Georgians Could See Hospital Closures and Reduced Health Coverage Due to Medicaid Changes in New Federal Law

On July 4, 2025 President Trump signed H.R. 1, a federal budget reconciliation bill formerly known as the "One Big Beautiful Bill," into law. To partially fund tax cuts that primarily benefit wealthy individuals and corporations, the bill drastically reduces federal spending on Medicaid, a program that helps about 2 million low-income Georgians see the doctor and supports the financial stability of Georgia's safety net providers. In essence, the bill threatens the health care of Georgians with the least to benefit those with the most while still adding $3.4 trillion to the national deficit.

Medicaid is jointly funded by the state and federal government, and the decrease in federal Medicaid funding shifts more costs to the state. It is estimated that, over the next decade, federal Medicaid spending in the state will decrease by $6-$10 billion because of the Medicaid provisions in H.R. 1. This reduction forces the state to 1) raise additional revenue to cover the reduced federal funds, 2) make cuts to the Medicaid program by lowering provider reimbursement rates, limiting optional benefits, restricting eligibility for optional populations and/or increasing cost-sharing for enrollees, or 3) implement some combination of filling funding gaps and making cuts.

There are two primary ways in which the new law shifts more costs to the state:



First, the new law freezes state provider taxes at current rates and prohibits states from establishing new provider taxes. The revenue generated from Georgia's provider taxes covers about 12% of the state's share of Medicaid funding (excluding PeachCare) and helps fund the non-federal share of the state's directed payment programs. Limiting the use of provider taxes deprives Georgia of an important tool for filling holes in the state's health care budget during economic downturns and for responding to ever-shifting health care system needs.



Second, the new law caps future directed payment programs (DPPs) in states like Georgia that have not expanded Medicaid at 110% of the Medicare rate and requires existing DPPs with commercial rates to reduce payments by 10% each year until they reach 110% of the Medicare rate. In general, Medicaid reimburses health care providers at a lower rate than Medicare or commercial plans. DPPs allow states to draw down additional federal funds in order to more adequately compensate providers. Without these supplementary payments, some rural and safety net hospitals, which already operate on thin or negative margins, may be forced to reduce services or close altogether.

The new law makes additional Medicaid changes that threaten access to health care for low-income Georgians, further erode the state's rural health care system, and put additional pressure on Georgia's overtaxed Medicaid eligibility and enrollment infrastructure:



Adds complexity to Georgia's already costly and ineffective Medicaid work reporting requirement under the Pathways to Coverage program



Prohibits Medicaid eligibility for some lawfully residing immigrants, such as refugees



Increases administrative barriers to accessing care, such as a reduction in retroactive coverage



Eliminates the temporary financial incentive for states that newly adopt Medicaid expansion

Implementation Timeline

Upon Enactment

- Prohibits states from establishing new provider taxes or from increasing the rates of existing taxes
- Caps payment rate for state directed payment programs in non-expansion states like Georgia at 110% of the Medicare rate. Keeps in place previously approved state directed payments set at commercial rate.

January 2026

- Eliminates federal 'sign-on' bonus for states that have yet to fully expand Medicaid to low-income adults as designed under the Affordable Care Act (January)

October 2026

- Establishes a rural health transformation program to provide $50 billion in grants to states until FY 2030 (October)
- Changes definition of qualified immigrants for Medicaid/PeachCare eligibility (October)

January 2027

- Implements Medicaid 'community engagement' requirement, also known as a work requirement (January)

January 2028

- Reduces preexisting state directed payment programs set at commercial rate by 10% each year until they reach 110% of Medicare rate for non-expansion states like Georgia (January)

For more information about changes to the ACA marketplace (known in Georgia as Georgia Access), please read this blog from Georgians for a Healthy Future.

For list of sources and more detail about the measures in this bill, please visit our analysis of the bill: