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# OBBBA: Top 10 Topics You Need to Know

September 15, 2025





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# Learning Objectives

1

List 10 important OBBBA policies impacting hospitals and health systems

2

Discuss major Medicaid funding changes of consequence

3

Describe the rural health transformation fund







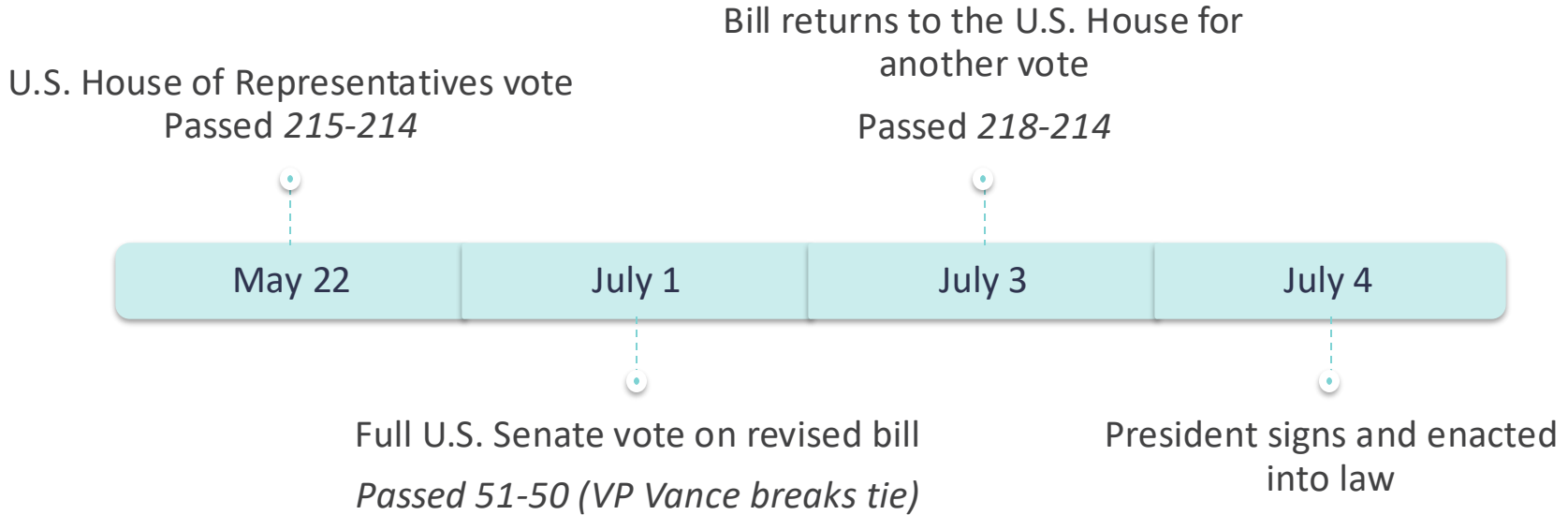
# OBBBA #1

We're just getting started



