PARAGON
HEALTH INSTITUTE

The Historic Health Care Reforms in the One Big Beautiful Bill

August 7, 2025

PARAGON
HEALTH INSTITUTE

The One Big Beautiful Bill's Health Policy Provisions

The OBBB is the most sweeping set of conservative health reforms in a generation, if not ever.

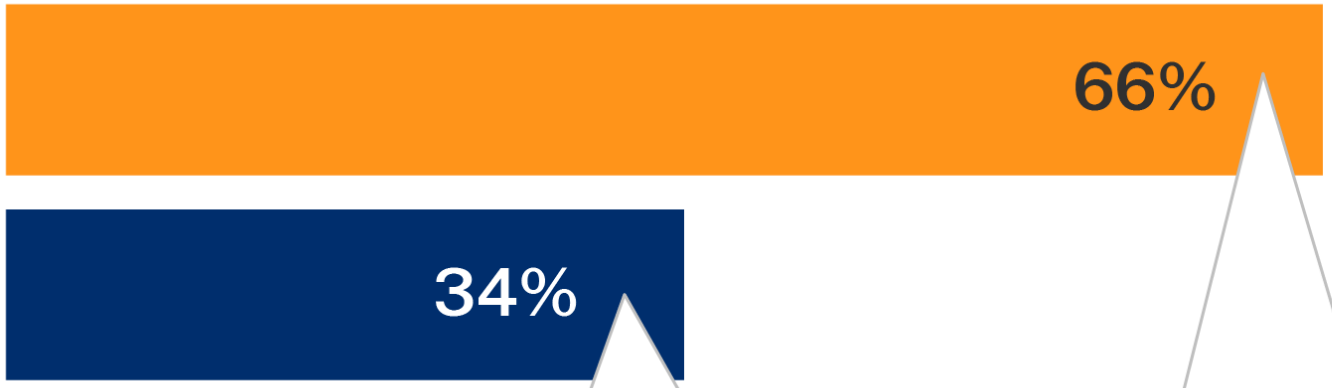
By reversing President Biden's excessive spending, Congress has taken critical steps to restore integrity and sustainability to Medicaid and the Affordable Care Act — protecting the truly vulnerable and cracking down on the waste, fraud, abuse, and corporate welfare that has siphoned resources from those most in need.

1. Establishes community-engagement requirements for Obamacare expansion enrollees with no dependents under 14 years old.
2. Increases program integrity in Medicaid and Obamacare, largely by verifying eligibility to maintain enrollment and reversing reckless Biden administration policies.
3. Addresses Medicaid money-laundering machine, by limiting provider tax abuses and capping Medicaid rates at Medicare rates.
4. Limits Medicaid and ACA benefits to citizens and lawful residents.

PARAGON HEALTH INSTITUTE

Two-Thirds of Americans Support Strong Action to Weed Out Waste, Fraud, and Abuse

