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THE ONE BIG BEAUTIFUL BILL

Implications and Next Steps

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FACULTY DISCLOSURE

- I have no relevant financial relationships with ineligible companies to disclose.

OBJECTIVES

- Please include a minimum of two objectives on this slide.

- **Understand some of the Medicaid-related provisions included in the OBBB Act of 2025**
- **Communicate the unique impact the OBBB Act of 2025 may have on the Commonwealth**

EXPECTED OUTCOME & EDUCATIONAL NEED/ PRACTICE GAP

- On this slide, please include the expected outcomes, the educational need, and the practice gap of your presentation.
  - **Expected outcome:** What is the desired change/result in practice resulting from this educational intervention?
    - **Adjust day-to-day operations/projections to prepare for fiscal/operational impact of OBBBA**
  - **Educational Need:** The issue/problem that underlies the practice gap
    - **The OBBBA is large and complex, making it difficult for non-policy staff to interpret direct organizational impact**
  - **Practice Gap:** Difference between current practice and optimal practice relevant to the educational need
    - **Optimal practice would be for organizations to be proactive in preparing for OBBBA/other policy implications**

AGENDA

- Overview of the One Big Beautiful Bill Act (OBBBA) of 2025
- Implications of OBBBA
  - Finance
  - Eligibility
  - Rural Healthcare Focus
- Where do we go now?

KENTUCKY MEDICAID AT A GLANCE

- 1,473,165 covered lives*
  - 884,300 qualified by traditional eligibility
  - 466,155 are part of **Medicaid Expansion**
  - 110,900 K-CHIP

*Includes approximately 600,000 children (more than half of children in Kentucky)

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OVERVIEW OF THE ONE BIG BEAUTIFUL BILL ACT (OBBBA) OF 2025

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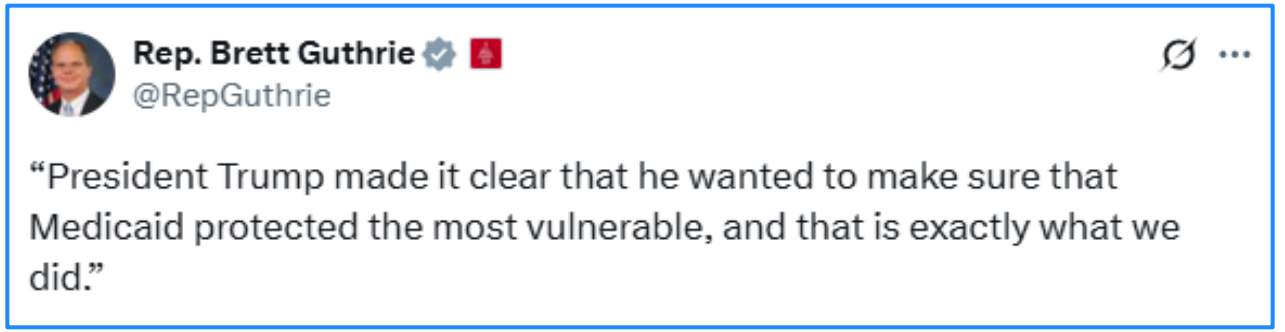
ONE BIG BEAUTIFUL BILL ACT

What Did *Not* Happen

- Medicaid expansion remains intact
- No per-capita caps or block grants
- No changes to Medicaid federal match formula
- ACA reforms and Medicare largely untouched



HOUSE VERSION OF THE RECONCILIATION BILL

- **House Version (passed House on May 22)**
  - Grandfathered existing Medicaid Directed Payment programs at their current rate without any reductions.
  - Any new Medicaid Directed Payment plans would have been set at the Medicare rate.

TRUMP ISSUES MEDICAID MEMO ON JUNE 6, 2025

These State Directed Payments have rapidly accelerated, quadrupling in magnitude over the last 4 years and reaching $110 billion in 2024 alone. This trajectory threatens the Federal Treasury and Medicaid's long-term stability, and the imbalance between Medicaid and Medicare patients threatens to jeopardize access to care for our seniors.

I pledged to protect and improve these important Government healthcare programs for those that rely on them. Seniors on Medicare and Medicaid recipients both deserve access to quality care in a system free from the fraud, waste, and abuse, that enriches the unscrupulous and jeopardizes the programs themselves. We will take action to continue to love and cherish the Medicare and Medicaid programs to ensure they are preserved for those who need them most.