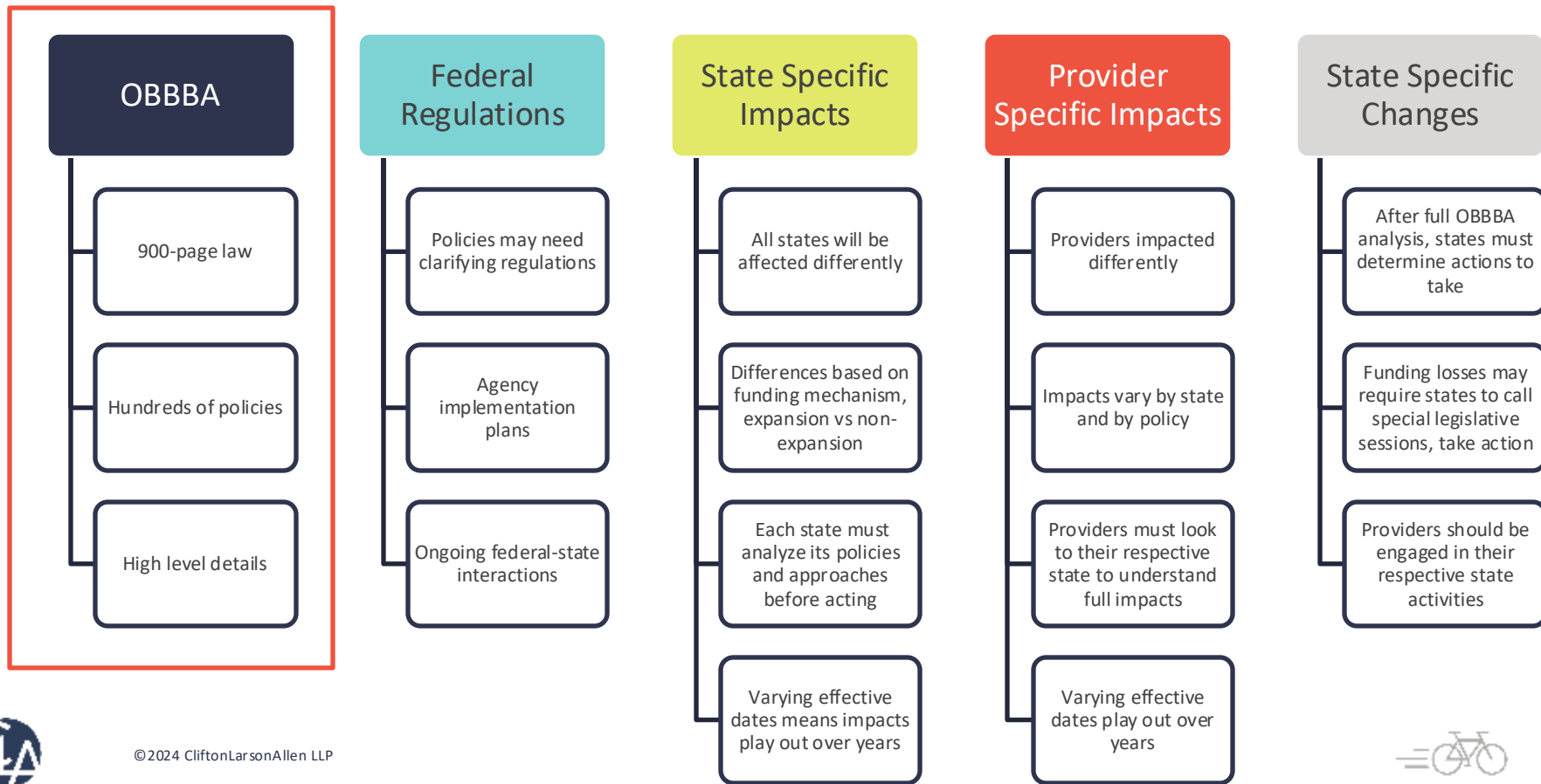


# Budget Reconciliation Law/ “One Big Beautiful Bill Act”





# But...Enactment Is Just First Step of Long Process







# OBBBA #2

\$1.1 trillion in federal health care funding cuts





# CBO Final Law Estimated Impacts

Congressional Budget Office estimates OBBBA (Public Law 119-21) will result in a net budget deficit increase of **\$3.4 trillion** over 10 years (2025-2034)

