

ARTICLE

One big, beautiful bill: One big, brutal truth—“We’re going to need a bigger boat”

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Thursday’s passage of the One Big Beautiful Bill Act, combined with other funding cuts and policy changes announced over the past 150 days, ushers in a new era for US healthcare.

The immediate outlook seems bleak:

- **A greater uninsured population.** As many as 17 million people could lose their health insurance coverage in the decade ahead as Medicaid funding and Affordable Care Act (ACA) tax credits are slashed. Fewer patients will get the care they need and will later present with greater health needs in higher-cost settings.
- **Medicare reimbursement cuts.** Triggered by the bill, these cuts will total nearly half a trillion dollars from 2026 through 2034.
- **Rising costs and lower margins.** Health systems will bear the weight of this influx of greater uncompensated, more expensive care while site-neutral payments and other policy shifts further squeeze revenues.
- **National Institutes of Health (NIH) grant funding reductions.** Cuts of 43% will directly impact academic medical centers, schools of medicine, and other research institutions across the nation.
- **Accelerated workforce challenges and costs.** Caps on federally financed medical education loans and further constraints on immigration channels for internationally trained clinical professionals will diminish the pipeline.
- **A halved budget for the Centers for Disease Control and Prevention (CDC).** This budget reduction will increase the unfunded public health role providers must play in their communities.

For healthcare leaders, there are many more sharks in the water today than before the bill’s passage last week.

Any one of these challenges would be material. But in confluence, they are a perfect storm that requires organizations to quickly build “a bigger boat” to navigate these rough waters. And, maybe, design a different one altogether.

Addressing immediate needs without compromising long-term goals

Many healthcare leaders are focusing on how all these changes will impact our communities and organizations in the short term. But we must do so acknowledging the longer-term reality that these changes—coupled with demographic, economic, and technological trends—leave US healthcare delivery with no choice but to fundamentally transform.

The challenge is to thread the needle where our short-term actions have the necessary immediate impact while not detracting from our ability to achieve the longer-term requirement of transformation.

Five short-term actions that also enable longer-term transformation

Undertakings that can deliver on both fronts require a significant step away from the “usual suspects.” Addressing full-time equivalent (FTE) productivity, sourcing, supply chain costs, and similar efforts are all likely already underway.

Here is what we suggest you take on next:

1. Restructure the underlying asset base. What services, programs, education, or research must you provide 5 years from now that are essential to your mission, community needs, physician base, business model, workforce, financial requirements, and future strategy? The countervailing question this then forces is, “What will you cut?”

Not unlike the advice given to aspiring writers, to perfect the next iteration of what you are creating, you must be willing to “murder your darlings.” Doing so requires a robust and comprehensive definition of the strategic, operational, technological, clinical, and financial future state you are playing into. And it requires contingency paths along the way because, as we keep learning in real time, it is an uncertain world.

2. Build for the future—the integrated technology healthcare delivery system. Technology over the next 5 years will offer the opportunity to fundamentally reshape the way care is delivered—and what it means to be an integrated healthcare delivery system. Generative artificial intelligence (AI) in clinical decision-making, consumer health relationship management, patient navigation, administrative functions, and workforce automation—coupled with advances in applied diagnostics, monitoring, care management, connectivity, interoperative data management, and portable/wearable technologies—will change care delivery access, modalities, outcomes, means, and resources.

Ultimately, this has the potential to lead to a more effective, efficient, and satisfying healthcare delivery system for all. The challenge is to fund the cost of change while addressing more immediate financial implications.

3. Diversify and augment revenue streams. Health systems are a core component of what is one of the largest and fastest-growing sectors of the US economy. As provider reimbursements are projected to effectively decrease well into the foreseeable future, providers must explore how best to take advantage of their core position in the US healthcare ecosystem by expanding into adjacent services and segments.

Leaders should look for opportunities to:

- Broaden and commercialize care delivery and consumer access models.
- Expand along the continuum. This can include home health services and more extended community-based services, among others.
- Evolve from the consumer-as-patient to the consumer-as-lifelong-customer. As such, they can expand into a broader-based business model that also includes health-related fields from health management productization to care and delivery support services to wellness.
- Monetize infrastructure and organizational assets. That may mean commercializing shared services, research, and innovations or developing clinical trials and bio-pharma services.
- Enter new businesses. This may include venture capital and investment arms, nonclinical businesses, or adjacent consumer businesses.

4. Transform through partnerships. The path ahead will be replete with both challenges and opportunities. And each will require new levels of collaboration and partnership across the healthcare landscape. Well-aligned partnerships have the potential to provide rationalized access to and more efficient deployment of capital, expand potential revenue streams, and enhance access to new technologies and competencies—all while de-risking the transformational steps the organization is taking.

Enterprise partnerships to explore include:

- Provider-to-provider joint ventures to deliver new services in new areas and to collectively support the most challenged and under-resourced communities
- Provider-payer collaborations to improve consumer products, enhance individual and joint efficiencies, and reduce total cost of care
- Provider-life sciences partnerships to support research and commercialization
- Provider-health tech collaboration to develop, commercialize, and provide healthcare delivery and health management services

5. Exercise your voice, and communicate your intent. Healthcare is one of the nation's leading industries. As the New York Times proclaimed last week, healthcare has "remade the US economy." It's the largest employer in 38 states, surpassing 18% of the GDP. While the industry is essential for physical

health, it's also critical for the country's economic health. As such, health systems can become influential advocates in state and federal policymaking.

As you advance along all these lines, your organization could experience these efforts as chaotic, reactive, and disconnected. Tell your story. Articulate and communicate your approach deliberately and clearly, all as part of a unified approach to ensure the continued vitality of the organization. If you don't tell your story, someone else surely will.

Reconciling the irreconcilable

Overall, this moment requires looking both directly at and beyond the immediate financial implications—looking to the seaworthiness of the boat you have today and to the different boat you're going to need.

It requires forming an incisive perspective of how healthcare is evolving and what alchemy of immediate action and volitional transformation will be required to sustain your mission, your organization, and your vision for the future.

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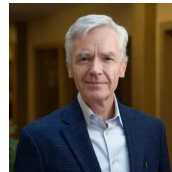
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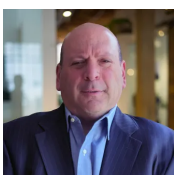
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