LogicSource®

## ONE BIG BEAUTIFUL BILL:

# HEALTHCARE IMPLICATIONS AND MITIGATION STRATEGIES

**Developed in collaboration with our Center of Excellence, healthcare client delivery teams, and executive leaders across the industry.**
This report provides a detailed analysis of the OBBBA's implications for health systems, along with proven mitigation strategies informed by our work with leading providers.

Learn more at **logicsource.com**

# TABLE OF CONTENTS


| | |
|---|---|
| **What the One Big Beautiful Bill Means for Healthcare and What You Can Do About It** | **2** |
| How OBBBA Is Setting You Up to Lose Money | **2** |
| Other Ways You'll Be Negatively Impacted | **3** |
| Other Important Provisions in OBBBA | **3** |
| Health System Responses to OBBBA: Varied Approaches to a Historic Challenge | **4** |
| **Let's Plant That Tree** | **5** |
| **Non-Clinical Sourcing Prioritization** | **8** |
| The Right Partnership to Cut Costs without Cutting Care | **8** |
| • Demand Management | **8** |
| • Working Capital Optimization | **9** |
| • Audits and Recoveries | **9** |
| **Conclusion** | **10** |
| **About LogicSource** | **11** |
| **About the Authors** | **11** |


# WHAT THE ONE BIG BEAUTIFUL BILL MEANS FOR HEALTHCARE AND WHAT YOU CAN DO ABOUT IT

While the One Big Beautiful Bill Act promises growth and investment in some sectors, healthcare providers are left facing tough questions about sustainability, resourcing, and long-term planning.
No doubt about it – it's not a good look.

There is a story about a great French Marshall who'd retired to a beautiful property in Provence. One day, he asked his gardener to plant a specific tree for him. The gardener objected, saying that the tree was slow-growing and wouldn't reach maturity for 100 years. "In that case," the Marshall replied, "plant it this afternoon."

What can you to TODAY – this afternoon – that helps seed the sustainability of your business in very trying times? Let's have a look at where we are.

## HOW OBBBA IS SETTING YOU UP TO LOSE MONEY

- Newly mandated work and reporting requirements for ACA Medicaid expansion results in 11.8 million losing coverage and 16 million additional uninsured, driving $200 billion in uncompensated care costs for hospitals by 2034 (CBO estimate).
- OBBBA phases down the provider tax cap from 6% to 3.5% of net patient revenue (2028–2032), cutting federal Medicaid spending by $1.02 trillion and total payments (federal and state) by $1.2–$1.5 trillion. This will decimate hospital revenue. Nursing homes are exempt, but new/raised provider taxes are banned, limiting future payment increases.
- It restricts supplemental payments to providers, further reducing hospital funds, especially for safety-net facilities.
- OBBBA triggers a 2% Medicare reimbursement cut via Statutory PAYGO, plus $43 billion in disproportionate share hospital (DSH) reductions over 10 years ($16 billion by 2028), hitting hospitals serving low-income patients.
- It revises MA payment formulas, lowering reimbursements and impacting hospitals reliant on MA patients.
- OBBBA blocks the simplified Medicare Savings Program enrollment and limits eligibility for certain lawfully present immigrants, reducing access for low-income beneficiaries.
- It ends automatic reenrollment, requiring annual re-verification, leading to 3.1 million losing coverage. Expiring enhanced credits add 4.2 million more, totaling 7.3 million marketplace losses by 2034.
- OBBBA shortens open enrollment to November 1–December 15 and eliminates income-based special enrollment, increasing uninsured rates.

## OTHER WAYS YOU'LL BE NEGATIVELY IMPACTED

- While it is extremely difficult to close hospitals because they are deeply ingrained in the community, the expectation is that 600–700 rural hospitals will be at risk of closure by 2035, with urban safety-net hospitals also vulnerable. The bill will have a very big impact, in general, on the rural health system.
- Because staffing costs make up between 50%-60% of the overall cost, there will be a big focus on staffing reductions. Tens of thousands of jobs will be at risk (50,000–100,000) as hospitals cut non-clinical and administrative staff to offset 5%–10% revenue declines. There will also be a focus on a reduction in the variation of staffing.
- Premium increases of 2%–3% annually as hospitals raise rates for private insurers to offset revenue losses, risking narrower provider networks.
- Short-term tax benefits will be offset by long-term Medicaid cuts, threatening charity care and community programs. Non-profits may struggle to maintain mission-driven care in low-income areas.
- Reduced access to maternity, behavioral health, and emergency services, especially in rural areas. Increased travel distances and delayed care could drive up emergency costs, creating a feedback loop of financial strain. A cost-cutting measure will most likely include shortening patient cycle time and reducing the duration of general hospital stay.