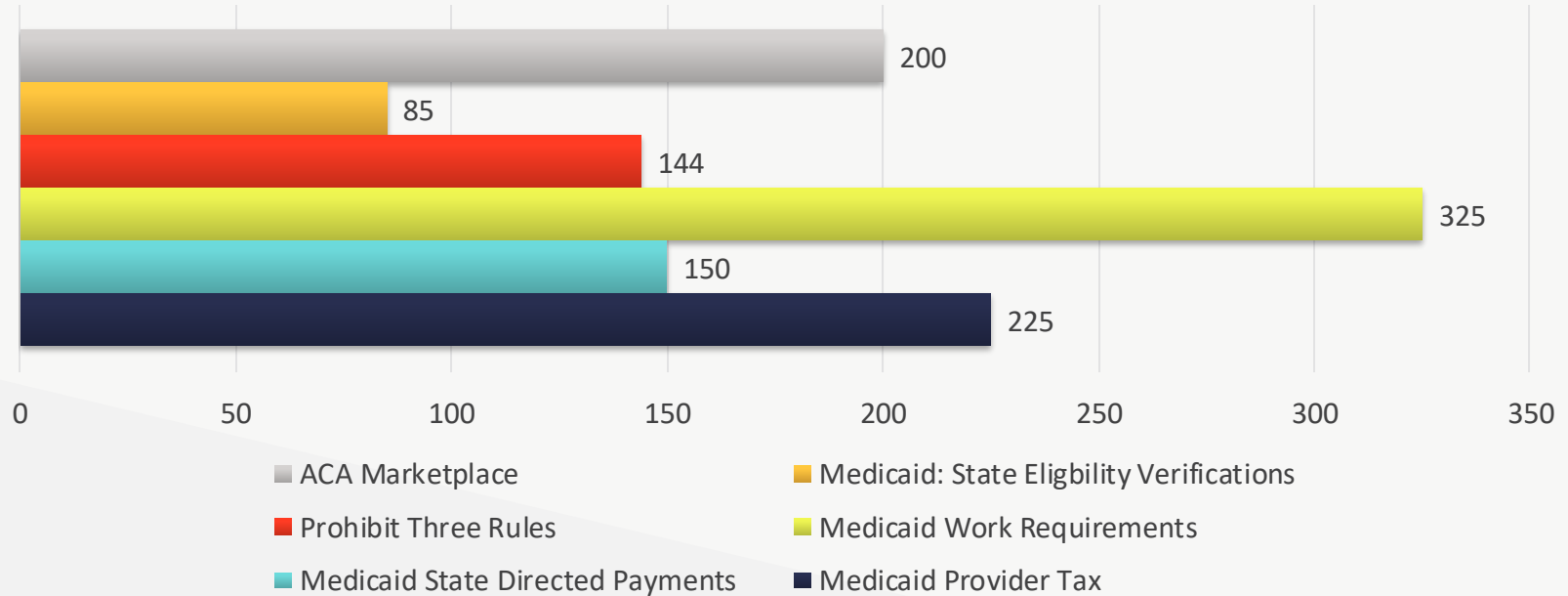
- OBBBA reduces incoming federal revenues by \$4.5 trillion
- OBBBA reduces outgoing federal spending by \$1.1 trillion
  - \$900+ billion in Medicaid funding reductions
- Results in net \$3.4 trillion deficit

[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 | Congressional Budget Office](#)





# Quick Estimate: Major OBBBA Cuts (in Billions)



[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 | Congressional Budget Office](#)







# OBBBA #3

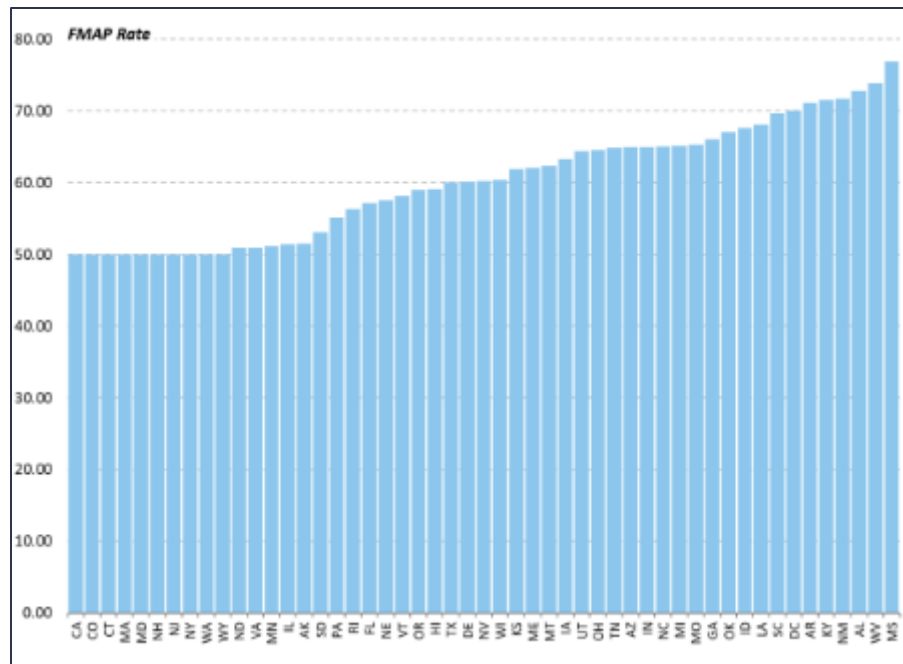
## Medicaid Provider Taxes





# Background Example on How Medicaid is Funded

Medicaid is a joint federal-state program so any impacts will vary by state. **All states receive a standard federal matching rate (called the FMAP) = cuts hurt state budgets (but by how much depends).** There are other FMAP rates as well.