The Secretary of Health and Human Services shall therefore take appropriate action to eliminate waste, fraud, and abuse in Medicaid, including by ensuring Medicaid payments rates are not higher than Medicare, to the extent permitted by applicable law.

ONE BIG BEAUTIFUL BILL ACT

- Signed into law July 4, 2025
- Major restructuring of Medicaid financing some eligibility changes for Medicaid expansion
- Creates $50B Rural Health Transformation Program
- More responsibility shifted to states

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FINANCIAL IMPLICATIONS OF THE OBBB ACT OF 2025

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FINANCING PROVISIONS – OBBB ACT

- Immediate moratorium on new or increased provider taxes
- Expansion states: provider tax cap phased down from 5.5% (2028) → 3.5% (2032)
- Will constrain Kentucky's state Medicaid budget, affecting health system funding

OBBB ACT – MEDICAID PROVISIONS

PROVIDER TAXES

- Immediate moratorium on states introducing new or increases to existing provider taxes or other new taxes to finance Medicaid; reduces cap from 6% to 3.5% in expansion states beginning in 2028 at 5.5% and ending in 2032 at 3.5%.
- Hospital Tax
  - FFY28 – 5.5%
  - FFY29 – 5.0%
  - FFY30 – 4.5%
  - FFY31 – 4.0%
  - FFY32 – 3.5%

OBBB ACT – MEDICAID PROVISIONS

State Directed Payments

- Caps on **new** state directed payments in Medicaid expansion states are set at 100% of Medicare rates – effective January 1, 2028

  GRANDFATHER CLAUSE

  - Existing state directed payment plans at higher rates "for which a completed preprint was submitted to the Secretary prior to the date of enactment of this Act" are capped at current preprint levels.
  - Payments will be reduced by 10 percentage points per year until they equal 100% of Medicare rates – after January 1, 2028.
  - HRIP "completed" May 6, 2025.
  - KMAP preprint for 2026 was submitted on July 25, 2025. Grandfathered?

KENTUCKY'S STATE UNIVERSITY TEACHING HOSPITAL MEDICAID DIRECTED PAYMENT PROGRAM

President Donald Trump
2017 – 2021

Jul 2019 – Jun 2020	Jul 2020 – Jun 2023	Jul – Dec 2023	Jan – Dec 2024	Jan – Dec 2025	Jan – Dec 2026
• Initial CMS approval for one year (FY20)	• CMS approved KY's multi-year proposal • (FY21-23)	• CMS approved a six-month preprint to switch from fiscal year to calendar year to align with MCO contracts	• CY24 preprint approved	• CY2025 preprint approved	• Submitted preprint renewal request on November 11th, 2024, at 10:20am

Initial funding used for
- Community Connect
- Carelink

Epic

Requirements - Medicaid Directed Payments must be tied to:

- **Accountability -** Utilization and delivery of services to Medicaid patients
- **Targets -** Quality and Value Metrics must improve access and health outcomes for the Medicaid population
- **Risk -** 20% of funding at risk (all or nothing)

UK HEALTHCARE IMPROVEMENTS FROM 2019 TO AUG. 2025

UNDER THE UNIVERSITY MEDICAID DIRECTED PAYMENT PROGRAM

Depression Screening rates increased from 4.9% to 85.57%	80.6 points improved
Body Mass Index went from 52.7% to 94.54%	41.8 points improved
Patients with poorly controlled Hemoglobin A1c went from >25% to 12.46%	12.5 points improved
Breast Cancer Screening went from 51.4% to 65.56%	14.1 points improved
Tobacco Screening rates went from 44% to 93.96%	49.9 points improved
Blood pressure control went from 37% to 73.71%	36.7 points improved
Colorectal screening rates went from 52.2% to 68.78%	16.5 points improved
Well Child Visit (3-6 years) rates went from 30% to 85.56%	55.5 points improved

UK HEALTHCARE'S ALIGNMENT WITH MAKE AMERICA HEALTHY AGAIN PRIORITIES

Mental Health Disorders
- Screening for Depression and Follow-Up Plan
- Postpartum Depression Screening

