

CHARTIS TOP READS

How the OBBBA undermines healthcare and harms America

Week of July 6 - July 12, 2025

| JUL 07, 2025

<https://www.chartis.com/insights/how-obbba-undermines-healthcare-and-harms-america>

The Buzz This Week

On Friday, July 4, President Trump signed the One Big Beautiful Bill Act (OBBBA) into law after narrowly passing the House and Senate. While the bill went through numerous revisions in Congress over the last several weeks, the final legislation has more than \$1 trillion in cuts to healthcare programs over the next 10 years. This includes more than \$900 billion in reduced funding to Medicaid.

The Congressional Budget Office (CBO) estimates 16 million individuals will lose insurance coverage due to impacts from the OBBBA. Below are key healthcare provisions included in the reconciliation bill.

Medicaid and Children's Health Insurance Program (CHIP)

The bill is expected to increase the number of uninsured people who currently receive care through Medicaid by an estimated 7.8 million as a result of work requirements, administrative burdens to enrollment, and funding limits to state expansion. Most changes to Medicaid will roll out between January 1, 2026, and January 1, 2028.

Among other provisions, the OBBBA:

- Adds the first-of-its-kind federal **work requirements** for adults aged 19–64 with no disabilities or dependents and requires beneficiaries to document at least 80 hours a month of work, volunteering, or educational programs to receive Medicaid coverage. Even for those individuals who meet work requirements, the administrative complexities associated with documentation and enrollment are likely to be a barrier to coverage.
- Prevents states from establishing new **provider taxes** or raising existing ones.

- Caps **state-directed payments** in expansion states at the Medicare rate and at 110% of the Medicare rate for non-expansion states.
- Creates a **new waiver category for Home and Community Based Services (HCBS)** but only allocates \$50 million in funding in 2026. States can apply for this funding only if they can show proposed programs do not increase wait times. Because the funding is only adequate to cover approximately 27 people per state, according to one analysis, and wait times will be lengthened due to Medicaid funding cuts, most states will be ineligible to apply.
- Requires state plans to impose **cost-sharing** of up to \$35 per service on the expansion population with incomes over 100% of federal poverty level (FPL).
- Restricts federal Medicaid funds for all services for non-profit organizations primarily engaged in **family planning services** that offer abortions, like Planned Parenthood.
- Requires states to conduct **eligibility redetermination** every 6 months instead of 12 months and verify enrollee contact information, while also delaying by 10 years two Centers for Medicare & Medicaid Services (CMS) final rules that streamline application and enrollment processes, including automatic enrollment for dual eligibles with disabilities.
- Allows states to delay **child enrollment in the Children's Health Insurance Program (CHIP)** if parents are behind on premiums or transitioning from a private insurance plan.
- Eliminates Medicaid eligibility for qualified aliens who are humanitarian entrants, restricting full Medicaid to US citizens, lawful permanent residents, Cuban/Haitian entrants, and Compact of Free Association residents and decreasing funding for emergency Medicaid services.

Medicare

The deficit increase from the OBBBA triggers sequestration, which would cut approximately \$500 billion in Medicare funds from 2026 to 2034. The OBBBA also makes direct changes to Medicare. The legislation:

- Terminates Medicare coverage for many **documented immigrants** who have worked in the US and paid into Medicare.
- Makes **dual eligibility and enrollment** in Medicare Savings Programs more onerous, impacting access to cost-sharing assistance for low-income individuals with Medicare.
- Increases the number of **drugs for rare diseases** that are exempt from Medicare price negotiations.

Health Insurance Exchanges

The CBO estimates 8.2 million people will lose their insurance due to Affordable Care Act (ACA) marketplace provisions in the OBBBA, expiration of the enhanced tax credits, and other changes to the marketplace. The OBBBA:

- Shortens **reenrollment periods** for ACA marketplace policyholders and requires annual income documentation, immigration status, and other burdensome reporting.

- Ends enhanced **premium tax credits** by not including extensions to the enhanced subsidies and discontinues eligibility for premium tax credits during special enrollment periods.
- Makes Deferred Action for Childhood Arrivals (**DACA**) recipients ineligible to purchase ACA marketplace coverage.

While most healthcare provisions in the bill come in the form of cuts to access and funding, the final iteration does add a \$50 billion fund for rural hospitals and community health centers over 5 years. It also makes permanent pandemic-era flexibility that allows high-deductible plans to cover telehealth services before the deductible is met while still allowing individuals to contribute to their health savings accounts (HSAs).

According to a poll from KFF, only 35% of adults had a favorable view of the bill.

Why It Matters

This law marks the biggest changes to US health policy since 2010, when the ACA passed, and enacts the largest cuts since the creation of the Medicare and Medicaid programs. In more than 16 states, the uninsured rate is estimated to increase by 3% or more. California and Florida are expected to see the greatest increase in uninsured people.