[Medicaid's Federal Medical Assistance Percentage \(FMAP\) | Congress.gov | Library of Congress](#)





# Background Example: Medicaid Funding

Medicaid is a joint federal-state program so any impacts will vary by state. **All states receive a standard federal matching rate (called the FMAP) = cuts hurt *state* budgets (but by how much depends).** There are other FMAP rates as well.



## New Mexico

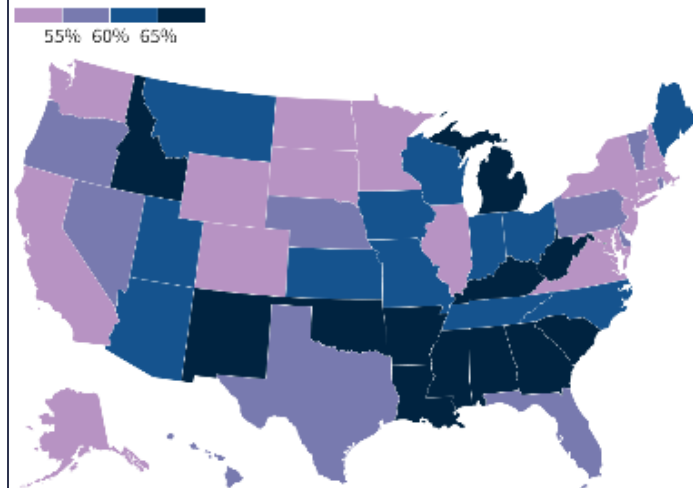
FY 2026 Standard FMAP = 71.66

This means that for every \$1 NM puts into funding its “state share” of Medicaid, the federal matches with another \$2.53

Figure 1

### States With Lower Per Capita Incomes Have a Higher Federal Matching Rate for Medicaid

Federal Medicaid Assistance Percentages (FMAPs) for Traditional Medicaid Spending Effective for FFY 2026



Note: FFY = federal fiscal year. These rates are in effect October 1, 2025 - September 30, 2026. These FMAPs are determined by a formula set in statute and are for services used by people eligible through traditional Medicaid, which includes individuals who are eligible as children, low-income parents, because of disability, or because of age (65+). The formula is designed so that the federal government pays a larger share of program costs in states with lower average per capita income.

Source: Federal Register, November 29, 2024 (Vol 89, No. 220), pp 94742-94745

KFF

Medicaid Financing: The Basics, (KFF, January 29, 2025),  
<https://www.kff.org/medicaid/medicaid-financing-the-basics/>, (date accessed 9/12/2025).



# OBBBA Law: *Key Medicaid Policies*

## Provider taxes

- Bans new provider taxes
- Tighter provider tax methodology requirements
- Freezes provider taxes in non-expansion states
- Reduces provider tax rate (ie: safe harbor %) in expansion states from 6% to 3.5%
  - Reduction of 0.5% each year beginning 2028 through 2032
  - Exempts nursing homes, intermediate care facilities (i.e.: their % would not phase down)
- \$225 billion cut nationally\*

\* [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 | Congressional Budget Office](#)





# Provider Taxes + ACA Expansion

	ACA Expansion	ACA Non-Expansion												
State	All others	AL, FL, GA, KS, MS, SC, TN, TX, WI, WY												
OBBBA Provider Tax Policy Impact	<ul style="list-style-type: none"><li>Beginning 2028, taxes begin to phase down by this schedule:<table><tr><th>Year</th><th>Percentage</th></tr><tr><td>2028</td><td>5.50%</td></tr><tr><td>2029</td><td>5.00%</td></tr><tr><td>2030</td><td>4.50%</td></tr><tr><td>2031</td><td>4.00%</td></tr><tr><td>2032</td><td>3.50%</td></tr></table></li><li>Nursing home, ICF/ID exempted</li></ul>	Year	Percentage	2028	5.50%	2029	5.00%	2030	4.50%	2031	4.00%	2032	3.50%	<ul style="list-style-type: none"><li>No New Taxes</li><li>Existing Taxes Frozen</li></ul>
Year	Percentage													
2028	5.50%													
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# NM Impact

## New Mexico is an ACA expansion state

State	Type of Provider Tax					
	Hospital	ICF/ID	Nursing Home	MCO	Ambulance	Other
New Mexico	X	X	X	—	—	—

