especially for rural enrollees.

Graduate Medical Loan Changes

- Beginning July 1, 2026, Grad PLUS loans will be eliminated for new borrowers and new lifetime borrowing caps will apply for graduate and professional students, limiting access to federal financial aid.

- Approximately 40% of all medical students use Grad PLUS loans. If forced to borrow from the private market, many prospective students may no longer be able to afford medical school.
- Federal loan programs like Grad PLUS are key enablers for rural students to pursue medical careers and return to serve their communities.

State-Directed Payments (SDPs)

- Under the new policy, states will be limited in how much they can supplement provider payments in Medicaid managed care. SDPs will be capped at Medicare rates in expansion states and 110% of Medicare rates in non-expansion states.
- Any existing SDPs that surpass the applicable Medicare rate will be phased down over time.
- In general, SDPs help to offset chronically and historically low Medicaid FFS reimbursement for rural providers.
- States often use SDPs to help boost rural hospital payments. For example, Arizona supports a Rural Hospital Inpatient Fund, New York has a directed payment program for CAHs and SCHs, and Texas rural hospitals received directed inpatient payments.

Provider Tax Changes

- Expansion states will see provider tax rates phased down to 3.5% between 2028 and 2032, while non-expansion states' rates are frozen at current rates, and new taxes are banned altogether.
- Limiting states' ability to use provider taxes to finance Medicaid may force states to cut reimbursement, reduce eligibility, or eliminate benefits, with rural areas hit hardest due to their reliance on Medicaid.

Changes to ACA Marketplaces

- The bill removes premium tax credits for individuals who enroll through income-based special enrollment periods and imposes more rigid eligibility verification.
- These changes will likely increase the number of uninsured rural residents, many of whom may face barriers to Marketplace enrollment due to digital and geographic challenges.
- Compounding changes to the Marketplace in the OBBBA, enhanced premium tax credits (ePTCs) are set to expire at the end of 2025. These two shifts in the Marketplace will lead to coverage losses for rural residents.
    - Many people who purchase health insurance through the ACA's Marketplaces are eligible for tax credits that lower their monthly premiums and make essential health coverage more affordable.

- In rural areas, ePTCs save rural enrollees an average of $890 per year, which is about 28% more than their urban counterparts.

Rural Health Transformation Fund Falls Short

- The bill creates a $50 billion fund over five years for all 50 states.
- Funds may support activities like provider payments, workforce development, behavioral health access, value-based care, and cybersecurity upgrades.
- However, this fund will not fully offset the billions in projected losses from Medicaid cuts.
- Rural hospitals are expected to see a 21% decline in Medicaid reimbursement due to provisions in OBBBA.

Medicaid Cuts one pager and sources list