

One Big Beautiful Bill Act: Understanding the healthcare impacts

What healthcare leaders need to know about major policy changes and their potential effects on the industry

July 2025

OBBBA and its healthcare impact at a glance

Healthcare leaders should anticipate coverage losses and payment cuts

The One Big Beautiful Bill Act (OBBBA), signed into law on July 4, 2025, includes over \$1 trillion in cuts to federal healthcare programs. The law includes sweeping cuts across Medicaid, ACA Marketplace, and Medicare (through statutory trigger of sequestration due to deficit increases). Most of the financial impacts will likely come in the form of reimbursement cuts and reductions in enrollment through a variety of administrative restrictions and beneficiary affordability reductions.

Major OBBBA healthcare policies



Marketplace tax credit restrictions and Medicaid cost sharing
→ *reduce affordability*



Medicaid work requirements
→ *increase admin burden*



Medicaid and Marketplace enrollment restrictions and eligibility verification barriers
→ *increase admin burden*



State Medicaid financing restrictions
→ *reduce federal funding to states*



Medicare sequestration trigger
→ *reduces federal spending*

Potential impacts¹

14.2M *July 21 estimates*

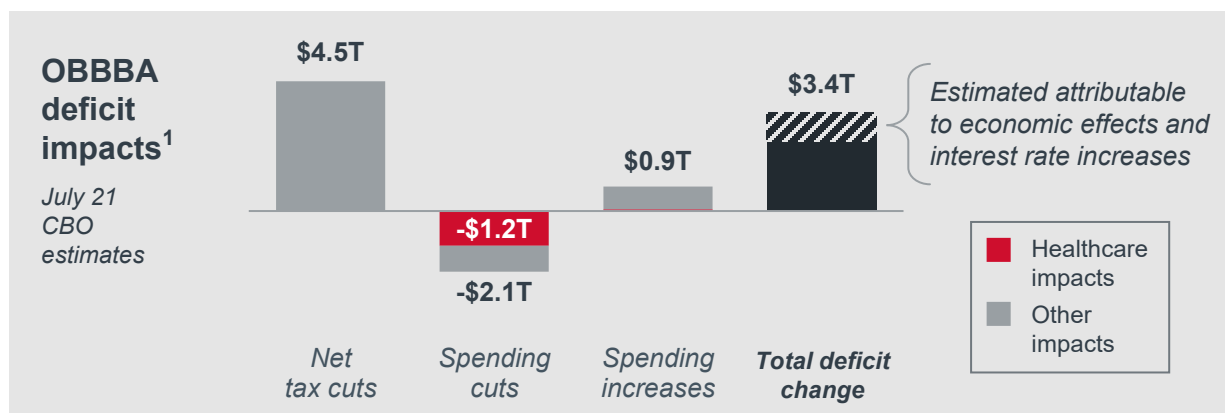
Projected increase in uninsured people (includes sunset subsidies)

Potential consequences:

- ▲ Uncompensated care
- ▲ Exacerbated health conditions
- ▼ Elective volumes
- ▼ Health plan enrollment

\$910B *July 21 estimates*

Estimated direct reimbursement reduction (includes sequestration cuts)²



1. Projected 10-year (2025-2034) impacts.

2. Summation of estimated Medicare sequestration impacts and major Medicaid state financing restrictions provisions (state-directed payments, MCO taxes, and provider taxes).

Source: H.R.1, 119th Congress, July 3, 2025; CBO, *Estimated Budgetary Effects of Public Law 119-21, to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14, Relative to CBO's January 2025 Baseline*, July 21, 2025; CBO, *Estimated Effects on the Number of Uninsured People in 2034 Resulting From Policies Incorporated Within CBO's Baseline Projections and H.R. 1, the One Big Beautiful Bill Act*, June 4, 2025; CBO, *E&C Reconciliation Recommendations*, May 11, 2025; CBO, *Dynamic Estimate: H.R. 1, One Big Beautiful Bill Act*, June 18, 2025.