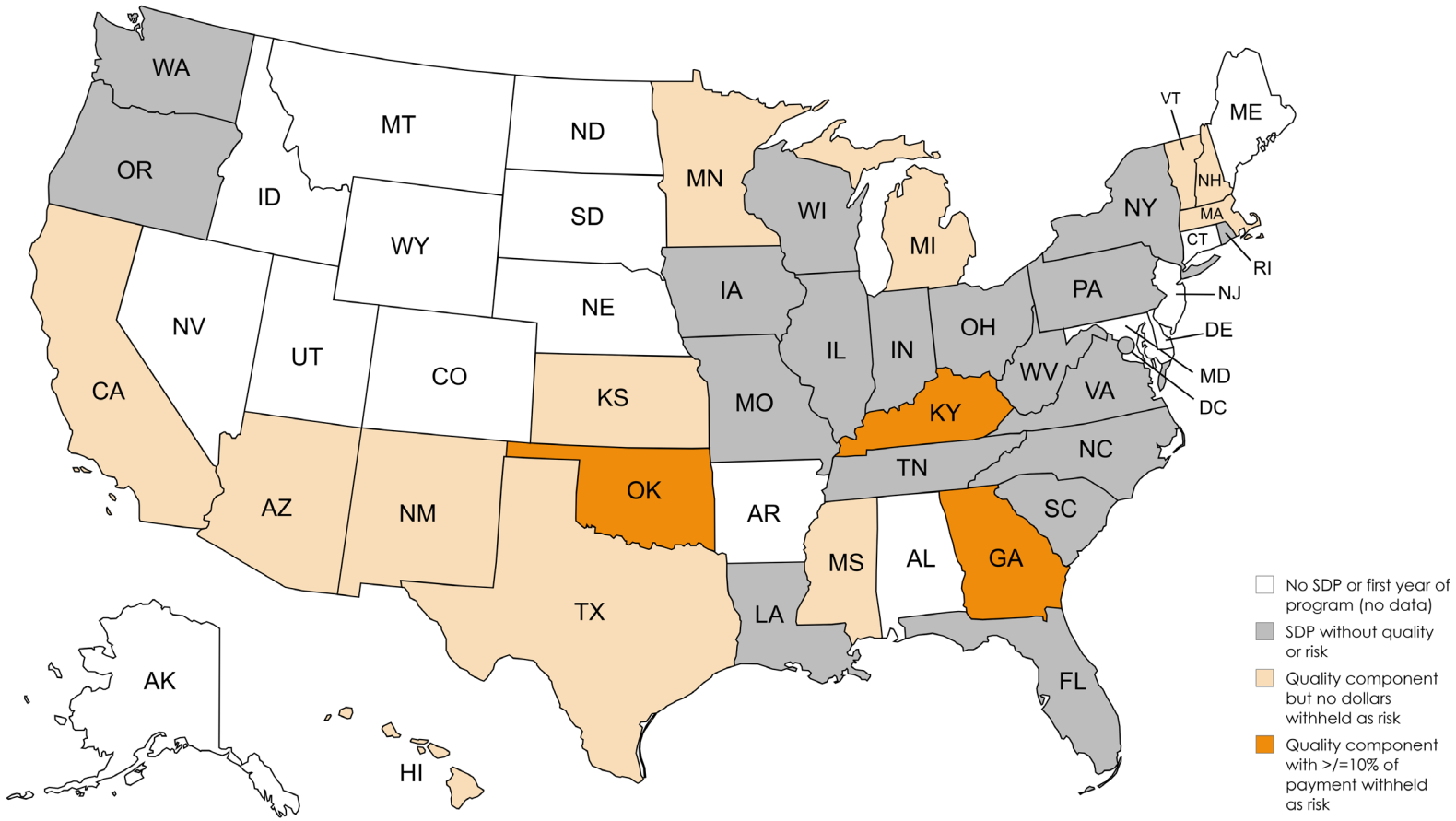
Obesity
- BMI Screening and Follow-Up

Diabetes
- Diabetes Care: HbA1c Poor Control

Chronic Diseases
- Breast Cancer Screening
- Colorectal Cancer Screening
- Tobacco Use Screening and Cessation Counseling
- Controlling High Blood Pressure
- Statin Therapy for Patients with Cardiovascular Disease

Child Health
- Well Child Visits 0-15 Months
- Well Child Visits 15-30 Months
- Well Child Visits 3-6 Years
- Adolescent Depression Screening and Follow-Up Plan
- Adolescent (12-17) BMI Screening and Follow-Up

STATE DIRECTED PAYMENT PROGRAMS: QUALITY AND RISK COMPONENT



HEALTH IS IMPROVING IN KENTUCKY

Kentucky ranks #37 in the nation and #3 in the Southeast Region

Note: Southeast region includes AL, AR, FL, GA, KY, LA, MS, NC, SC, TN, VA, WV.