## OTHER IMPORTANT PROVISIONS IN OBBBA

- OBBBA establishes a $50 billion Rural Health Transformation Program over five years (2026–2030) to support rural hospitals, with funding allocated based on state rural population and health facility needs.
- It permanently extends telehealth expansions and eliminates Medicare sequestration for rural hospitals, providing some relief.
- OBBBA delays implementation of minimum staffing standards for long-term care facilities until 2034, addressing concerns about staffing shortages and costs in skilled nursing facilities.
- It increases copayments for Medicaid beneficiaries (e.g., up to $35 for doctor, clinic, or hospital visits, excluding primary care, mental health, or substance abuse services), potentially deterring care-seeking.
- It excludes the ORPHAN Cures Act, preserving Medicare drug price negotiations for rare disease treatments — a minor benefit for hospitals.
- There will be a big focus on fast-track cost cutting in Private Equity-held hospitals to offset the higher cost. There will be overall pressure in this segment since there will be less competition and less willing buyers in the Healthcare industry.

These changes aim to reduce federal spending but have sparked concerns about reduced access to care, increased financial strain on hospitals, and worse health outcomes — especially for low-income, disabled, and rural populations. The $50 billion rural hospital fund offers some mitigation, but does not come close to the total federal spending reduction.

OBBBA compounds an already shaky landscape for hospitals, where revenue pressures and rising expenses are converging to create a perfect storm. Herb Buchanan (former Senior Vice President and Chief Operating Officer UChicago Medicine/AdventHealth) indicates hospitals are likely to face revenue reductions of 5%–10% in 2026, driven by care avoidance reducing patient volumes, reimbursement cuts from OBBBA's Medicaid and ACA funding reductions, a growing uninsured population, a 2% Medicare rate cut, Medicare Advantage (MA) funding changes, and lower state-set Medicaid prices. Simultaneously, expenses are projected to rise 5%–10%, fueled by drug reimbursement cuts of up to 36% and anticipated tariffs on supplies, drugs, and construction materials, which could significantly inflate costs.

OBBBA imposes severe financial strain on healthcare systems, and it necessitates a shift to agile, efficient operating models to sustain care delivery amid 5%–10% revenue declines and tariff-driven expense increases in 2026.

## HEALTH SYSTEM RESPONSES TO OBBBA: VARIED APPROACHES TO A HISTORIC CHALLENGE

Health systems are implementing diverse strategies to counter the OBBBA's financial impact, which is widely regarded as the most significant healthcare upheaval in decades.

Rural hospitals are urgently consolidating services and deferring capital investments to survive severe Medicaid revenue losses. For-profit hospitals, leveraging their nimbleness, are swiftly restructuring operations, prioritizing high-margin services like orthopedics, and optimizing revenue cycles to offset 5%–10% revenue declines.

Private-Equity-owned hospitals are taking bold steps, aggressively closing under-performing facilities and investing in AI-driven efficiencies for immediate cost savings. Urban and suburban hospitals with lower Medicaid volumes are less concerned but are still enhancing sourcing strategies and standardizing care to mitigate tariff impacts.

Despite varied paces and priorities, all agree that OBBBA, combined with declining reimbursements and tariffs, demands proactive action to ensure financial stability and sustained care delivery.

# LET’S PLANT THAT TREE

**Based on LogicSource’s experience partnering with dozens of leading healthcare systems, we are helping deploy a range of innovative strategies to counteract the financial and operational challenges posed by OBBBA and related cost pressures. This triage aims to stabilize health systems facing unprecedented fiscal strain.**

## RESTRUCTURING DECISION-MAKING PROCESSES

+ Historically, hospitals have relied on slow, committee-driven decision-making, requiring extensive stakeholder input and delaying material change.
+ To navigate OBBBA’s financial pressures and tariff-driven cost increases, health systems are streamlining governance structures, empowering smaller, agile leadership teams with data-driven authority to make rapid decisions.
+ This shift enables faster responses to revenue declines, cost spikes, and market shifts, ensuring the nimbleness needed to sustain operations in a volatile healthcare landscape.

