Research brief

MEDICAID CUTS & KANSAS

How the One Big Beautiful Bill Act will impact funding & enrollment

United Methodist HealthMinistryFund

REACH healthcare foundation

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Congress recently passed the One Big Beautiful Bill Act, which was signed into law July 4 by President Trump. This bill will cut an estimated $1 trillion from Medicaid and $300 billion from the Supplemental Nutrition Assistance Program (SNAP), removing health care and food assistance from millions of Americans. It will impact children, seniors and people with disabilities.

To better understand the impact on access to health care, the Kansas-based philanthropies United Methodist Health Ministry Fund and REACH Healthcare Foundation partnered with Manatt Health to model the impact this bill will have on Kansas' Medicaid system over the next 10 years.

Using its Medicaid Financing model, Manatt analyzed how this bill will impact Kansas' funding for its Medicaid program, called KanCare, and enrollment in the program. Of note, these estimates are understated. Manatt's Medicaid Financing model estimates state impacts based on most of the key Medicaid provisions included in bill, including the impact of work requirements, six-month renewals, new restrictions on provider taxes and State Directed Payments (SDPs) for hospitals, and repeal of certain Medicaid eligibility simplifications.

Manatt's estimates do not reflect the impact of changes to provider taxes and SDPs for providers other than hospitals, nor do they address changes to standards designed to ensure that provider taxes are "generally redistributive."

The final bill included a $50 billion Rural Health Transformation Program, a relief fund created to help address the financial challenges for struggling rural health care providers. It could provide up to an estimated $811 million to Kansas to help offset funding losses due to the bill. However, that will not cover the complete funding gap created by the legislation.

ESTIMATED IMPACT ON KANSAS

$3.9 BILLION
IN REDUCED MEDICAID FUNDING OVER 10 YEARS

Federal	State	TOTAL
-$2.4 B	-$1.5 B	**-$3.9 B**

$2.7 BILLION
IN REDUCED MEDICAID FUNDING FOR HOSPITALS OVER 10 YEARS

Federal	State	TOTAL
-$1.6 B	-$1.0 B	**-$2.7 B**

UP TO $811 MILLION
IN RELIEF FUNDS TO HELP OFFSET LOSSES FOR RURAL HEALTH CARE PROVIDERS

INCREASED UNINSURED RATES

While it is beyond the scope of the modeling to predict whether the spending cuts will prompt eligibility restrictions, the bill imposes a 10-year delay for certain provisions in two Medicaid eligibility and enrollment rules. One of these rules would have streamlined enrollment in Medicaid, while the other would have reduced barriers to enrolling in Medicare Savings Programs (MSPs). Certain provisions in both were delayed until Oct. 1, 2034.

These delays will result in fewer people accessing Medicaid in Kansas. They make it more challenging for people to get and stay insured though Medicaid, as well as make it harder for low-income Medicare enrollees to pay their premiums and cost-sharing requirements through MSPs. Delaying these two rules in their entirety would reduce Medicaid coverage by about 2.3 million people nationally.

Working-age adults without children don't qualify for Medicaid in Kansas, nor do undocumented immigrants. Therefore, this policy change will primarily impact working parents and their children, seniors and people with disabilities, including "dually eligible" Medicare beneficiaries.

Beyond Medicaid coverage loss, the bill will also result in a loss of health care coverage for Kansans enrolled in the Marketplace. These changes to Medicaid and the Marketplace will result in more uninsured people, resulting in more uncompensated care for the health system and more medical debt for Kansans.

Increased uncompensated care due to higher rates of uninsured people puts more financial strain on Kansas' already financially unstable hospitals. Increased coverage losses challenge providers' ability to keep their doors open, which is especially concerning in rural communities. Rural areas face greater health care challenges overall, as rural residents experience higher rates of chronic diseases and hospitals are operating on tighter margins or have been closed, and doctor shortages are more extreme.

FUNDING IMPACT TO HOSPITALS

State Directed Payments

The bill's primary expenditure impact to Kansas' Medicaid funding is through changes to State Directed Payments (SDPs), a financing mechanism that allows Kansas to enhance Medicaid rates for hospitals, where base rates often fall well below the cost of care. SDPs strengthen access to care and have become a crucial tool for Kansas. They not only allow Kansas to offset shortfalls in base payments, but they help sustain vital services in communities where health care options are scarce — especially in rural areas.

Kansas' largest SDP program provides about $400 million in additional funding each year to critical access and general hospitals, which helps hospitals maintain operations and enhance care quality and access.