[Medicaid Provider Taxes](#) | [Congress.gov](#) | [Library of Congress](#)

Hospital Access Program (provider tax) set at 6%. However, it was rolled into State Directed Payment approach under enacted 2024 law, NM 2024 SB 17

## Expansion States:

### *Provider Tax Phase-Down by Year*

<b>Year</b>	<b>Percentage</b>
2028	5.50%
2029	5.00%
2030	4.50%
2031	4.00%
2032	3.50%

[Text - H.R.1 - 119th Congress \(2025-2026\): One Big Beautiful Bill Act](#) | [Congress.gov](#) | [Library of Congress](#)







# OBBBA #4

State Directed Payments





# OBBBA Law: Key Medicaid Policies

## State directed payments (SDPs)

- Bans states from mandating Medicaid managed care companies pay providers more than 100% of Medicare
- Allows non-expansion states to pay up to 110% of Medicare rates
- Grandfathered SDPs rates reduced by 10% each year until rate equals either 100% Medicare or 110% Medicare, beginning 2028.
- \$150 billion cut nationally\*

\* [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 | Congressional Budget Office](#)





# Provider Taxes + SPD + ACA Expansion

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OBBBA State Directed Payment Policy Impact	<ul style="list-style-type: none"><li>Phases down to 100% Medicare</li><li>Begins 2028</li><li>10% reduction per year</li></ul>	<ul style="list-style-type: none"><li>Phase down to 110% Medicare</li><li>Begins 2028</li><li>10% reduction per year</li></ul>												





# New Mexico SDP

- Senate Bill 17 (SB17) creates the Healthcare Quality Delivery and Access Act to provide for the Healthcare Delivery and Access Medicaid-Directed Payment Program and the healthcare delivery and access fund. The act imposes assessments on most hospitals in the state based on non-Medicare utilization
- Combines multiple other access/taxes into this SDP
- Reimburse hospitals at average commercial rates
- [NM Legislature - SB0017](#)





## OBBBA – New Mexico Tax Implications

Presented to the  
Federal Funds Stabilization Subcommittee  
July 31, 2025

Stephanie Schardin Clarke, Cabinet Secretary  
Lucinda Sydow, Chief Economist

### OBBBA Indirect Impacts to other Tax Revenues

- Phase down for State Directed Payments to the Medicaid payment rate will impact the amount of provider rate increases to hospitals under Medicaid passed into law under SB17 (2024)
- This will pose a downside risk to the Insurance Premium Tax and Health Insurance Premium Surcharge as the premium amounts for Medicaid recipients will be proportionately impacted
- Also poses a downside risk to GRT with a lower taxable base for Hospitals than estimated in SB17 fiscal impact. Estimate to be determined.





# OBBBA #5

Additional Medicaid Policy Changes





# OBBBA Law: Additional Medicaid Policies

## Work requirements for able-bodied adults

- Expansion population
- 80 hours per month (work, education, volunteer)
- Called “community engagement requirements”
- Some exemptions
- Effective Dec. 31, 2026

*(CBO savings estimate = \$325B)*

## Mandated cost-sharing for expansion adults

- Up to \$35 cost sharing
- Services provided at FQHCs, RHCs, BHCs exempt

## Heightened state eligibility/verification requirements

## Shortened retroactive eligibility

- One-month retroactive eligibility for expansion enrollees
- Two months retroactive eligibility for traditional enrollees
- Effective January 1, 2027







