MedChi
The Maryland State Medical Society

H.R. 1: "One Big Beautiful Bill Act" (OBBA)

SUMMARY AND IMPACT OF THE HEALTH CARE PROVISIONS

On July 4, 2025, President Trump signed H.R. 1, the "One Big Beautiful Bill Act" into law. The legislation passed both the House and Senate on thin margins with the Vice President breaking the tie in the Senate.

NATIONAL AND MARYLAND COVERAGE AND FISCAL IMPACT ESTIMATES

Cuts Medicaid by $1 trillion over 10 years (CBO) and by $2.7B in Maryland (KFF)

17 million Medicaid & Affordable Care Act (ACA) enrollees expected to lose health care coverage (CBO)
(Includes 5 million losing coverage from expiring ACA premium tax credits and repeal of Biden eligibility rules)

1,508,710 State Medicaid enrollees & 331,577 ACA enrollees lose coverage (KFF)

An additional 330,000 ACA enrollees could lose coverage or face 75% higher premium costs because Congress allowed the premium tax credits to expire (KFF)

$232 billion in Provider Tax Cuts + $108 billion in State Directed Payment Cuts=$340 billion over 10 years (AHA)

State Provider Tax cuts in Maryland could cause 1.17B to be at risk. Average state cuts are 20%. (Manatt**)**
(Includes the freeze on new taxes and current provider tax rates, reduction in provider tax rates from 6% to 3.5% in Medicaid expansion states, potential elimination or reduction in taxes because of the tax uniformity requirement, State Directed Payments capped at 100% of Medicare in Medicaid expansion states and 110% of Medicare in non-expansion states, and 2% Medicare sequestration cuts.)

Uncompensated care costs increase by $42.4 billion
$20.6 billion from coverage losses + $21.8 billion from provider tax cuts (Manatt)

A recent Temporary Restraining Order (TRO) on 7/7/2025 enables funding to Planned Parenthood to continue at this time. The Department is working closely with impacted providers on next steps.

E**conomic consequences: 1.3 million health care and other sector jobs will be lost with an 8.8 billion cut in state and local tax revenues due to the service cuts and loss in coverage.** (Commonwealth Fund Study)

EXECUTIVE LEGISLATIVE SUMMARY
H.R. 1 HEALTH CARE PROVISIONS IMPACTING PHYSICIANS

- **Provides a 2.5% Medicare physician payment increase in 2026.**
- **$340 billion in Provider Tax Cuts and State Directed Payment Caps**
  - Immediate moratorium on new taxes and freezes taxes at current rates.

  - Reduces tax rates from 6% of net patient revenue to 3.5% in 41 Medicaid Expansion States starting in 2028.

  -Requires provider tax rates be uniform among all taxed entities within each category of taxes. A state may be given a transition period of up to 3 yrs from enactment, but this is at the discretion of the HHS Secretary.

  -Caps State Directed Payments at 100% of Medicare in Medicaid Expansion States and 110% of Medicare in non-expansion states but current SDPs grandfathered in.

  -Major coverage losses: 175,000 Marylanders are projected to lose coverage.

  -Significant funding cuts: In the future, Maryland will lose up to ~$2.7 billion in federal funding annually when all bill provisions are implemented – note all provisions have varied implementation dates and are not necessarily immediate (FY26 - FY34). The majority of funding losses will be incurred over two years, beginning in FY 27 and FY 28 (period between July 2026 - June 2028).

