

# MEDICAID CUTS & KANSAS

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

JULY 2025

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.

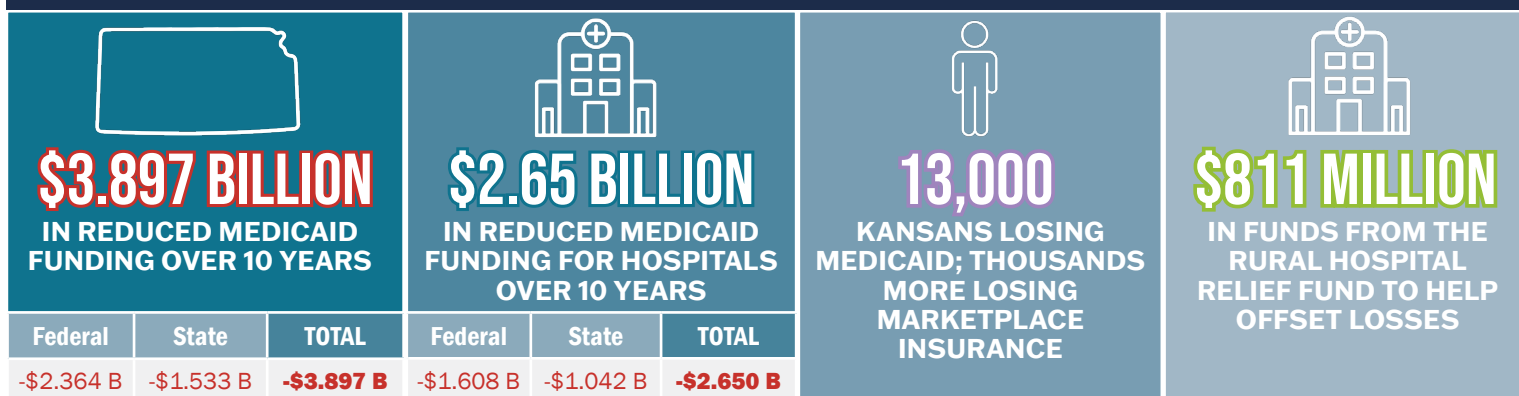
Using its Medicaid Financing model, Manatt analyzed how this bill will impact Kansas' funding for its Medicaid program, called KanCare, and enrollment in the program. Of note, these estimates are understated. Manatt's Medicaid Financing model estimates state impacts based on most of the key Medicaid 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." Coverage losses due to changes in the federal Health Insurance Marketplace also couldn't be modeled; however, they will result in additional coverage losses in Kansas and nationally.

The final bill included a \$50 billion rural hospital relief fund to help address financial challenges for struggling rural hospitals. It will provide up to an estimated \$811 million to Kansas hospitals 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



### INCREASED UNINSURED RATES

While it is beyond the scope of the modeling to predict whether the spending cuts will prompt eligibility restrictions, the bill repeals two Medicaid eligibility and enrollment rules that would result in reduced coverage in Kansas. One of these rules would streamline enrollment in Medicaid, while the other would reduce barriers to enrollment into Medicare Savings Programs (MSPs).

These repeals make it more challenging for people to get and stay insured through Medicaid, as well as make it harder for low-income Medicare enrollees to pay their premiums and cost-sharing requirements through MSPs. These two rule repeals are expected to reduce Medicaid coverage by 2.3 million people nationally.

**In Kansas, the Manatt modeling shows approximately 13,000 fewer people would be able to enroll in Medicaid, many of whom may become or remain uninsured.**

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.

As noted, beyond Medicaid coverage loss, the bill has the potential to result in a loss in coverage for Kansans enrolled in the Marketplace. The non-partisan Congressional Budget Office (CBO) estimated the proposed bill will decrease Marketplace enrollment by about one-third nationally. Coverage loss from changes to Medicaid and the Marketplace will result in increased uncompensated care for the health system, as well as rising medical debt for Kansans.

Increased uncompensated care puts more financial strain on 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.

## 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

## 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 base 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 CAN CAUSE HOSPITAL CLOSURES



### MEDICAID

Medicaid provides health insurance for people who may otherwise be uninsured. It also reimburses medical providers for treating Medicaid enrollees.



### CUTS TO MEDICAID

When Medicaid gets cut, more people become uninsured and hospitals receive less reimbursement.



### MORE HOSPITALS AT RISK

Absorbing the costs of uncompensated care while receiving less funding for Medicaid can cause already struggling hospitals to close.



### MORE UNCOMPENSATED CARE

Treating more uninsured people causes hospitals to absorb more costs. This further strains their finances and can lead to higher costs for everyone.