Reference sheet: Key OBBBA changes

Notable healthcare provisions in the One Big Beautiful Bill Act (OBBBA)

Medicaid

- Implements Medicaid work requirements for adults ages 19 to 64 who don't have disabilities or dependents, with beneficiaries having to document at least 80 hours a month of work or other qualifying activities
- Requires eligibility redeterminations every six months for adults who are covered under ACA Medicaid expansions
- Mandates cost-sharing up to \$35 per service for Medicaid expansion enrollees who have incomes above the federal poverty level
- Bans Medicaid payments for healthcare provided to most lawfully present migrants, as well as emergency health services provided to most migrants in Medicaid expansion states
- Prohibits healthcare providers from offering abortion services while receiving Medicaid payments
- Bans new state provider taxes and reduces existing taxes from 6% of a provider's net patient revenue to 3.5% over several years
- Requires states to conduct quarterly checks using the Death Master File to ensure that Medicaid enrollees are not deceased and must disenroll them if confirmed

Medicare

- Triggers Medicare cuts from the Statutory Pay-As-You-Go Act of 2010
- Increases Medicare physician reimbursements by 2.5% in 2026
- Allows \$16 billion in cuts to Medicare disproportionate share hospital payments for three years (rather than deferring as previously done)
- Blocks a rule that eased eligibility in Medicare Savings Programs for people enrolled in both Medicare and Medicaid
- Restricts most immigrants, including those who have received asylum, from receiving Medicare benefits
- Requires states to ensure that deceased individuals are not receiving Medicare benefits
- Modifies the Inflation Reduction Act's Medicare Drug Price Negotiation Program by broadening the exemption for orphan drugs, ensuring that more drugs designated for rare diseases are excluded from price negotiation if they meet certain criteria

ACA Marketplace

- Implements stricter eligibility and income verification requirements for people who receive ACA exchange subsidies as well as new checks for low-income enrollees who have zero-premium plans
- Ends eligibility for premium tax credits for special enrollment periods
- Ends ACA initiatives aimed at encouraging states to expand Medicaid
- Prohibits premium tax credits from being provided to most migrants or enrollees whose status is in doubt
- Notes that individuals who lose Medicaid coverage due to noncompliance with work requirements are still considered to have had minimum essential coverage for tax purposes, which could affect their eligibility for ACA subsidies
- Ends auto-reenrollment and provisional enrollment for ACA plans starting in 2028
- Requires pre-verification of eligibility before receiving advance premium tax credits (APTCs)
- Disallows APTCs for individuals who enroll through the monthly Special Enrollment Period for those with incomes less than or equal to 150% of the federal poverty level
- Removes caps on recapture of excess APTCs for individuals under 400% of the federal poverty level
- Treats Bronze and Catastrophic level ACA plans as high-deductible health plans starting in 2026

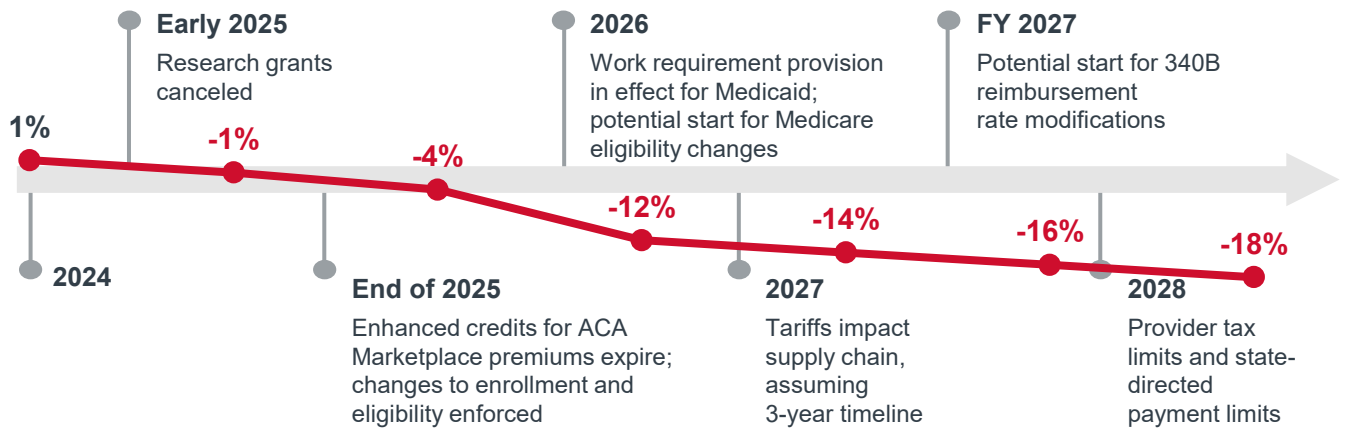
Other

- Includes a rural health fund, which will provide rural hospitals and community health centers with \$50 billion over five years
- Establishes a new program under the Children's Health Insurance Program to support rural hospitals and providers with funds that can be used for care coordination, telehealth, workforce development, and alternative payment models (note: this program is distinct from the rural health fund)
- Expands eligibility for health savings accounts and allows funds to be used to pay for direct primary care arrangements
- Places a moratorium on a Biden-era regulation that set minimum staffing requirements for nursing homes
- Permanently extends the safe harbor for high-deductible health plans to cover telehealth services pre-deductible

OBBBA and its impact for hospitals at a glance

While some provisions of the One Big Beautiful Bill Act took effect immediately, many of the biggest healthcare cuts will take effect over time. Several major changes to enrollment, eligibility, and affordability will take effect in the next few years, while Medicaid payment cuts to states will phase in over time starting in several years. As states begin to implement the policies over the coming years, the impact to health system margins will compound — and intersect with other executive branch actions.

