California Hospital Association

One Big Beautiful Bill Act: Summary and Impact Analysis

The "One Big Beautiful Bill Act" (OBBBA) (H.R. 1) will result in **between $66 billion and $128 billion in Medicaid and Medicare revenue losses to California hospitals over the next decade**.

Low estimate: $66B over 10 years *Factors included:*	**High estimate: $128B over 10 years** *Factors included:*
• **Hospital Fee Program 9, currently with the Centers for Medicare & Medicaid Services (CMS) for review, is APPROVED** • Managed care organization (MCO) tax revenue is lost • State-directed payments are capped at 100% of Medicare rates; phase-down to Medicare levels begins in 2028 • Fee program (provider tax) phased down from 5% beginning in 2028 to 3.5% in 2032 • Medicare cuts due to sequestration resulting from growing federal deficit	• **Hospital Fee Program 9, currently with CMS for review, is DENIED** • Fee program revenue is eliminated entirely • MCO tax revenue is lost • Medicare cuts due to sequestration resulting from growing federal deficit
Bottom line: 14% reduction in Medi-Cal revenue & 4% reduction in Medicare revenue	**Bottom line: 30% reduction in Medi-Cal revenue & 4% reduction in Medicare revenue**

NOTE: These projections do not include several variables related to increases in uncompensated care, as CHA is unable at this time to estimate the impacts of:

- *More frequent Medi-Cal redeterminations*
- *Work requirements*
- *Federal medical assistance percentage (FMAP) reductions for emergency services provided to those with unsatisfactory immigration status*
- *Coverage losses due to elimination of Affordable Care Act subsidies*

Executive Summary

- According to the Congressional Budget Office, the OBBBA will lead to nearly **$1 trillion in Medicaid cuts** and result in **more than 11.8 million people losing Medicaid and health insurance marketplace coverage** nationally.
- Policy changes to provider taxes and state-directed payments (SDPs) will result in **$340 billion in cuts to hospitals**. The American Hospital Association estimates that provider tax changes alone will result in a loss of federal payments to hospitals of **$232 billion over 10 years.**
- CHA estimates that **up to 1.8 million people in California will lose insurance coverage**, and hospital **uncompensated care costs will increase by $9.5 billion over 10 years**.

Detailed Provisions for California Hospitals

Provider Taxes

The bill's provisions:

- Prohibit states from establishing any new provider taxes or increasing the rates of existing taxes
- Reduce provider tax safe harbor for expansion states, like California, from 6% of net patient revenue to 3.5% by 2032
    - The safe harbor will be frozen at the percentage enacted or imposed as of the Date of Enactment.
    - Phase down of 0.5% each year begins January 1, 2028, until reaching 3.5%.
- Exempt nursing facilities and intermediate care facilities from new limits

Impact on CA: If California's 2025 fee program — Hospital Quality Assurance Fee (HQAF) Program 9, currently pending before CMS — is approved, CA's provider tax rate (5.03%) is likely to begin at the higher 2025 level and decline from there to 3.5% in 2032. If not, the 2024 program tax levels (HQAF 8) will be frozen in place (at 3.25%). The MCO tax rate would be frozen in place (5.99%) but is in jeopardy because of separate "tax uniformity" provisions in the law described below.

State-Directed Payments

The bill's provisions:

- Cap expansion states' SDPs at 100% of Medicare, lower than California payments today
- Allow for time-limited grandfathering of certain existing SDPs until Jan. 1, 2028, when phase down of 10% per year begins until reaching Medicare levels
- Permit grandfathering for programs that:
    - Were approved by CMS by May 1, 2025, (or for which a good faith effort to receive such approval was made by that date), or by date of enactment (July 4, 2025) for rural hospital payment programs

- Submitted a completed pre-print to CMS prior to date of enactment (July 4, 2025)

Impact on CA: The state Department of Health Care Services submitted a completed pre-print to CMS prior to July 4, 2025, meaning HQAF 9 should qualify for grandfathering of SDPs at 2025 levels, assuming the pre-print is approved. However, CMS has discretion regarding whether HQAF 9 is approved.