## RESTRUCTURING OPERATIONS

+ Health systems are prioritizing high-margin service lines, such as orthopedics and cardiology, while scaling back or eliminating low-reimbursement services like behavioral health and maternity care, particularly in rural areas.
+ For example, rural hospitals, already facing negative margins, are consolidating outpatient services to focus on profitable procedures, according to AHA data. This shift risks reducing access for vulnerable populations but is seen as essential to maintain financial viability amid OBBBA’s funding cuts.
+ Driving cost visibility and control, with the ability to fine-tune expenses, and moving more aggressively to Value-Based Care (this only represents 12%–13% today) will be key assets to achieving cost reductions proactively.

## CLOSING UNDER-PERFORMING FACILITIES

+ To stem losses, hospitals are evaluating and closing under-performing or money-losing facilities. Health systems are using data-driven assessments to identify facilities with unsustainable operating losses, redirecting resources to higher-performing sites to optimize network efficiency.
+ To limit community pushback when closing an underperforming healthcare facility, engage patients early through transparent communication, public forums, and alternative care plans. This will ensure communities feel heard and supported with viable healthcare access options.

### IMPROVING REVENUE COLLECTION PROCESSES

- To maximize revenue, hospitals are investing in advanced revenue cycle management (RCM) systems to ensure no money is left on the table. This includes upgrading billing software, enhancing denial management, and training staff to improve coding accuracy.
- Systems are also leveraging predictive analytics to identify patients at risk of non-payment and offering flexible payment plans to capture revenue from the growing uninsured population.

### WORKFORCE OPTIMIZATION

- With tens of thousands of healthcare jobs at risk, hospitals are implementing targeted workforce reductions, focusing on non-clinical staff and administrative roles while preserving essential care providers.
- Some systems are also adopting flexible staffing models, such as per-diem or contract labor, to align costs with fluctuating patient volumes. Further, consolidating contract labor providers will further reduce costs through standardized rate cards and drive greater transparency.

### REDUCTION OF EXECUTIVE COMPENSATION

- Facing public and stakeholder scrutiny, some health systems are reducing executive compensation to signal fiscal responsibility and redirect funds to core operations.
- For example, multi-hospital systems are cutting CEO and C-suite bonuses or tying compensation to financial recovery metrics. While not a primary cost driver, these reductions, often 10%–20% of executive pay, help align leadership with the broader cost-cutting mandate and preserve resources for patient care.

### DEFERRED CAPITAL INVESTMENTS

- Hospitals are postponing non-essential capital expenditures, such as facility expansions, new equipment purchases, or IT upgrades, to conserve cash flow.
- For instance, replacing aging imaging equipment or building new outpatient centers is being delayed, though this risks long-term competitiveness.

### COST-SHIFTING TO PRIVATE INSURERS

- To offset revenue losses, hospitals are negotiating higher rates with private insurers, potentially increasing premiums by 2%–3% annually.
- However, this strategy risks pushback from payers, who may narrow provider networks, limiting patient access.
- The CBO warns that cost-shifting could exacerbate affordability issues for privately insured patients, creating a feedback loop of financial strain.

## PURSUING ALTERNATIVE REVENUE STREAMS

- Health systems are diversifying revenue to counter care avoidance and reimbursement cuts. Expanding telehealth services, particularly for chronic disease management, is a priority, with some hospitals reporting 20%–30% growth in virtual visits.
- Partnerships with community organizations, such as federally qualified health centers, aim to capture patient volumes lost to care avoidance.
- Additionally, hospitals are exploring retail health models, like urgent care clinics, to generate stable revenue from self-pay patients.

## ADVOCACY AND POLICY ENGAGEMENT

- Beyond operational changes, hospitals are ramping up advocacy to mitigate OBBBA's impact. The AHA and state hospital associations are lobbying for increased funding for the $50 billion Rural Health Transformation Fund, which falls short of offsetting the $1.2–$1.5 trillion Medicaid funding gap.
- Some systems are also collaborating with state governments to explore alternative revenue sources, such as sales taxes, to bolster Medicaid budgets and sustain provider payments.

## STRATEGIC SOURCING INVESTMENT

- Health systems are pursuing aggressive cost-cutting through investments in strategic sourcing, with no "untouchable areas" spared.
- Hospitals are also deploying tariff mitigation strategies to help offset other cost increases.