National Health Rankings		
2014	**2024**	**2025**
47th	41st	37th

Key Improvement Areas

Blood tests for Adults with Diabetes | Adults with Substance Use disorder | Children's mental healthcare

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Source: Commonwealth Fund 2025 Scorecard on State Health System Performance

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ELIGIBILITY IMPLICATIONS OF OBBB ACT OF 2025

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MEDICAID EXPANSION PROVISIONS – OBBB ACT

- **Work requirements***
  - Able-bodied individuals covered by Medicaid expansion will be required to engage in community service or work to keep Medicaid coverage
- **Eligibility redeterminations*** - every **six months**
- **Retroactive coverage*** - limited to **30 days**
- **Cost sharing increase**** - up to **$35 per service**
- **Undocumented Immigrants**
  - Bans Medicaid payment, Medicare and Affordable Care Act (ACA) marketplace coverage
- **Legal permanent residents/immigrants** - further restrictions on eligibility and federal payments for emergency Medicaid services***

*Effective January 1, 2027; **Effective October 1, 2028; ***Effective October 1, 2026

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RURAL HEALTHCARE FOCUS OF THE OBBB ACT OF 2025

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OBBB ACT – RURAL HEALTH PROVISIONS

RURAL HEALTH TRANSFORMATION FUNDING

- CMS administrator allotted $10B each fiscal year from 2026 through 2030 to distribute to states.
- $50B in total funding over five years.
- 50% of funding will be distributed equally among qualifying states but the remainder can be distributed by the CMS Administrator based on rural population factors.
- Deadline for applying for funding - December 31, 2025.
- Secretary of HHS approves designation of hospital as rural or a rural referral center.

IMPLEMENTATION TIMELINE

JULY 4, 2025

- Provider taxes frozen
- State directed payments (SDP) frozen
- Optional work requirement possibility

OCT. 1, 2025

- Rural health fund payments can begin

JAN. 1, 2027

- Work requirements start or waiver required
- Medicaid eligibility verifications increased
- Presumptive eligibility

