The Silent Squeeze

What executives need to know about hidden fallout from the One Big Beautiful Act

The One Big Beautiful Bill Act (OBBBA) has grabbed headlines for its hot-button tax cuts, sweeping Medicaid reforms, and bold political branding. But for healthcare leaders, important consequences are buried in the fine print and federal budget processes.

This is what we are advising our clients to closely monitor.

PAYGO: The Budget Rule That Could Cut Medicare. The Statutory Pay-As-You-Go (PAYGO) federal rule requires Congress to offset new spending or tax cuts with equal savings elsewhere. If they fail to do this, automatic budget cuts kick in. The OBBBA as enacted triggers Statutory PAYGO, and those automatic reductions could arrive as early as 2026 unless Congress waives the PAYGO provision in subsequent legislation.

Potential impacts could include:

- An across-the-board Medicare cut of up to 4% (estimated at $45 billion in FY2026 and up to $490 billion from 2027–2034), in addition to the current 2% sequestration
- Elimination or reduction of health professional student loan programs and Social Services Block Grants

Providers—particularly those heavily dependent on Medicare revenue or public health funding—should assess their maximum downside risk if Congress does not waive statutory PAYGO requirements.

Other Quiet Triggers That Matter

In addition to PAYGO, the fiscal fallout from the OBBBA will create significant ripple effects in healthcare, and leaders need to be adept to navigate the waves.

Discretionary Spending Pressure

The OBBBA increases the deficit and puts pressure on Congress to cut discretionary health programs. Think: Centers for Disease Control and Prevention grants, mental health block funding, and workforce pipeline supports. These often are first on the chopping block in budget showdowns.

Medicare Sequestration Revisited

There is already a 2% cut, but in a high-deficit environment, Congress likely will extend Medicare sequestration beyond the current sunset in 2032. Congress has extended this 2% sequestration several times and is likely to continue due to federal deficits. If you are modeling future Medicare revenue without taking this into consideration, we are advising our clients to rethink their scenario planning.

State Medicaid Funding Models in Crosshairs

The OBBBA cracks down on provider taxes and state-directed payments but invites deeper scrutiny from the Centers for Medicare and Medicaid Services and Office of Inspector General. States with creative Medicaid financing (e.g., California, Texas, New York) may need to rework their intergovernmental transfers and state-directed payments, and hospitals in those states should brace for potential disruption.

Risk Adjustment Volatility in the Exchanges

The OBBBA contains program integrity provisions projected by CBO to reduce enrollment in the exchanges by as many as 1 million individuals. This reduction could mean fewer healthy people in the Affordable Care Act (ACA) marketplace, which would increase premiums and strain risk adjustment. Separate from the OBBBA, enhanced premium credits first enacted during the COVID pandemic will expire at the end of 2025. CBO projects this expiration to reduce marketplace enrollment by as many as 4 million people. The combined impact would reduce ACA plan enrollment to approximately 18 million people. Kaiser Family Foundation analysis of 2026 proposed rates indicates an 18% median premium increase (versus 7% in 2025), with many insurers noting the inclusion of expected increases due to the expiration of the enhanced subsidies. Payers that have an ACA footprint can expect turbulence, and providers will need to think carefully about pricing with payers.

Innovation Model Pullbacks

The Center for Medicare and Medicaid Innovation must hit budget neutrality targets, and deficit pressure means increased scrutiny. High-cost pilots or complex accountable care organization programs may bear the brunt and get shelved if not substantiated under the financial lens. If you're investing in infrastructure for alternative payment models, double-check the risk.

Bottom Line

The OBBBA may have passed to the chagrin of many healthcare participants, but the real impact on healthcare won't be only from what it funds, but also what it pressures, cuts, and complicates.

We encourage healthcare executives to consider:

- Medicare, public health, and Medicaid waivers.
- Do your forecasts assume a static budget environment when cuts may be looming?
- How should your organization adjust your payer/provider negotiations or advocacy strategy?

FOR A DEEPER DISCUSSION OR TO SCHEDULE A PRIVATE CLIENT BRIEFING, PLEASE CONTACT BRG.

David Brueggeman
Managing Director
dbrueggeman@thinkbrg.com
513.235.7546