## NON-CLINICAL SPEND FOCUS

- Non-clinical spend, averaging 20% of health system revenue, is often overlooked, with understaffed or insufficiently skilled teams lacking the category and industry expertise needed, leading to costs 8%–15% above industry benchmarks.
- This applies an 8%–15% savings rate to 20% of your revenue reveals significant potential savings to mitigate OBBBA's financial impact.

Strategic budget planning, data-driven decision-making, sourcing-supported expense management, and innovative revenue models will be critical to navigating this crisis and ensuring continued access to care.

When circumstances dictate that you take a hard, evaluative look at your traditional business practices, you are predisposed to consider solutions you might not have considered in the past. The above complications brought about by OBBBA don't have to just create havoc with your bottom line — they can create OPPORTUNITY for structured growth. The above are undeniably <u>hard</u> choices, but let's take a look at a <u>smart</u> choice.

# NON-CLINICAL SOURCING PRIORITIZATION

The urgent need for healthcare to prioritize non-clinical spend (indirect spend and purchased services), which comprises up to 20% of a health system's revenue, has never been greater, yet it remains under-addressed, leading to missed cost-saving opportunities. Insufficient industry expertise and limited bandwidth delay critical savings, requiring courageous leadership to challenge the status quo, implement transformative changes, and forge strategic partnerships.

Investing in a strategic sourcing solution offers a powerful approach to offset the impacts of the OBBBA by reducing non-clinical spend, enhancing working capital, and recovering lost funds.

## THE RIGHT PARTNERSHIP TO CUT COSTS WITHOUT CUTTING CARE

Engaging third-party strategic sourcing partners specializing in non-clinical spend can significantly reduce costs, which account for 20% of hospital revenue. For example, LogicSource leverages subject matter expertise, real-time benchmark data (both within and outside healthcare), and expert negotiators to achieve an aggregate savings of 8%–15% across all purchased services, such as IT, facilities, and professional services. The list below provides a few examples of how LogicSource also helps improve operational efficiency:

### DEMAND MANAGEMENT

Demand management involves strategically analyzing and optimizing resource utilization, specifications, and consumption patterns to reduce costs and improve efficiency without compromising service quality.

| | |
|---|---|
| **Modifying Specifications** | Alternative specifications for items such as marketing materials, packaging or construction projects will help reduce costs with minimal to no quality impact. |
| **Energy Usage** | Implementing energy management systems (EMS) to curb electricity usage. |
| **Software License Optimization** | Analyzing usage data across software platforms to identify underutilized licenses, eliminate redundancies, and right-size entitlements, yielding cost reductions of 10%–30% while maintaining service continuity. |
| **Policy Redesign** | Aligning policies (such as travel and relocation) with market standards to cut costs, boost compliance, and reduce exceptions, preserving employee experience while lowering expenses. |
| **Credit Card Optimization** | Reduce credit card processing costs by optimizing payment processes, improving debit routing, and leveraging network rebates to enhance efficiency and minimize transaction fees. |
| **Supplier Consolidation Optimization** | • Healthcare systems often rely on more suppliers per category than other industries, leading to inefficiencies.<br>• Consolidating suppliers in categories like food services, IT software and services, facilities maintenance, contingent labor, and legal services optimizes the supply chain, strengthens strategic supplier relationships, and leverages spend to equitably share OBBBA's financial burden between health systems and suppliers. |

## WORKING CAPITAL OPTIMIZATION

Strategic sourcing departments are enhancing liquidity to counter OBBBA's revenue pressures through targeted financial strategies.

| | |
|---|---|
| **Payment Terms Improvement** | Alternative specifications for items such as marketing materials, packaging or construction projects will help reduce costs with minimal to no quality impact. |
| **Supply Chain Financing (SCF)** | Partnering with SCF providers enhances liquidity for hospitals while supporting supplier cash flow, balancing buyer and supplier needs to maintain supply chain stability amid tariff-driven cost increases. |
| **Virtual Card Programs** | Deploying virtual card programs for targeted supplier segments improves cash flow and generates rebate revenue that directly bolsters the bottom line, offsetting reimbursement cuts from Medicaid and Medicare. |

## AUDITS AND RECOVERIES

Proactive audits and recovery efforts uncover hidden savings, critical for hospitals facing OBBBA's $200 billion uncompensated care burden and tariff-related expense spikes.