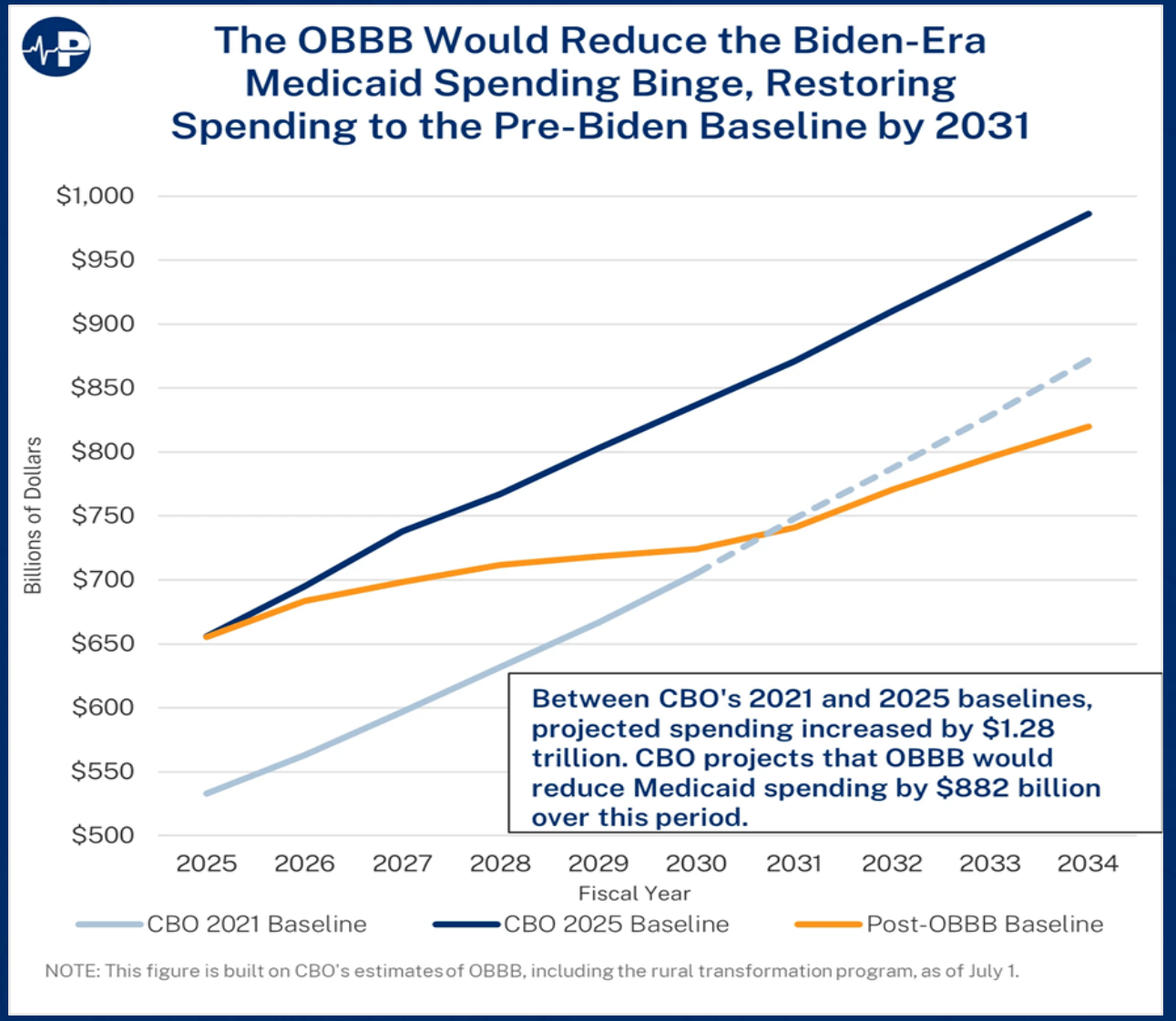
QUESTION: Now, as you may know, health care costs make up nearly one-quarter of all federal government spending, or $1.7 trillion a year and are rapidly rising. Which of the following comes closest to your own opinion?



Congress must not make cuts to any federal health care program. These programs are very important to many vulnerable and needy people. We cannot risk them not getting the care they need. Instead, we should expand federal health care programs and spend more on them.

Congress needs to take a hard look at all federal health care programs to ensure taxpayer dollars are spent wisely. Weeding out waste, fraud, and abuse would save billions and help safeguard these vital programs, so they are available for those who need them, now and in the future.

Critical to Remember: There are NO CUTS.



PARAGON HEALTH INSTITUTE

#1: Commonsense Community-Engagement Requirements

Applies to the able-bodied, working-age Obamacare expansion enrollees without dependents under 14 years old. (Includes generous exemptions for caregivers, areas of high unemployment, etc.)

- Requires at least 80 hours per month of employment, job training, education, or volunteering.
- Enrollees must meet the requirement for at least one month prior to enrollment, or up to three months at the option of the state.
- Most of CBO's coverage loss estimates are from their assumptions related to the community-engagement requirements.

Takes effect: January 1, 2027

PARAGON HEALTH INSTITUTE

Americans Overwhelmingly Support Work Requirements for Able-Bodied Adults to Receive Medicaid

QUESTION: Do you support or oppose requiring able-bodied adult Medicaid recipients to work in order for them to continue receiving Medicaid benefits?