Tax Uniformity Requirements

The bill's provisions:

- Prohibit health care-related taxes that tax Medicaid business at a higher rate than non-Medicaid business, or tax Medicaid plans or providers at differential rates (i.e., requires a 1:1 taxation rate for Medicaid and non-Medicaid entities)
- Apply to both MCO taxes and other types of provider and hospital taxes
- Take effect upon enactment (July 4, 2025) but are subject to a transition period at the Health and Human Services secretary's discretion of up to three fiscal years (July 2028)

Impact on CA: Modifications to California's fee program and MCO tax structures will be necessary because of the new uniformity requirements. It is anticipated that the MCO tax cannot be modified to comply with the uniformity requirements and may no longer be viable. The fee program could continue to exist with modifications to the tax rate structure, but the overall size of the program will be constrained by the reductions to the provider tax safe harbor and SDP levels, described above, beginning in 2028.

Coverage and Uncompensated Care

The bill's provisions:

- Impose mandatory work requirements (no later than December 31, 2026, or earlier at state option)
- Require eligibility redetermination every six months for expansion population (January 1, 2027)
- Limit retroactive eligibility to 30 days for expansion adults and 60 days for traditional Medicaid enrollees (vs. 90 days) (January 1, 2027)
- Impose cost-sharing requirements ($35 copayment) for Medicaid expansion population with income over 100% of the FPL (October 1, 2028)
- Limit FMAP for emergency Medicaid (October 1, 2026)
- Restrict premium tax credits to certain "eligible aliens" (January 1, 2027)
- Prohibiting premium tax credits for those enrolled during special enrollment period associated with their income (January 1, 2026)
- Impose various requirements for verification of citizenship, immigration status, cross-state enrollment, address checks, etc.

Impact on CA: The aggregate impact of provisions affecting coverage and uncompensated care will be substantial for Californians and their providers, including significant reductions in the size of the Medi-Cal program, loss of covered lives enrolled through Covered California due to increases in premiums, and growth in the uninsured population. CHA is unable at this time to estimate the impact of these changes.

Sequestration

The bill's provisions:

- Are expected to increase the federal deficit by more than $3 trillion, which could trigger an automatic 4% sequester to Medicare payment rates effective October 1, 2025, unless Congress acts to prevent the sequester from going into effect

Impact on CA: If Congress does not act to prevent the sequester, California hospitals' Medicare payments would be cut by approximately $9.2 billion over 10 years (2.3% of total hospital Medicare revenues).

Rural Health Transformation Fund

- The bill creates a $50 billion rural transformation grant fund to be administered by CMS. It will be paid out as $10 billion annually per year over five years beginning in 2026, with:
    - 50% of funding equally distributed among all states with an approved application
    - 40% of funds distributed in a method determined by CMS
    - 10% allotted for administration of the fund
- States will need to submit a one-time application to CMS to be eligible for an allotment no later than December 31, 2025.
- Multiple types of rural health care providers (hospitals, clinics, community mental health centers, and opioid treatment programs), as well as other projects are eligible for funds.

Impact on CA: California will be eligible for a minimum of approximately $450 million over five years in state-specific funding under the equitable state distribution method. The funding projects will be submitted by the state and approved at CMS' discretion.

Excluded Provisions

The following provisions were not included in the final bill:

- A proposed decrease of the enhanced FMAP for the Medicaid Expansion Population from 90% to 80% for states that cover undocumented adults under Medicaid using state-only dollars
- Delays to fiscal year 2026 Medicaid disproportionate share hospital cuts
- Prohibition of Medicaid coverage for gender-affirming care