The state estimates that base Medicaid payments for hospitals cover only 72% of costs for inpatient services and less than 40% of costs on outpatient services. SDPs are critical to closing that gap and helping hospitals stay open. For this reason, Kansas is seeking to expand its SDP program for the coming years, an option that has been available to states since 2016.

The One Big Beautiful Bill Act requires Kansas to reduce its current SDPs (including one pending federal approval) by 10 percentage points per year starting in 2028 until they are cut back to 110% of Medicare rates.

This reduction in current SDPs poses an existential threat to many Kansas hospitals that need these payments to provide vital services. The bill also prevents Kansas from introducing any new SDPs above this level.

Sustaining Rural Hospitals

Rural hospitals often operate on razor-thin margins, making it nearly impossible for them to modernize facilities, expand services or implement care delivery reforms that drive better outcomes. Additionally, in recent years, low margins have led to a significant number of rural hospital closures.

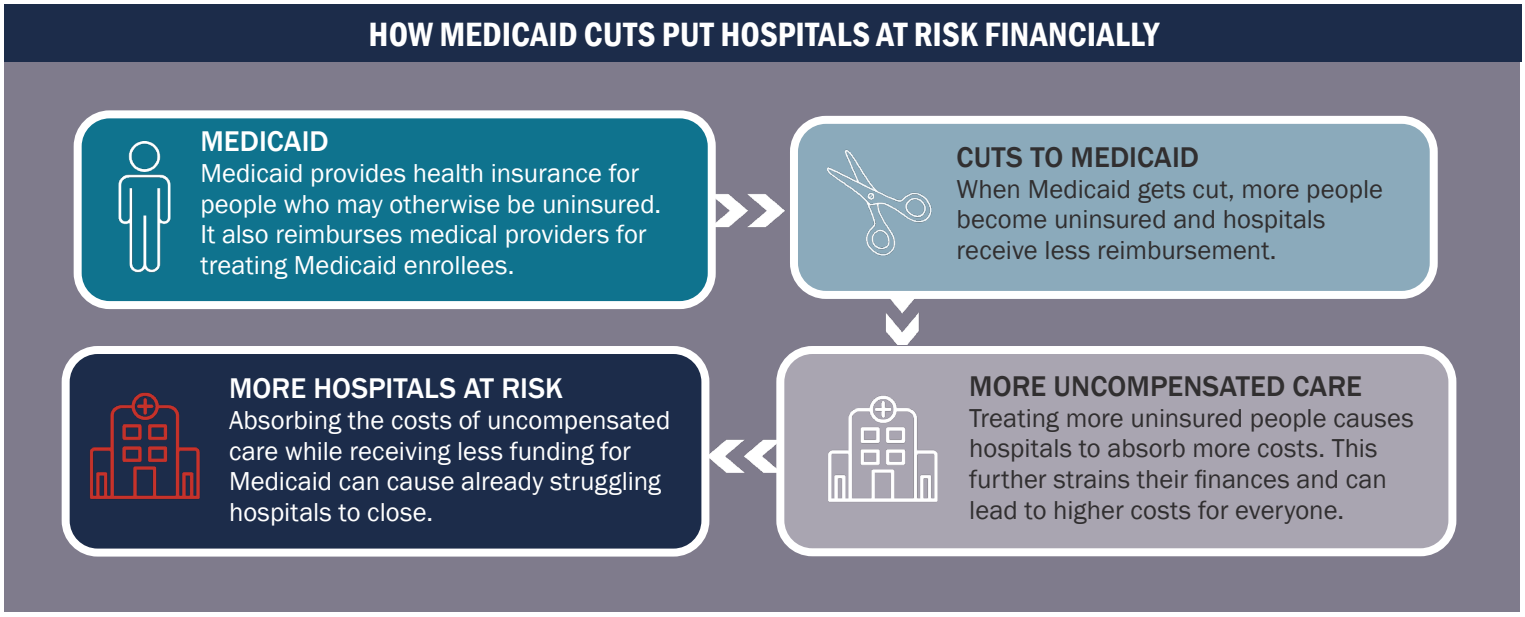
In Kansas, 66 rural hospitals are at risk of closure, and 29 are at immediate risk of closure — higher than anywhere else nationwide. Statewide, Kansas hospitals are operating with negative margins, with a -4.7% average operating margin in 2023. And, operating margins are more challenging for rural hospitals, with 87% operating in the negative.

Reductions to SDPs risk intensifying existing health care access challenges in rural communities. Without adequate reimbursement, hospitals face difficult choices, including to limit services, delay infrastructure improvements, or, in the worst cases, shut down entirely, jeopardizing access to care for the most vulnerable populations. This is particularly concerning for services such as obstetrics, which have already experienced notable decline in Kansas, with 17 unit closures since 2010 that have led to maternal health care deserts.