  -Substantial new costs: Tens of millions of dollars needed to implement and administer OBBBA requirements, particularly those pertaining to eligibility changes such as work requirements.
- **$50 billion Rural Health Fund established to assist rural providers.**
- **Defunds Planned Parenthood clinics for one year.**
- **Establishes work requirements on able-bodied adults but the difficult verification process would cause coverage losses.**
- **Requires unaffordable cost-sharing at $35/service for the Medicaid expansion population.**
- **Allows the Affordable Care Act premium tax credits to expire causing millions to lose affordable coverage.**
- **Imposes multiple cuts on student loan programs creating barriers to medical school and exacerbating physician shortages.**

DETAILED LEGISLATIVE SUMMARY
H.R. 1 HEALTH CARE PROVISIONS

Linked here is a detailed summary of the House and Senate versions from the non-partisan KFF. The Senate version was signed into law. https://www.kff.org/tracking-the-medicaid-provisions-in-the-2025-budget-bill/.

MEDICAID CUTS

Provider Tax Cuts and State Directed Payment Caps

- **Cuts $340 billion in provider taxes and state directed payments over 10 years to 49 states (except AK)** $232 billion in provider tax cuts + $108 billion in State Directed Payment Caps = $340 billion. ***Existing programs in Maryland at risk: $27 million for Primary Care Investment to support Medicaid access to preventive and primary care through AHEAD model; and $25 million for the Maryland Quality Improvement Program (MQIP***).
- **Tax Freeze**: Prohibits states from establishing new provider taxes or increasing existing provider taxes. Tax rates frozen at the rates in effect on May 1, 2025. Effective upon enactment. ***Maryland will need to work with CMS to ensure current assessments: Hospital Assessment, Nursing Facility Assessment, and MCO Assessment meet all criteria of the bill to be "grandfathered" by CMS.***
- **Tax Rate Reduction:** Reduces the provider tax safe harbor cap from 6% of net patient revenues to 3.5% over time in the 40 states + D.C. that expanded Medicaid under the ACA.
  Starting in 2028, the tax rates would be reduced by 0.5% each year until the tax reaches 3.5%.
  Nursing homes and Intermediate care facility taxes are exempt.
- **Tax Uniformity Mandate**: Requires provider taxes to be uniform among all taxed entities within each category of provider taxes (hospital, nursing home, managed care organization or intermediate care facility). States may be given a transition period of up to 3 yrs from enactment, but this is at the discretion of the HHS Secretary.
  Maryland will need to work with CMS to ensure current assessments: Hospital Assessment, Nursing Facility Assessment, and MCO Assessment meet all criteria of the bill to be "grandfathered" by CMS.
- **State Directed Payment Caps:** Limits new state directed payments for mostly public hospitals to 100% of Medicare payment levels in the 40 states + D.C. that expanded Medicaid under the ACA. For non-expansion states, the cap is 110% of Medicare. Current programs approved by CMS as of May 1, 2025 or July 4, 2025 for rural hospital payment programs, or providers that submitted a completed pre-print to CMS prior to July 4, 2025 are grandfathered in. Rates will be reduced by 10% each year until the cap is reached.

Maryland vigorously opposed the provider tax and state directed payment cuts. We are concerned that these extensive and draconian cuts of up to $340 billion will create catastrophic funding gaps in our state budget and force reductions in hospital and physician payment rates, and Medicaid patient benefits and coverage. H.R. 1 will ultimately force reduced services, staffing cuts, and eventually closures for some hospitals, clinics, physician offices, and nursing homes, particularly in rural areas.

One-third of the nation's rural hospitals are already on the brink of closure. These cutbacks will make it more difficult for ALL patients to access physicians.

Rural Health Transformation Fund Established

Authorizes $50 billion in funding for a Rural Health Transformation Program from 2026-2030. 50% of the funding will be equally distributed to all states with approved applications. States must apply by December 31,2025. The remaining funding will be distributed by CMS based on certain factors, such as the portion of a state's population living in rural areas and the number of rural health facilities. Funding may be distributed to rural hospitals, clinics, mental health clinics and opioid programs. ***This rural health fund was opposed by most health care provider organizations as it does not make up for the more than $340 billion in provider tax cuts and caps on state directed payments.***

Reduced FMAP for Emergency Medicaid Services

Reduces state matching funds for Emergency Medicaid from 90% to the states' traditional matching rate for services provided to individuals who would otherwise be eligible for the ACA Medicaid expansion except for their immigration status. Effective 2026. **Opposed.**