OCT. 1, 2027

- Expansion state provider tax phase down begins

JAN. 1, 2028

- SDP grandfather ends; 10% annual phased down begins

OCT. 1, 2028

- Medicaid cost sharing requirements begin for those >100% FPL

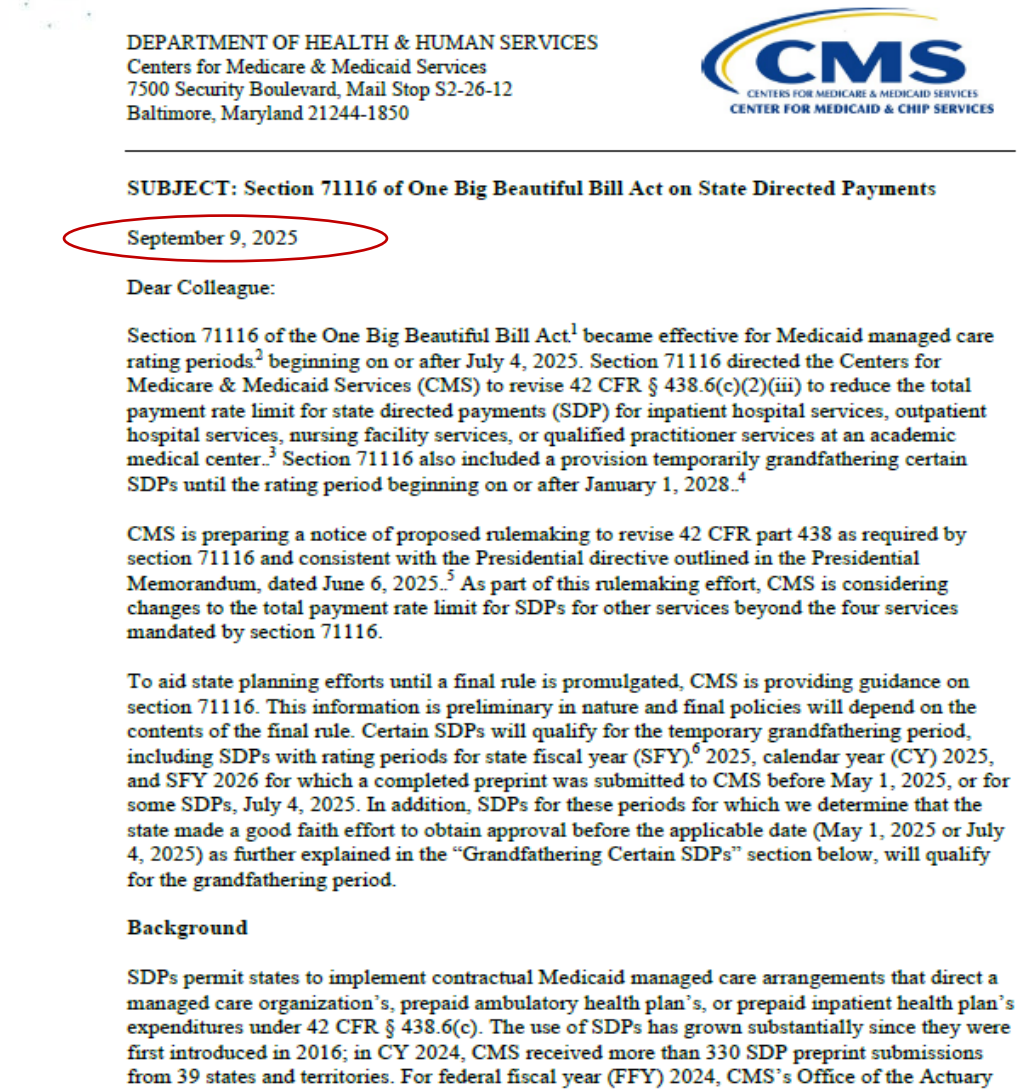
JAN. 1, 2029

- Work requirements implemented in all states

2025 2026 2027 2028

ONE BIG BEAUTIFUL ACT ON STATE DIRECTED PAYMENTS – DEAR COLLEAGUE LETTER

- CMS released its initial guidance for the state-directed payment changes included in the One Big Beautiful Bill Act.



DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, Maryland 21244-1850

CMS
CENTERS FOR MEDICARE & MEDICAID SERVICES
CENTER FOR MEDICAID & CHIP SERVICES

SUBJECT: Section 71116 of One Big Beautiful Bill Act on State Directed Payments

September 9, 2025

Dear Colleague:

Section 71116 of the One Big Beautiful Bill Act.[1] became effective for Medicaid managed care rating periods.[2] beginning on or after July 4, 2025. Section 71116 directed the Centers for Medicare & Medicaid Services (CMS) to revise 42 CFR § 438.6(c)(2)(iii) to reduce the total payment rate limit for state directed payments (SDP) for inpatient hospital services, outpatient hospital services, nursing facility services, or qualified practitioner services at an academic medical center..[3] Section 71116 also included a provision temporarily grandfathering certain SDPs until the rating period beginning on or after January 1, 2028..[4]

CMS is preparing a notice of proposed rulemaking to revise 42 CFR part 438 as required by section 71116 and consistent with the Presidential directive outlined in the Presidential Memorandum, dated June 6, 2025..[5] As part of this rulemaking effort, CMS is considering changes to the total payment rate limit for SDPs for other services beyond the four services mandated by section 71116.

To aid state planning efforts until a final rule is promulgated, CMS is providing guidance on section 71116. This information is preliminary in nature and final policies will depend on the contents of the final rule. Certain SDPs will qualify for the temporary grandfathering period, including SDPs with rating periods for state fiscal year (SFY).[6] 2025, calendar year (CY) 2025, and SFY 2026 for which a completed preprint was submitted to CMS before May 1, 2025, or for some SDPs, July 4, 2025. In addition, SDPs for these periods for which we determine that the state made a good faith effort to obtain approval before the applicable date (May 1, 2025 or July 4, 2025) as further explained in the "Grandfathering Certain SDPs" section below, will qualify for the grandfathering period.

Background

SDPs permit states to implement contractual Medicaid managed care arrangements that direct a managed care organization's, prepaid ambulatory health plan's, or prepaid inpatient health plan's expenditures under 42 CFR § 438.6(c). The use of SDPs has grown substantially since they were first introduced in 2016; in CY 2024, CMS received more than 330 SDP preprint submissions from 39 states and territories. For federal fiscal year (FFY) 2024, CMS's Office of the Actuary

EFFECTS OF A GOVERNMENT SHUTDOWN

What shuts down during a government shutdown?

The U.S. Capitol is seen in Washington, D.C. on September 24, 2025 as a looming partial government shutdown is a week away if Congress fails to fund the government. *Nathan Howard / Reuters*

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WHERE DO WE GO NOW?

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Magnet Status for Nursing Excellence