	Low Estimate - 10 Year Impact (In Millions)	***High Estimate - 10 Year Impact (In Millions)***
Assumptions:	*•Hospital Fee Program 9, currently with CMS for review, is APPROVED* *•MCO tax revenue is lost* *•State directed payments are capped at 100% of Medicare rates; phase-down to Medicare levels begins in 2028* *•Fee program (provider tax) phased down from 5% beginning in 2028 to 3.5% in 2032* *•Medicare cuts due to sequestration resulting from growing federal deficit*	*•Hospital Fee Program 9, currently with CMS for review, is DENIED* *•Fee program revenue is eliminated entirely* *•MCO tax revenue is lost* *•Medicare cuts due to sequestration resulting from growing federal deficit*
01 - Doug LaMalfa (R)	-$1,156	-$2,241
02 - Jared Huffman (D)	-$874	-$1,695
03 - Kevin Kiley (R)	-$745	-$1,446
04 - Mike Thompson (D)	-$751	-$1,457
05 - Tom McClintock (R)	-$1,848	-$3,584
06 - Ami Bera, MD (D)	-$520	-$1,008
07 - Doris Matsui (D)	-$2,674	-$5,186
08 - John Garamendi (D)	-$1,560	-$3,025
09 - Josh Harder (D)	-$901	-$1,748
10 - Mark DeSaulnier (D)	-$389	-$754
11 - Nancy Pelosi (D)	-$3,066	-$5,947
12 - Lateefah Simon (D)	-$2,107	-$4,086
13 - Adam Gray (D)	-$273	-$530
14 - Eric Swalwell (D)	-$486	-$943
15 - Kevin Mullin (D)	-$790	-$1,532
16 - Sam Liccardo (D)	-$4,777	-$9,265
17 - Ro Khanna (D)	-$68	-$132
18 - Zoe Lofgren (D)	-$718	-$1,393
19 - Jimmy Panetta (D)	-$464	-$900
20 - Vince Fong (R)	-$997	-$1,933
21 - Jim Costa (D)	-$1,612	-$3,127
22 - David Valadao (R)	-$1,311	-$2,542
23 - Jay Obernolte (R)	-$2,194	-$4,256
24 - Salud Carbajal (D)	-$1,403	-$2,721
25 - Raul Ruiz, Dr. (D)	-$455	-$883
26 - Julia Brownley (D)	-$358	-$695
27 - George Whitesides (D)	-$488	-$947
28 - Judy Chu, Dr. (D)	-$684	-$1,326
29 - Luz Rivas (D)	-$2,669	-$5,176
30 - Laura Friedman (D)	-$3,269	-$6,341
31 - Gil Cisneros (D)	-$1,061	-$2,057
32 - Brad Sherman (D)	-$351	-$681
33 - Pete Aguilar (D)	-$1,545	-$2,997
34 - Jimmy Gomez (D)	-$3,936	-$7,634
35 - Norma Torres (D)	-$1,067	-$2,069
36 - Ted Lieu (D)	-$1,215	-$2,356
37 - Sydney Kamlager-Dove (D)	-$830	-$1,610
38 - Linda Sánchez (D)	-$317	-$614
39 - Mark Takano (D)	-$1,034	-$2,005
40 - Young Kim (R)	-$485	-$941
41 - Ken Calvert (R)	-$616	-$1,196
42 - Robert Garcia (D)	-$999	-$1,938
43 - Maxine Waters (D)	-$840	-$1,629
44 - Nanette Barragan (D)	-$3,153	-$6,115
45 - Derek Tran (D)	-$589	-$1,142
46 - Lou Correa (D)	-$2,588	-$5,019
47 - David Min (D)	-$296	-$574
48 - Darrell Issa (R)	-$358	-$694
49 - Mike Levin (D)	-$143	-$277
50 - Scott Peters (D)	-$2,231	-$4,327
51 - Sara Jacobs (D)	-$2,291	-$4,443
52 - Juan Vargas (D)	-$447	-$866
Statewide Impact to Hospitals	***-$66,000*** *- 14% of Total Hospital Medicaid Revenue*	***-$128,000*** *- 30% of Total Hospital Medicaid Revenue*

These projections do no include an increase in uncompensated care due to more frequent Medi-Cal redeterminations, work requirements, FMAP reductions for emergency services provided to those with unsatisfactory immigration status, and other changes.