Rising rates of uninsured people will cost health and lives

The uninsured rate will have drastic impacts on the health of those Americans. Researchers at Yale University and the University of Pennsylvania estimate that provisions in the OBBBA could lead to more than 51,000 deaths annually: 42,500 lives from the disenrollments in Medicaid and Marketplace coverage and nursing home rollbacks, and more than 8,800 from the expiration of enhanced ACA premium tax credits.

The loss in insurance coverage to millions of individuals is also expected to undermine the finances of hospitals, nursing homes, and community health centers. Provider organizations will have to absorb more of the cost of providing uncompensated care and, as a result, may need to reduce services and employees, or close entirely.

Stricter enrollment rules and reduced subsidies will decrease enrollment, leaving Medicaid and Marketplace insurers with shrinking customer bases and higher risk pools, which may drive up premiums or prompt insurers to exit unprofitable markets.

Provider organizations could face service reductions or closures

Many provider organizations have yet to fully recover from the economic and emotional toll of the pandemic and are now thrust into the next crisis, this time one of Congress's doing. Chip Kahn, President and CEO of the Federation of American Hospitals, noted last week, "It cannot be overstated—the health cuts passed by Congress today represent the largest cuts to care our country has ever seen. Americans will feel the reverberations of this legislation in communities across the nation—whether directly due to a loss of coverage, the increase of their costs, or as doctors and hospitals scramble to sustain services and keep

their doors open."

Rural hospitals and communities are especially vulnerable, generally operating on thin profit margins and relying on payments from Medicaid. A recent report from the Chartis Center for Rural Health found that 432 rural hospitals are already vulnerable to closure, and Medicaid cuts may push some of them over the edge.

One Nebraska clinic has already closed in anticipation of cuts. While the bill does introduce a funding pool for rural care, it is hardly a panacea to overcome the structural challenges of access in these regions.

Broad access to care and individual finances will be hit

With closures and reductions in service, care will be harder to access for all, particularly for services most reliant on Medicaid, including rural health, nursing homes, and children's hospitals. A member survey from the American Medical Group Association found that 85% of its member physician organizations would be forced to eliminate services for Medicaid patients, with 51% saying they would have to reduce pediatric care, 47% saying they would have to cut maternity services, and 72% anticipating layoffs or furloughs.

A reduction in access to community-based care and preventative services will also lead to people delaying care until it's emergent. Emergency department (ED) wait times will increase, and patient care will suffer.

The provisions in the OBBBA are also likely to impact individual finances, even for those who remain on private insurance. The rise in uncompensated care for hospitals will necessitate increased payments for care for the commercial population. Some of that increase is likely to be passed on to consumers in the form of rising insurance premiums. As providers close or reduce services to stay financially solvent, jobs will be lost. Additionally, state taxes may increase or other state-provided services may be eliminated to cover the gap in Medicaid funding.

What's next

The effects of the reconciliation bill will be felt across the healthcare sector and broadly across communities. It will force states and providers to make painful decisions about providing care while also staying financially solvent or balancing budgets, as the federal government reduces support.

While most of the healthcare provisions in the bill do not roll out until after midterm elections, providers will be best positioned by making strategic decisions now. Providers should evaluate innovative partnership opportunities and strategies that allow for the continuity of services. This may include community partnerships for preventative care and screenings, or telehealth and hospital-at-home tactics to cover access gaps, particularly for rural health patients.

The pandemic was an extraordinarily challenging time for providers, but many lessons learned may apply today. Providers thoughtfully optimized performance through quality improvement and guideline development, managed ED surges, and focused on reducing provider burnout.

Providers can again evaluate operational resilience, review internal processes and workflows, and optimize revenue cycle. Health systems can analyze and prepare for an increase in ED utilization, and changes to other service offerings. Hospitals can continue to focus on provider burnout and retention, knowing this bill will increase administrative burden, which is a known contributor to burnout.

Providers should amplify their voice on the harmful effects of this bill. It remains crucial to contact elected officials and share personal stories to highlight the importance of Medicaid, Medicare, and other federally funded healthcare programs. New legislation can still be proposed, Congress can still extend enhanced premium tax credits through the end of the year, and officials who do not represent their constituents effectively can be voted out.

This bill weakens the healthcare system and harms the most vulnerable populations. Healthcare policy should aim for more equitable outcomes where everyone has access to quality care. The effects of this bill will undermine that goal.

RELATED LINKS

KFF:

Stat News:

Modern Healthcare:

The Center for American Progress:

Chartis Top Reads

[View All](#)

Our services

[STRATEGIC TRANSFORMATION](#)

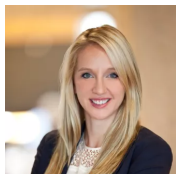
[PERFORMANCE TRANSFORMATION](#)

[DIGITAL & TECHNOLOGY TRANSFORMATION](#)

[CHARTIS CENTERS FOR AI & STRATEGIC INTELLIGENCE](#)

[PAYER TRANSFORMATION](#)

LEARN MORE ABOUT THE AUTHOR



Abigail Arnold

Associate Vice President of Research