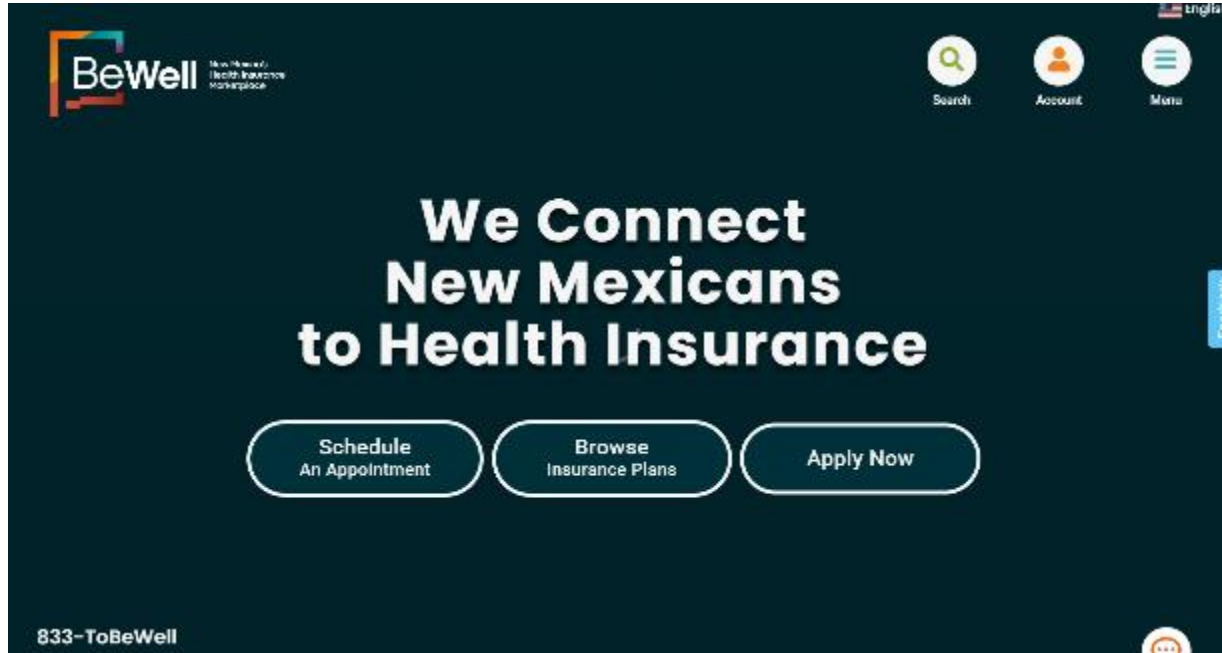
# OBBBA #6

ACA Marketplace Changes





# ACA Marketplace: NM BeWell



[We Connect New Mexicans to Health Insurance - BeWell, New Mexico's Health Insurance Marketplace](#)





# OBBBA Law: General ACA Marketplace Changes



All premium tax credit recipients must repay full amount of any excess, no matter their income. Effective for taxable years beginning after Dec. 31, 2025



Pre-enrollment verification of eligibility for premium tax credit and cost-sharing reductions. Effective after taxable years beginning after Dec. 31, 2027



Prohibits tax credits, cost sharing for individuals who are not enrolled in Medicaid due to failure to meet community engagement requirements



Restricts subsidized coverage to only certain types of lawfully present immigrants (green card holders, Cuban/Haitians, certain Pacific Islanders...)



Eliminates subsidized coverage for all lawfully present immigrants under 100% of Federal Poverty Level



# NM Response for 2026



NM announces that plan rates on its Exchange, BeWell, will increase an average of 35.7%



75,000 New Mexicans have their insurance through BeWell with 88% qualifying for federal and state premium assistance



Federal Enhanced Premium Tax Credits expire later this year unless Congress acts.



New Mexico's Health Care Affordability Fund (HCAF) will cover the amount of tax credits for Households under 400% FPL. This is up to \$68 million in 2026.







