

Texas Revenue Impact Report

from The One Big Beautiful Bill Act

Overview of the Bill and Its Impact on Healthcare

The **One Big Beautiful Bill Act (OBBBA)**, signed into law on July 4, 2025, introduces sweeping changes to U.S. healthcare policy. It significantly alters Medicaid, Medicare, and the Affordable Care Act (ACA) marketplaces, specifically impacting state and federal financing for these programs, which has a direct impact on health systems' reimbursements.

For a state like Texas, which has the third highest Medicaid enrollment and the second highest Medicare enrollment in the country, these changes mean healthcare systems in Texas need to understand how it will impact them, and what they can do to prepare for these changes.

Medicaid Changes

The bill enacts substantial reforms to Medicaid, including:

- **Work Requirements:** Adults aged 19 to 64 must complete at least 80 hours per month of work, education, or volunteer activities to maintain Medicaid eligibility. Exemptions apply to certain caregivers and individuals with disabilities.
- **Cost-Sharing:** Enrollees with incomes between 100% and 138% of the federal poverty level will need to “cost share” for certain health services, which would be anywhere between \$1 to a maximum of \$35 for any healthcare service. The total amount per family will not exceed 5% of the family income. However, certain services from federally qualified health centers (FQHCs), rural health clinics and certain community behavioral health clinics are exempt.
- **Eligibility Verification:** States must verify Medicaid eligibility every six months, doubling the previous annual requirement.
- **Funding Reductions:** The federal Medicaid provider tax cap is reduced from 6% to 3.5% by 2031, limiting states' ability to fund their Medicaid programs.

It's difficult to estimate exactly how many individuals would lose Medicaid insurance as a result of the new bill. Some estimates say 8 million while others say up to 11 million individuals could lose their Medicaid insurance. However, others point to the fact that enrollment was inflated due to ineligible enrollees under previous administration changes, so the bill may be correcting those ineligible enrollees. Needless to say, it will definitely have an impact on enrollment.



Medicare Changes

Key changes to Medicare include:

- **Eligibility Restrictions:** The bill explicitly excludes undocumented immigrants from Medicare eligibility, clarifying qualifying criteria for non-citizens.
- **Spending Cuts:** Automatic reductions totaling \$500 billion over eight years are set to begin in 2026, impacting various aspects of the Medicare program.



Administrative and Operational Challenges

The OBBBA introduces new administrative requirements that could strain hospital operations:

- **Increased Eligibility Verification:** States must verify Medicaid eligibility every six months, doubling the previous annual requirement, which could increase administrative burdens on hospitals assisting patients with enrollment.
- **Payment Changes:** Sets the payment limit for state-directed payments to 110% of Medicare rates for non-expansion states and 100% of Medicare rates for expansion states.
- **Increased Focus on Accurate Reimbursements:** Annually, the US Department of Health and Human Services (HHS) issues estimates of improper Medicaid payment rates based on a review of states' programs through the Payment Error Rate Measurement (PERM) program. Today, states are required to repay HHS if their error rate is above 3%, or work with HHS to correct the errors. The new law reduces the amount of erroneous excess payments the HHS Secretary may waive and expands the definition of erroneous excess payments to include services to individuals who are ineligible for federal reimbursement.

ACA Marketplace Revisions

The legislation also affects the ACA marketplaces:

- **Subsidy Reductions:** Enhanced premium tax credits are not extended, leading to higher insurance costs for many enrollees.
- **Enrollment Changes:** New requirements to increase verification of eligibility and shortened open enrollment periods.

These changes are projected to cause an additional 3.1 million people to lose ACA marketplace coverage by 2034.

Overall Impact

Combined, the modifications to Medicaid, Medicare, and the ACA marketplaces are expected to increase the number of uninsured Americans by approximately 16 million by 2034.

Healthcare providers have been expressing concern over the financial strain these changes may impose, potentially leading to service reductions or closures.