PARAGON HEALTH INSTITUTE

#2: Program Integrity & Eligibility Verification

The OBBB includes significant reforms to restore program integrity and eligibility verification in Medicaid and the ACA:

- Semi-annual reviews of eligibility for Obamacare Medicaid expansion enrollees.
- Ending abuses in Obamacare, like automatic re-enrollment, lack of income verification, and the 100-150 percent FPL special enrollment period.

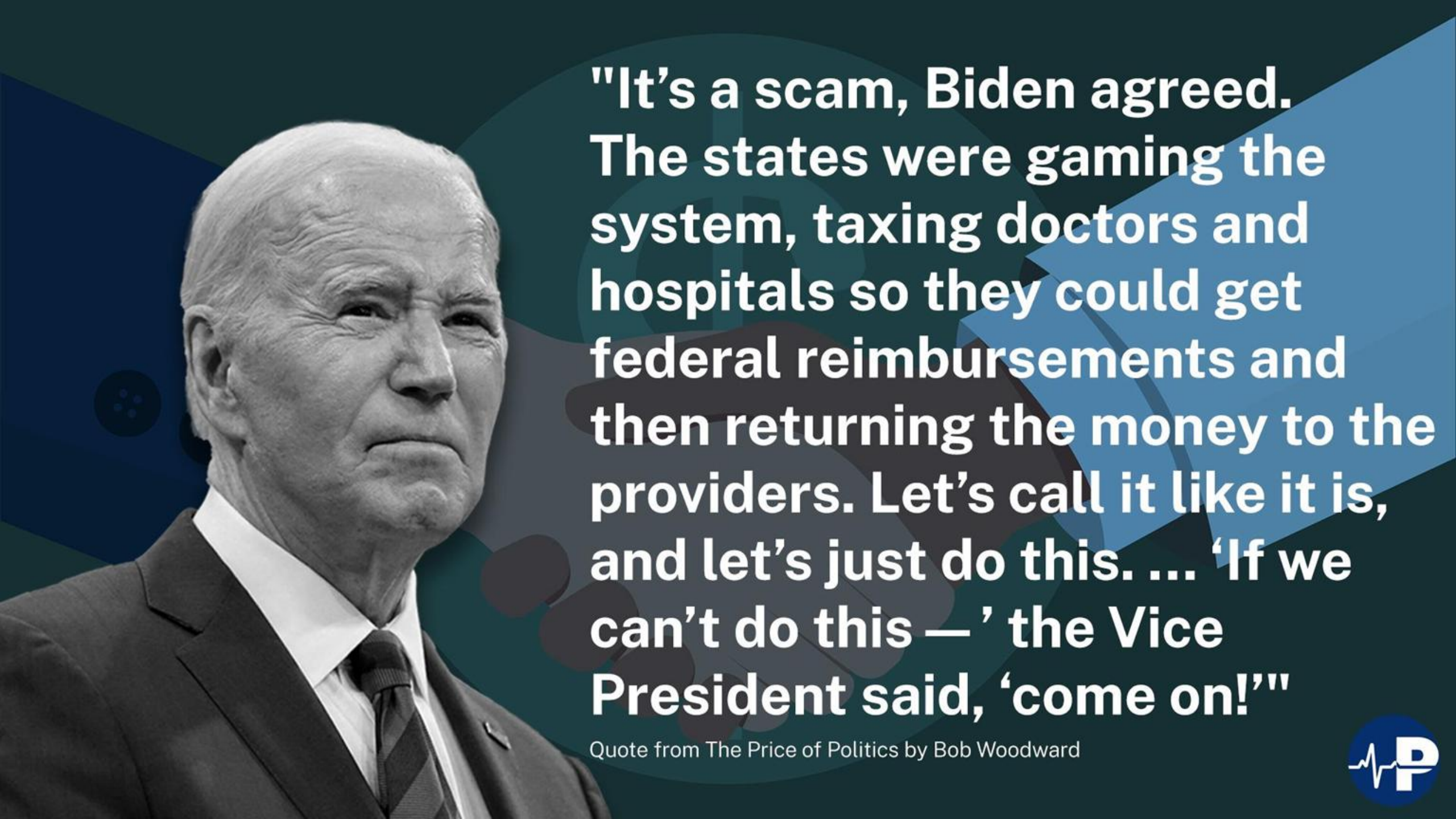
SCOPE OF THE PROBLEM

- Paragon research estimates there are 6.4 million ineligible enrollees in fully-subsidized ACA plans and 6.6 million improper enrollees in Medicaid's expansion population.
- CMS identified 2.8 million people enrolled in multiple types of government-subsidized coverage, including 1.6 million who were doubly enrolled in both Medicaid and a subsidized ACA plan.
- CMS identified 1.2 million Americans in 2024 who were enrolled in Medicaid or the Children's Health Insurance Program in two or more states.