Key policy milestones and impact on system operating margin¹



Implementation of major OBBBA provisions over time

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Medicaid enrollment	● Biden-era rules moratorium	● 6-month re-verification standard ● Able-bodied adults work reporting requirement			● Expansion beneficiary cost-sharing requirements					
Medicaid state financing	● MCO ² tax requirements			● State-directed payment ceiling annual phase-in ● Expansion state provider tax threshold max ● 5.5%	● 5%	● 4.5%	● 4%	● 3.5%	● 3.5%	● 3.5%
Marketplace enrollment		● Premium adjustment benchmarking change ● Shortened open enrollment period		● Require active eligibility re-verification						
Marketplace tax credits	● End APTC ³ for income-based special enrollment period ● End enhanced APTCs ● No limits for subsidy overpayment recapture		● Limits for lawful immigrant tax credit eligibility							
Other funding changes	Medicare sequestration ● 4% cut	● 4% cut	● 4% cut	● 4% cut	● 4% cut	● 4% cut	● 4% cut	● 4% cut	● 4% cut	● 4% cut
	Rural health fund disbursement ● \$10B	● \$10B	● \$10B	● \$10B	● \$10B					

1. Estimated operating margin following each policy action for a median \$1B-\$2B net operating revenue system, by operating margin.

2. Managed care organization.
3. Advance premium tax credit.

Source: Syntellis Market Insights; Advisory Board, Policy Scenario Impact Calculator, July 7, 2025; McDermott+, Summary of Health-Related Provisions in the Final Reconciliation Package, July 3, 2025; CBO, Potential Statutory Pay-As-You-Go Effects of a Bill to Provide Reconciliation Pursuant to H. Con. Res 14, the One Big Beautiful Bill Act, May 2025; CMS, 2025 Marketplace Integrity and Affordability Final Rule, June 20, 2025.

7/18/25

Future financial impacts of enacted policies

Policy changes could reduce health system margins by 11 to 18 points

Healthcare leaders need to assess the impact of a range of different policies (and their severity) on their organizations. Advisory Board's data and analytics team has constructed a scenario planning model to estimate the impact of different policy drivers on hospitals and health systems of different sizes. We use data from Syntellis Market Insights to model the impact of scenarios on median operating margin.

Estimated decrease in operating margin for median systems, 2028

Medicaid payer mix	Health system size, by net operating revenue			
	< \$300M	\$300M to \$1B	\$1B to \$2B	>\$2B
Low <7%	-11 pt	-11 pt	-11 pt	-8 pt
Moderate 7% to 13%	-13 pt	-13 pt	-12 pt	-10 pt
High >13%	-18 pt	-18 pt	-18 pt	-14 pt

Assumes a system with moderate Medicare payer mix (15-20%) and moderate research grant exposure.

Policy impacts	Scenario assumptions (7/9/25)
Medicaid cuts reduce volumes, reduce reimbursement rates, increase uncompensated care	Severe – work requirements, provider taxes restrictions, state-directed payments restrictions, enrollment and eligibility policies
Medicare cuts reduce reimbursement rates	Severe – 4% sequestration currently expected due to deficits
ACA cuts reduce volumes, increase uncompensated care	Severe – premium tax credit restrictions, enrollment and eligibility policies, premium payment policies
Tariffs increase input costs	Mild – 10% baseline tariff with select additional tariffs; other tariffs mostly delayed or threatened
Grant funding cuts reduce research and support services	Severe – major reductions in NIH and Department of Education funding in effect

Estimate your organization's margin impact: [Policy scenario planning calculator](#)

Impacts will vary by organization types and market contexts



- **Safety net, children's, and rural providers** face most impacted payer mix
- **Academic medical centers** face research cuts and high Medicaid mix
- **Regional health systems** face spillover volumes and heightened competition



- **Community health plans** face largest enrollment shifts
- **Blues and regional health plans** face pressures from providers for higher commercial rates

OTHER POLICY
AREAS TO WATCH



Site-neutral payments
Congress looking at for fall 2025;
CMS proposed expansion



340B and drug pricing reform
Medicaid reductions could impact 340B designation;
further state and federal drug pricing activity expected

Source: Syntellis Market Insights; Advisory Board. *Policy Scenario Impact Calculator*. July 7, 2025; H.R.1, 119th Congress. July 3, 2025; McDermott+. *Summary of Health-Related Provisions in the Final Reconciliation Package*. July 7, 2025.