| | |
|---|---|
| **Accounts Payable (AP) Audit** | Auditing historical AP data identifies overpayments and unused credits, recovering $200,000–$500,000 per $1 billion in spend with minimal disruption, providing immediate financial relief. |
| **Improved Revenue Cycle** | Enhance revenue cycle management by streamlining billing processes for accuracy and speed, implementing fast-track procedures for overdue payments, and leveraging AI-driven technologies and supplier partnerships to optimize efficiency and maximize revenue capture. |
| **Medical Claims Audit** | Reviewing past medical claim payments uncovers coding errors and overcharges, yielding recoveries of 0.5%–2% of total claims value, which can be significant for large health systems. |
| **Dependent Eligibility Audit** | Validating health plan dependents identifies ~3% ineligible participants, saving $5,000–$10,000 annually per removed dependent, reducing employee benefit costs. |
| **Common Area Maintenance (CAM) Audits** | Evaluating CAM charges in real estate leases uncovers billing inaccuracies and recoverable fees, lowering facility-related expenses. |
| **Unclaimed Property Recovery** | Identifying and reclaiming unclaimed funds across all 50 states recovers dollars that would otherwise go unnoticed, adding to financial reserves. |

By partnering with indirect sourcing experts, health systems can mitigate the OBBBA's financial toll and navigate rising costs with greater agility. While not a complete solution to the $1.2–1.5 trillion Medicaid funding gap or tariff-driven expenses, these strategies provide a critical buffer, enabling hospitals to preserve resources, maintain care delivery, and position themselves for long-term sustainability in a challenging economic landscape.

# CONCLUSION

Healthcare industry experts Mark Van Sumeren (Managing Director of Health Industry Advisor and LogicSource Strategic Advisor) and Mark Dixon (President of The Mark Dixon Group and former Regional President of Fairview Health Services) agree that courageous, visionary leadership that drives transformative change, challenges the status quo, builds organizational consensus, and leverages robust internal support is essential for health systems to succeed in navigating the OBBBA's challenges.

Today is the time for leadership that has courage and the willingness to drive change, even in areas where change felt unthinkable or too difficult in the past. Today is the time for more partnerships vs less.

A focused effort on managing non-clinical spending through third-party sourcing partners is critical, as it targets 20% of total revenue and can yield 8%-15% savings through category expertise, cross-industry insights, market penetration, price benchmark data, and negotiation strategies, for both commercial and operational savings initiatives.

As hospitals face this multifaceted crisis, strategic adaptability, data-driven decision-making, and robust policy advocacy will be essential to sustain care delivery, protect vulnerable communities, and ensure long-term resilience in an increasingly constrained healthcare landscape.

**Why not start this afternoon?**

# ABOUT LOGICSOURCE

The innovative leader in procurement services and technology, LogicSource is purpose-built to drive profit improvement, mitigate risk, and ensure supply chain continuity through better buying. LogicSource focuses exclusively on the sourcing and procurement of indirect goods and services, which typically represent 20% of an organization's revenue and the area of greatest spending inefficiency.

These include complex categories like marketing, packaging, corporate services, facilities, information technology, distribution and logistics, and more, for which organizations often lack the capacity, focus, and scale to achieve best-in-class buying. Unlike traditional advice-based consultants, LogicSource is a purpose-built buying utility with assets that are configurable to their clients' needs and ready to deploy.

By combining decades of sourcing and procurement expertise, superior market intelligence, cross-portfolio spending leverage, and their OneMarket® Source-to-Pay technology, LogicSource executes customized solutions that deliver immediate savings and sustainable value. For more information, visit **logicsource.com**.

# ABOUT THE AUTHORS

This report was developed by James Bouchard, LogicSource's Partner of the Center of Excellence, in collaboration with our healthcare client delivery teams and executive leaders across the industry. We'd like to give a special thanks to Herb Buchanan and Mark Dixon for their timely contributions. The report provides a detailed analysis of the One Big Beautiful Bill Act and its implications for health systems, along with proven mitigation strategies informed by our work with leading providers. Backed by decades of experience, $150B+ in pricing data, and a team of 180+ indirect category experts, LogicSource equips organizations with the tools to make informed decisions, reduce risk, and unlock long-term value.

For more information or to discover how LogicSource can help your organization achieve best-in-class buying, visit **logicsource.com**.