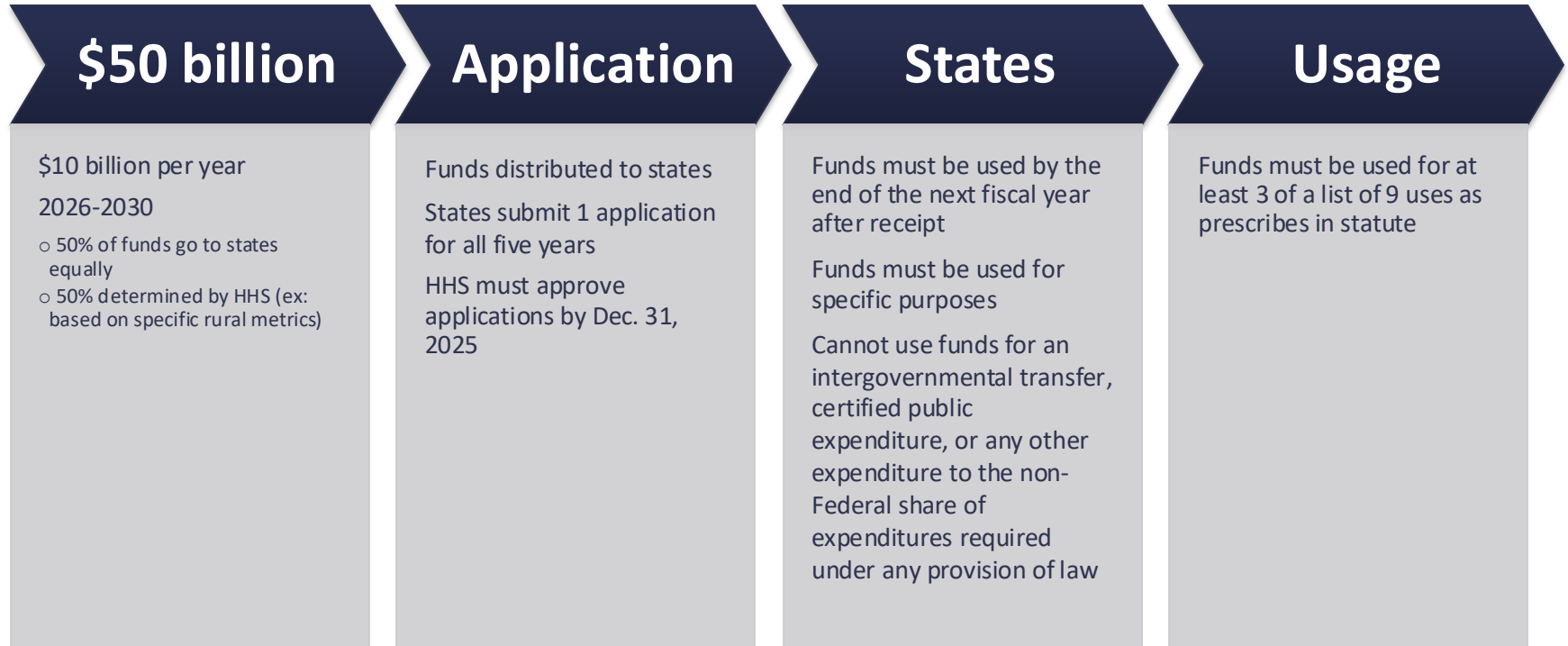
# OBBBA #7

\$50 Billion Rural Health Transformation Fund





# Overview: Rural Health Transformation Fund



[H.R.1 - 119th Congress \(2025-2026\) | Congress.gov | Library of Congress](#)





# States Must Use Funds for at Least Three From List:

- Promoting interventions to improve prevention, chronic disease management
- Providing payments to health care providers for health care items or services, as specified by the CMS
- Promoting consumer-facing, tech-driven solutions for prevention/management of chronic diseases
- Providing training, technical assistance for development, adoption of technology-enabled solutions that improve care delivery in rural hospitals, including remote monitoring, robotics, artificial intelligence etc.
- Recruiting and retaining clinical workforce to rural areas, with commitments to serve rural communities for a minimum of 5 years
- Providing technical assistance, software, hardware for significant IT advances designed to improve efficiency, enhance cybersecurity capability development, and improve patient outcomes
- Assisting rural communities to right size health care delivery systems by identifying needed preventative, ambulatory, pre-hospital, emergency, acute inpatient care, outpatient care, post-acute care service
- Supporting access to opioid use disorder treatment services, substance use disorder treatment services, mental health services
- Developing projects that support innovative models of care (value-based care arrangements and alternative payment models)
- Additional uses designed to promote sustainable access to high quality rural health care services, as determined by CMS





# State Applications Include Following

Improve access to hospitals, providers, health care items and services for rural residents

Improve health care outcomes of rural residents

Prioritize using new, emerging technologies to prevent and treat chronic disease management

Foster strategic partnerships between rural hospitals and other health care providers to improve quality, increase financial stability, use economies of scale, share best practices

Enhance supply of health care clinicians through enhanced recruitment and training

Prioritize data and technology solutions that help rural hospitals, providers to furnish high-quality health care services close to patient's home as possible

Outline strategies to manage long-term solvency, operating models of rural hospitals