#3a: OBBB Tackles Medicaid Money Laundering with Bipartisan Limits on the Provider Tax Scam

- Moratorium on new or increased provider taxes
  - Effective: July 4, 2025
- Phasedown of safe harbor threshold in expansion states
  - Starting in 2028, the provider tax safe harbor threshold will be reduced by 0.5 percentage points per year from 6.0 percent to 3.5 percent of net patient revenue in 2032. (This mirrors President Obama's 2012 and 2013 proposals.)
- Limiting particularly egregious schemes
  - Ends states' ability to disproportionately tax the entities that would receive disproportionate benefits from the spending generated using the tax.

PARAGON HEALTH INSTITUTE


"It’s a scam, Biden agreed. The states were gaming the system, taxing doctors and hospitals so they could get federal reimbursements and then returning the money to the providers. Let’s call it like it is, and let’s just do this. … ‘If we can’t do this — ’ the Vice President said, ‘come on!’"
Quote from The Price of Politics by Bob Woodward

#3b: OBBB Addressed the State-Directed Payments Abuses

BACKGROUND

- State-directed payments (SDPs) are extra Medicaid payments to providers through insurers.
- SDPs bring Medicaid payment rates **well above Medicare payment rates** for many providers.
- A 2024 Biden rule clarified that SDPs can be used to raise total Medicaid payments **up to average commercial rates.**
- Average commercial rates are more than **2.5x Medicare rates.**

THE WALL STREET JOURNAL.

English Edition | Print Edition | Video | Audio | Latest Headlines | More

U.S. Politics Economy Tech **Markets & Finance** Opinion Arts Lifestyle Real Estate Personal Finance

HEALTH | HEALTHCARE | HEARD ON THE STREET Follow

Hospital Chains' Medicaid Profits Are a Juicy Target for GOP Budget Hawks

Republicans looking for cost savings could sink profits at Universal Health Services, others