Impact on Texas Hospitals

★ Financial Impact

Texas health systems are bracing for considerable financial challenges due to the OBBBA's provisions:

- **Medicaid Funding Reductions:** The bill imposes nearly \$1 trillion in cuts to Medicaid over the next decade, which could lead to substantial revenue losses for hospitals that serve a high number of Medicaid patients.
- **Provider Tax Cap Reduction:** The federal Medicaid provider tax cap is reduced from 6% to 3.5% by 2031, limiting states' ability to fund their Medicaid programs.
- **Rural Provider Relief Fund:** The bill will award \$50 billion to states to support rural providers, pending a rural health transformation plan and award approval. Since Texas has a large number of rural hospitals, these funds can significantly impact their operations.

Texas hospitals, especially rural and safety-net institutions, may face substantial challenges under the OBBBA:

- Medicaid cuts and tax cap reductions could significantly reduce revenue
- Increased administrative burden from biannual eligibility checks
- Surge in uncompensated care due to coverage losses

The bill is projected to reduce federal Medicaid funding to Texas **by \$39 billion** over the next decade, which may lead to staffing reductions, service cutbacks, and operational strain.

★ Overall Outlook

The combined effects of funding cuts, increased administrative burdens, and potential coverage losses are expected to:

- **Increase Uninsured Rates:** The Congressional Budget Office estimates that these changes will result in approximately 7.8 million individuals losing Medicaid coverage by 2034.
- **Elevate Uncompensated Care Costs:** Hospitals may face higher levels of uncompensated care as more individuals lose coverage and are unable to pay for services.
- **Strain Hospital Resources:** The financial and operational pressures could lead to staffing challenges, reduced services, and, in some cases, hospital closures, particularly in rural areas.

➡ **Texas health systems,** especially those serving low-income populations, will need to navigate these changes carefully, potentially reevaluating their financial strategies and care delivery models to adapt to the evolving healthcare landscape.

How Texas Compares: Medicare and Medicaid Overview

As of 2024, Texas ranks among the top states in terms of both Medicaid and Medicare enrollment, reflecting its large population and specific policy decisions. Here's how Texas compares to other states. Texas has the second-largest Medicare population (~4.7 million) and third-largest Medicaid enrollment (~3.83 million). However, the state has not expanded Medicaid under the ACA, limiting coverage relative to population size.

Comparative Snapshot

State	Medicaid Enrollment	Medicare Enrollment	Expansion	% on Medicaid/CHIP
California	12.18 million	6.6 million	Yes	34%
New York	5.95 million	3.7 million	Yes	34%
Texas	3.83 million	4.7 million	No	14%
Florida	3.62 million	4.6 million	No	17%

Texas's decision not to expand Medicaid under the ACA has resulted in a lower percentage of its population being covered by Medicaid and CHIP compared to states that have adopted expansion. This policy choice contributes to Texas having the highest rate of uninsured children in the U.S., with nearly 12% lacking coverage in 2023.

Medicare Enrollment

Texas also has a significant Medicare population. As of September 2024, over 4.7 million Texans were enrolled in Medicare, placing the state second only to California. This figure includes beneficiaries aged 65 and older, as well as younger individuals with disabilities. Approximately 54% of eligible Medicare beneficiaries in Texas have opted for Medicare Advantage plans, aligning with the national average.

Medicaid Enrollment

In 2024, Texas had approximately 3.83 million Medicaid enrollees, making it the third-highest in the nation, following California (12.18 million) and New York (5.95 million). When including the Children's Health Insurance Program (CHIP), Texas's combined enrollment reached about 4.18 million.

Notably, Texas has not expanded Medicaid under the Affordable Care Act (ACA), which limits eligibility primarily to low-income children, pregnant women, seniors, and individuals with disabilities. Consequently, only about 14% of Texas's population is enrolled in Medicaid and CHIP, compared to over 30% in states like California and New York that have adopted Medicaid expansion.

Texas Medicaid Funding & Projected Impact

For fiscal years 2024–2025, Texas allocated approximately \$80.8 billion for Medicaid:

- \$30.1 billion from state general revenue
- \$50.7 billion from federal and other sources

With an FMAP (Federal Medical Assistance Percentage) of 60.98%, the federal government contributes ~61 cents for every Medicaid dollar spent. The OBBBA is projected to cut federal Medicaid support to Texas by \$39 billion over 10 years, threatening program stability, hospital viability, and access to care for over 4.2 million enrollees.