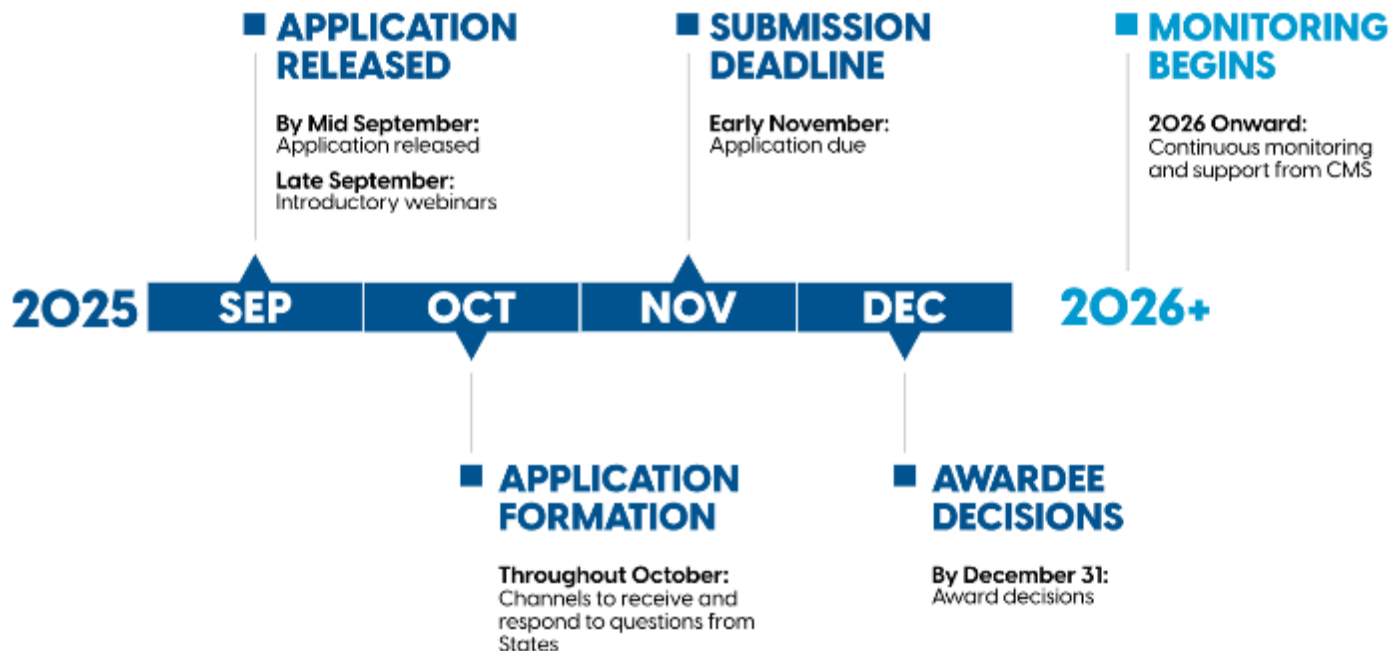
Identify specific causes driving accelerating rate of stand-alone rural hospitals becoming at risk of closure, conversion, or service reduction

[H.R.1 - 119th Congress \(2025-2026\) | Congress.gov | Library of Congress](#)





# Application Timeline







# OBBBA #8

Executive Compensation Excise Tax







## Excess Compensation Tax

Expanded definition  
of covered employee to  
expand excise tax base



- Tax-exempt entity with employees receiving compensation of \$1 million or more face a 21% excise tax
- Covers all current and former employees over \$1 million, and certain severance agreements

## Exempt Organization Provisions







# OBBBA #9

Clean Energy Tax Credits





# Clean Energy Tax Credits

- Early termination and accelerated phaseouts for some credits
- Introduces complex restrictions around “foreign entities of concern”
- Generally, no direct changes to transferability or direct pay







# OBBBA #10

Advocacy is still ongoing





# States Options to Address Funding Cuts?



Cutting Medicaid eligibility levels.



Cutting provider reimbursements. This means cuts to hospitals, nursing homes and others.



Increasing state taxes.



Cutting state spending on other programs to backfill Medicaid.

*or any combination of the above*



# A Few Final Thoughts

Estimates of \$1.1 trillion in total health care cuts over 10 years

Many, many moving and interrelated parts

Impacts will vary by policy, by year, by state

Policies all have varying effective dates

Each state will need to assess impact, develop plans to address shortfalls and enact policy changes

New rural transformation funds could assist some locations

Even though nursing home provider tax exempted, could still be impacted by state decisions

State and federal advocacy will be ongoing





# Questions? Reach out.

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