By Jonathan Weil Follow

April 20, 2025 5:30 am ET

149 Gift unlocked article Listen (6 min)

PARAGON HEALTH INSTITUTE

The OBBB Responsibly Limits SDPs

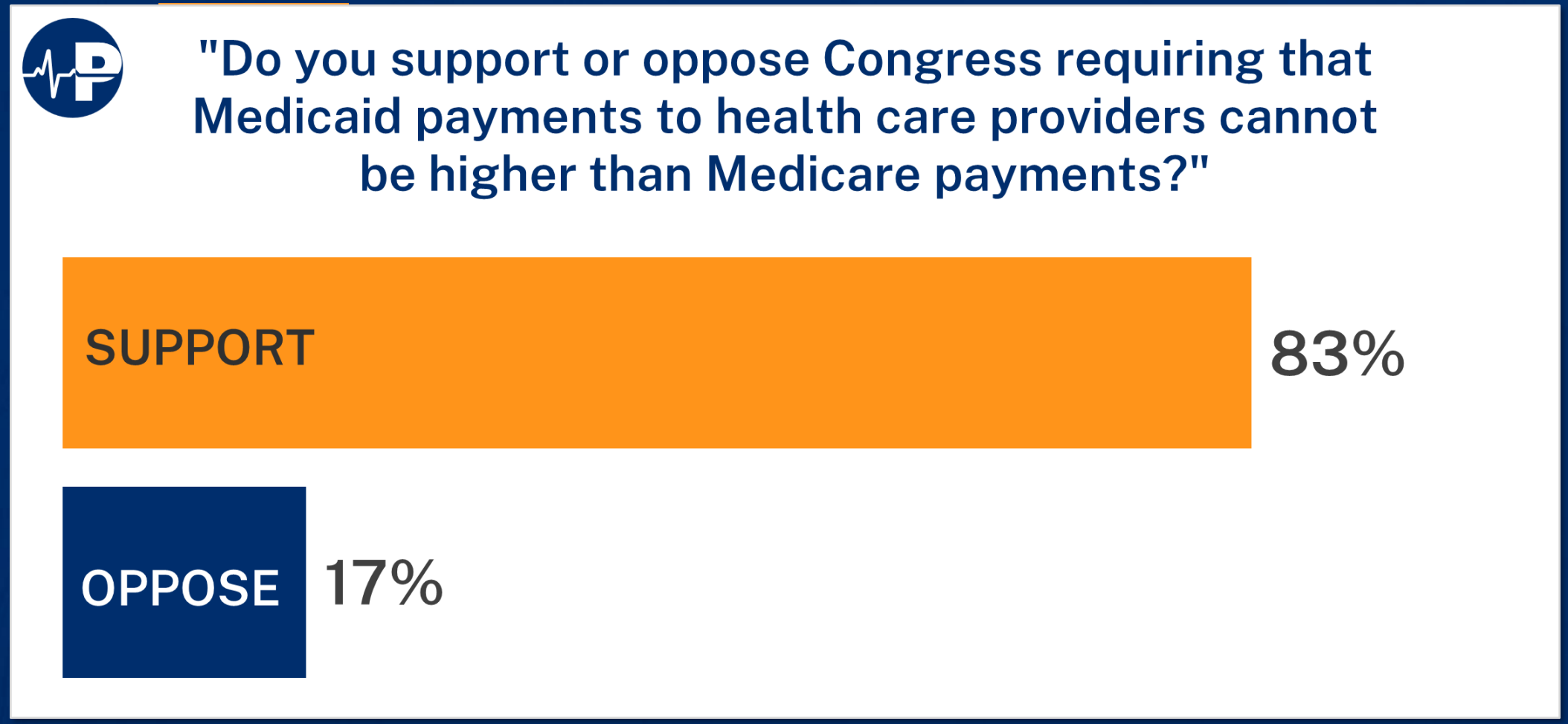
The OBBB caps new state-directed payments (SDPs) so that total Medicaid payments cannot exceed Medicare rates and creates a process to bring existing SDPs into compliance with those payment caps.

- Capped at **100% of Medicare rates in expansion states.**
- Capped at **110% of Medicare rates in non-expansion states.**

Payments are already capped at Medicare rates in Medicaid fee-for-service systems.

PARAGON HEALTH INSTITUTE

Voters Strongly Support Capping Medicaid Rates to No More than Medicare Rates



PARAGON HEALTH INSTITUTE

#4: Benefits Only For Those Here Legally

The OBBB provisions take steps to limit Medicaid and ACA benefits to U.S. citizens and legal residents only:

1. **Reduces the federal medical assistance percentage (FMAP) for "Emergency Medicaid":**
   - Emergency Medicaid provides taxpayer-funded medical care to unlawfully present aliens
   - Change cuts federal reimbursement for able-bodied, working-aged adults from 90 percent to the state's normal FMAP
   - Only applies to Medicaid expansion states that cover unauthorized immigrants' health care

2. **Limits ACA premium tax credit to U.S. citizens and lawful residents.**

3. **Disallows ACA premium tax credit for individuals in Medicaid's waiting period, closing Obama-era loophole.**

PARAGON HEALTH INSTITUTE

Other Significant OBBB Health Care Wins

Medicaid

- Reinstates modest cost-sharing for expansion enrollees with income above 100% of FPL.
- Strengthens safeguards against high state improper Medicaid payment rates.

Health Savings Accounts

- Increases health care freedom for *all* ACA enrollees in bronze or catastrophic plans by making them HSA eligible.
- Allows use of HSA funds for Direct Primary Care — improving access to primary care and alternative care sources.

Telehealth

- Creates permanent first-dollar coverage for telehealth services for high-deductible plans.
- Benefits patients by allowing insurers more flexibility to design high-deductible health plans that more people can use with HSAs.

Rare Diseases

- Preserves incentives for developing treatments for rare diseases by expanding and clarifying the Drug Price Negotiation Program's orphan drug exclusion under the IRA.

PARAGON HEALTH INSTITUTE

Follow us on social media

Paragoninstitute.org/social-media/

PARAGON HEALTH INSTITUTE