Eliminates Medicaid Funding for Planned Parenthood Clinics for One Year

While the House bill originally defunded Planned Parenthood for ten years, the Senate Parliamentarian ruled that the provision did not meet the Senate rules, and therefore, defunding was limited to one year. ***National Planned Parenthood announced that 1.1 million Medicaid patients will not get care and 200 health centers could be forced to close. MedChi, The Maryland State Medical Society opposed.***

Work Requirements

Establishes work requirements or mandates engagement in education programs or community service activities 80 hours/month) for certain able-bodied Medicaid recipients ages 19-64 – mostly adults on the ACA Medicaid Expansion program. There are exceptions for pregnant women, parents/guardians of dependent children under age 14, foster youth under age 26, disabled veterans, the medically frail, the disabled on SSI, seniors, and others. Effective December 31, 2026.

CBO estimates that the onerous paperwork required to provide employment verification will result in more than 4.8 million otherwise eligible adults losing coverage. States could require monthly reporting. Nine of ten adults are currently working or qualify for an exemption. ***MedChi is concerned that the bill's red tape will cause legitimately eligible adults to lose coverage.***

Additional Medicaid Provisions

- Sets unaffordable Cost-Sharing Requirements at $35/service for the Medicaid expansion population but explicitly exempts primary care, mental health, and substance use disorder services. Also limits cost sharing for prescription drugs to nominal amounts. Maintains the 5% of family income cap on out-

of-pocket costs. FQHCs, and rural and behavioral health clinics are exempt. Effective 2028. **Maryland opposed.**

- Repeals the Biden nursing home staffing ratios and sets limit of $1 million on home equity value to qualify for long term care services.
- Repeals some of the new Biden streamlined eligibility and enrollment rules for Medicaid and Medicare that have not been implemented.
- Limits retroactive coverage to 1 month prior to application for Medicaid expansion coverage and 2 months prior to application for coverage for traditional Medicaid enrollees.
- Immigrant eligibility changes restrict the definition of qualified immigrants to "lawfully permanent residents," immigrants from certain countries, and lawfully residing children and pregnant women in states that cover them.
- Removed the provision that reduced the federal match for the Medicaid Expansion population from 90% to 80% for the 15 states that cover the undocumented using state only funding.
- Establishes new waste, fraud and abuse checks by requiring eligibility redeterminations for Medicaid expansion enrollees every 6 months; routine beneficiary address verifications, checks on beneficiary simultaneous enrollment in more than one state, and checks on deceased individuals; and reduces federal match for state payment errors.
- Requires states to conduct checks upon provider enrollment and re-enrollment and monthly thereafter, of databases to determine whether HHS or another state has already terminated a provider from participating in Medicaid or Medicare and disenroll them. Also requires states to check upon provider enrollment and re-enrollment and quarterly thereafter, the Social Security Administration's Death Master File, to determine whether providers are deceased.

AFFORDABLE CARE ACT

H.R. 1 fails to extend the ACA premium tax credits that expire this year.
Therefore, CBO estimates that 4.8 million ACA recipients nationwide will lose affordable coverage and nearly 331,577 in Maryland will either lose coverage or have to pay 75% higher premiums. ***Maryland urged Congress to extend the expiring tax credits as a record 24 million Americans are covered by ACA marketplaces*.**

Requires pre-enrollment verification of eligibility, ends auto-renewals, restricts subsidized ACA coverage eligibility for certain immigrants, and bars individuals that enroll during a special enrollment period from receiving tax credits or cost-sharing assistance.

Provisions that shortened the open enrollment period, eliminated cost-sharing assistance, gender affirming care benefits and abortion coverage were removed from the bill.