In addition to SDP reductions, increased uncompensated care due to more uninsured Kansans places additional financial strain on Kansas hospitals, particularly in rural areas.

These cuts threaten the long-term viability of rural hospitals and the essential services they provide, further limiting health care options for rural residents across the state.

HOW MEDICAID CUTS PUT HOSPITALS AT RISK FINANCIALLY



RURAL KANSAS BY THE NUMBERS

32% OF RURAL CHILDREN ENROLLED IN MEDICAID

11% OF RURAL ADULTS ENROLLED IN MEDICAID

12% OF RURAL SENIORS ENROLLED IN MEDICAID

29 RURAL HOSPITALS AT IMMEDIATE RISK OF CLOSURE

66 RURAL HOSPITALS AT RISK OF CLOSURE

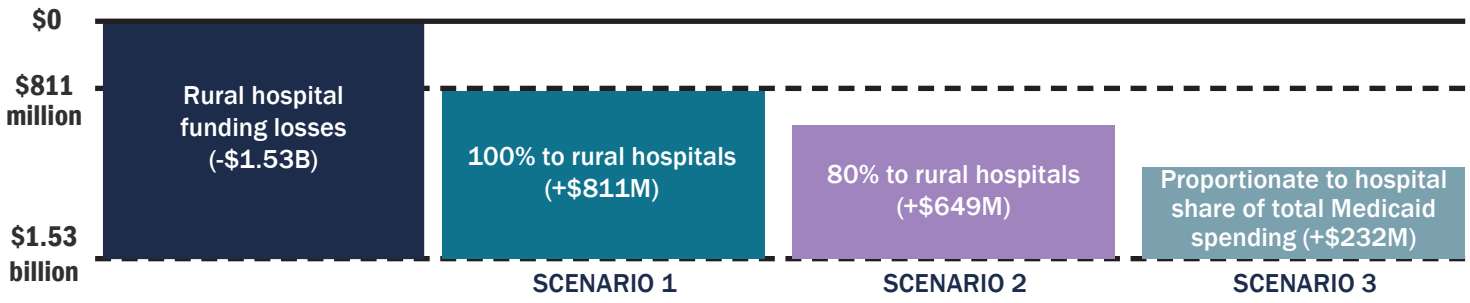
RURAL HEALTH TRANSFORMATION PROGRAM

The law established a $50 billion fund for rural health care providers to help offset funding losses for the next five years. To qualify for funding, states will need to apply and submit a plan to the federal Centers for Medicare & Medicaid Services (CMS) for approval.

The funding will be distributed in $10 billion annual allotments from 2026-2030. The funds will potentially be available to a range of rural health care providers. Half the funds will be distributed equally among states with an approved transformation plan, and the other half will be distributed at CMS' discretion with Congressional direction. Factors that will be considered will include the percent of rural residents and rural health care facilities relative to the nation.

The fund could provide up to an estimated $811 million to Kansas rural providers, which could help offset some of the funding losses due to the One Big Beautiful Bill Act. However, it only establishes funding for the next five years and will not fill the full gap. The bill does not restrict the funding for rural hospitals only; some amount will likely be used to support other rural providers, such as Community Mental Health Centers or Certified Community Behavioral Health Clinics.

Potential impact of the rural health fund on Kansas' rural hospitals*



**These estimates show the extent to which the rural health fund might address rural hospital funding losses in Kansas, under 3 scenarios for how Kansas' funds might be shared among rural providers. These scenarios are for illustrative purposes only and do not consider any restrictions on the uses of these funds. CMS program guidance and state decision-making will determine the amount different providers receive and the allowable uses. Source: Manatt Health Rural Health Impact Analysis, which describes the parameters for each scenario.*

WHAT'S AT STAKE FOR KANSAS?

Medicaid and the Marketplace are the backbone of Kansas' health care system. The One Big Beautiful Bill Act results in deep cuts to these coverage programs, which will have a ripple effect on people and providers and further weaken rural health care.

Depending on how Kansas responds to federal funding reductions and Marketplace coverage losses, Kansas could see sharp reductions in access to care, rising medical debt, and uncompensated care.

Increased uncompensated care puts more financial strain on already financially unstable hospitals and other providers. Coverage losses challenge providers' ability to keep their doors open, which is especially concerning in rural communities.

The depth of cuts means that children, seniors in need of long-term care, people with disabilities, and pregnant women will all be impacted. Because of the fragility of rural health care in Kansas, rural communities may be hit the hardest.