Impact of the Medicaid Provider Tax Cap on Texas Health Systems

The reduction of the Medicaid provider tax cap from 6% to 3.5% poses significant challenges for Texas health systems, particularly those serving low-income and rural populations.

Provider Taxes

Provider taxes are levies imposed by states on healthcare providers, such as hospitals and nursing homes. The revenue generated is used to fund the state's share of Medicaid costs, which is then matched by federal funds. This mechanism allows states to maximize federal Medicaid funding without solely relying on general state revenues.

Impact of the Cap Reduction in Texas

Reduced Federal Matching Funds: Lowering the provider tax cap limits Texas's ability to generate revenue for Medicaid, resulting in decreased federal matching funds. This reduction could lead to significant budget shortfalls for the state's Medicaid program.

Financial Strain on Hospitals: Texas hospitals, especially those in rural areas or serving a high percentage of Medicaid patients, may experience financial stress due to decreased Medicaid reimbursements. This could lead to service reductions or closures.

Increased Uncompensated Care: With reduced Medicaid funding, hospitals may face higher levels of uncompensated care, as more patients could lose coverage or be unable to afford services.

Challenges for Non-Expansion States: Texas, which has not expanded Medicaid under the Affordable Care Act, relies heavily on provider taxes to fund its Medicaid program. The cap reduction disproportionately affects such states, limiting their ability to support healthcare providers.

Conclusion

The provider tax cap reduction under the OBBBA could significantly impact Texas's healthcare infrastructure, leading to reduced services, financial strain on hospitals, and increased numbers of uninsured individuals. As well, the additional funding changes and eligibility requirements could decrease revenue for Texas' large health systems.

Policymakers and healthcare administrators in Texas will need to explore alternative funding mechanisms and strategies to mitigate these effects.



What to Do About It

Texas Health Systems have to prepare for these changes by focusing on revenue improvement and administrative automation.

LOOK FOR MISSING REVENUE OPPORTUNITIES

One of the common ways we help health systems like yours is by helping to find missing revenue opportunities. Typically, there are two places we focus:

1. Infusion Coding and Automation

Outpatient infusion coding and billing is notoriously complex – leading many organizations to downcode or inaccurately capture the maximum reimbursements they're eligible for.

Our solution, Charge Infusion, automates the process so you can:

- Ensure **100% compliant coding** for initial, subsequent, concurrent infusions, hydration, injections
- Capture **~15% more revenue** from outpatient infusion services
- Reduce audit exposure and denial risk tied to under-coding

2. Automated Charge Capture

Are you confident you're capturing a charge for every encounter? Is it easy for you to reconcile to ensure that charge edits are communicated to the right individual and then edited before being sent to billing? Charge Pro, our charge capture and reconciliation software helps to:

- Identify and recover 5–10%+ of charges often missed in manual workflows
- Accelerate cash flow by automating charge reconciliation and ensuring no billable services slip through
- Provide robust audit trails and compliance reporting to support revenue integrity

LOOK FOR LABOR SAVINGS AND REDUCTION OF ADMINISTRATIVE TASKS

Now is a great time to review each department's administrative and manual work to find hidden opportunities to automate these tasks and redirect these personnel to other areas. Shadow workflows from pre-registration, registration, to post-visit billing and understand what areas can be automated and not only done faster, but more accurately too.

For example, one of the gap areas we noticed is the manual work involved in creating the daily rounding list for hospitalists. We created Assign, an automated patient assignment solution, to:

- Reduce the manual work of building rounding lists—from hours to minutes
- Never miss a patient or a charge, ensuring complete, compliant encounters
- Balance workloads fairly to reduce hospitalist burnout, especially critical as stakes rise
- Gain visibility with dashboards and analytics to monitor assignments, workloads, and trends

Want to learn more? We'd love to chat about these healthcare changes and how you can be set up for success. Let's [book a quick call](#) today.

About Medaptus

medaptus delivers intelligent, EHR-integrated solutions that automate charge capture and patient assignments—reducing administrative burdens, streamlining clinical workflows, and maximizing revenue performance.

Hospitals and health systems in Texas and nationwide trust medaptus to protect their revenue and give valuable time back to their teams.

<https://www.medaptus.com/>