MEDICARE

2.5% Medicare physician payment Increase in 2026

This increase is higher than the 2.25% rate increase included in the original House bill for 2026, although it is not permanently built into the conversion factor for future years. Moreover, the final bill does not stop the 2.8% payment cut in 2025 or provide an annual update tied to inflation. However, given the massive Medicaid and ACA funding cuts in the bill, this is an important investment in Medicare physician funding and a higher rate in 2026.

Medicare payments are 33% behind the cost to run a medical practice and are forcing many physicians to retire early or stop taking new Medicare patients which is causing significant access to care problems for seniors and ALL patients. Maryland is advocating for a long-term overhaul that includes annual inflation-based updates.

Medicare Sequestration Cuts Trigger Additional 2% Physician Payment Cuts 2026-2034

H.R. 1 increases the deficit by $3.4 trillion over ten years and thus, it violates the Statutory Pay As You Go rules which requires across the board sequestration cuts to certain government programs, including Medicare. Medicaid is exempt. Medicare is already subject to a 2% sequestration cut each year due to an extension of the Budget Control Act of 2011. CBO projects the Medicare sequestration cuts triggered by H.R. 1 would be increased by another 2% to total 4% each year from 2026-2034. Thus, Medicare physician payments would be cut an additional 2% per year starting in 2026 unless Congress waives the "pay go" rule.

Ends Medicare Drug Price Negotiation for Orphan Drugs

In a win for Pharma, the bill exempts orphan drugs for one or more rare diseases or conditions from the Medicare drug price negotiation requirement adopted by Congress in the Inflation Reduction Act of 2022.
Maryland supports Medicare drug price negotiation to lower the cost of medications for patients.

Medicare Eligibility

Restricts Medicare eligibility to U.S. citizens, Green Card holders and certain others.

MEDICAL STUDENT LOAN CHANGES

- For new loans after July 1, 2026, the final bill imposes a cap on federal student loan borrowing for medical school up to a $200,000 lifetime cap in addition to a $50,000 undergraduate borrowing cap.
- Eliminates federal Graduate PLUS loans for new borrowers starting in the 2026-2027 academic year and for existing borrowers for the 2029-2030 academic year.
- Effective July 1, 2026, eliminates the current income-driven repayment (IDR) plan, replaced by a new Repayment Assistance Program. Repayment terms will be tied to the size of the loan, ranging from 10-25 years.
- Significant changes to the Pell Grant Program that impact student eligibility and award amounts.
- The provision that eliminated Public Service Loan Forgiveness for hours worked during a medical residency or internship was removed.
  Maryland opposed changes to student loan programs that create barriers to medical school, particularly for low-income students, and exacerbate existing physician workforce shortages.

ADDITIONAL ISSUES

Health Savings Accounts (HSAs)

Starting in 2026, treats ACA individual market bronze and catastrophic plans as High Deductible Health Plans (HDHP) that can be paired with an HSA. Also, permanently allows HDHPs to cover telehealth services.

Direct Primary Care Arrangements

Clarifies that Direct Primary Care is not considered a health plan which allows individuals covered by these arrangements to be eligible for Health Savings Accounts.

AI Moratorium

The 10-year moratorium on state AI regulations was removed from the final bill.

HR 1 TIMELINE

July 4, 2025
Provider Tax Moratorium and Freeze
Provider Tax Uniformity Requirement + 3 yr transition at Secretary's discretion
State Directed Payment Cuts of 10%/year for non grandfathered plans
Rural Health Fund Applications due December 31, 2025

January 1, 2026
Planned Parenthood Medicaid Funding Cuts
ACA Premium Tax Credits Expire
Medicare Physician Payment Increase

December 31, 2026
CA MCO Provider Tax Waiver Expires
Medicaid work requirements, school, community service starts
Emergency Medicaid Federal Match Reduced Oct 1

January 1, 2028
Provider Tax Rate cuts from 6% to 3.5% start at 0.5%/year.
Medicaid Cost Sharing of $35/service starts Oct 1 for Medicaid Expansion