Industry operating conditions driven by policy

OBBBA is a landmark overhaul amid a broader set of transformations

Healthcare leaders have described the One Big Beautiful Bill Act as the single biggest legislative disruption to the industry since the Balanced Budget Act of 1997 (BBA) — which at the time projected \$390 billion¹ in cuts to Medicare and Medicaid. While OBBBA is currently set to vastly exceed that, it is only a part of the transformation happening across the healthcare policy landscape today.

The second Trump administration has brought major changes across the federal government's direct healthcare funding and regulatory activities, and across the general business environment more broadly. While many actions are still facing legal counteraction pending and potential pushback from Congress, the immediate changes — and the industry's reactions — will shape the operating conditions for healthcare organizations for years to come.



Industry funding

Funding restrictions

(research funding cuts, coverage erosion)

Federal budget

(Medicaid, Medicare, and ACA funding cuts)



Business environment

Cost drivers

(tariffs, immigration)

Market regulation

(antitrust, pricing, transparency, Medicare Advantage risk adjustment)

Economic outlook

(inflation, employment, interest rates, credit stability)



Health regulation

DOGE² & MAHA³

(layoffs, data redaction, program changes)

HHS operations

(restructuring, core program functions, care guidelines)

1. Equivalent to roughly \$780 billion in 2025 dollars. Reflects a 10-year budget period.

2. Department of Government Efficiency.

3. Make America Healthy Again.

Source: CBO. [Budgetary Implications of the Balanced Budget Act of 1997](#). December 1997.

How the industry is preparing for policy change

Leaders across the healthcare industry are focused on steering their organizations through the financial strain and operational complexity ahead. Health systems must manage performance improvement across many frontiers at once, health plans must balance competing government and commercial pressures, and life sciences and technology firms must adapt to the spillover effects of their industry partners under threat.

Key priorities to prepare for policy changes, by healthcare sector



Hospitals and health systems



Capital and scenario planning

- Revisit strategic planning and impact analyses
- Rationalize services and infrastructure footprint
- Acquire hospitals and freestanding infrastructure
- Coordinate on rural and safety net support

Related resources

[Scenario planning workshop guide](#)

[Service rationalization toolkit](#)



Revenue loss mitigation strategy

- Improve revenue cycle performance
- Attract commercial volume growth
- Target service line growth investments
- Pursue VBC and alternative growth sources

Related resources

[3 steps to prevent prior authorization denials](#)

[The insider's guide to value-based care](#)



Cost containment and efficiency

- Improve clinical operational efficiency
- Optimize supplies management and contracting
- Leverage tech for efficiency improvement

Related resources

[20 ways health systems can control costs](#)

[Finance leader's resource guide](#)



Workforce and access management

- Manage workforce capacity and retention
- Address access and preventive care gaps
- Leverage scale and partnerships

Related resources

[The manager's guide to leading disruptive change](#)

[Redesigning the care team holistically](#)



Health plans

- Minimize public insurance enrollment losses in partnership with state agencies
- Determine preventive coverage policies
- Negotiate commercial network rates that balance affordability and sustainability



Life sciences and technology firms

- Understand how policy impacts health system strategic planning
- Identify flexibilities for provider contracting to support cost reduction efforts
- Reassess portfolio and sales strategies

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Curated summary information to help your team digest the biggest changes and stay updated about unfolding developments.

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OBBBA and its impact on healthcare

Advance copy available

READY-TO-USE SLIDES

Basics of the unfolding policy landscape

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RESOURCE PAGE

[Healthcare policy updates timeline](#)

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Bring our experts to your organization to scope your response to policy changes.



ESTIMATE the impact of regulatory changes on the health system business

Guidance and modeling tools to help you evaluate the potential business ramifications of provisions in OBBBA and other possible regulatory changes ahead.

EXPERT INSIGHT

[How policy changes will impact your bottom line](#)

TOOL

[Policy scenario planning calculator](#)

DATA SNAPSHOT

Future financial impacts of enacted policies

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ANTICIPATE how peers are grappling with the evolving policy forces

Candid perspectives from leaders at healthcare organizations across the nation about their challenges and priorities, and future opportunities to engage with peers.

SUMMARY

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CREDITS

Project directors

Natalie Trebes

TrebesN@advisory.com

Sebastian Beckmann

BeckmanS@advisory.com

Research contributors

Deeksha Aleti

Ben Palmer