Estimated Impact on Medicaid Enrollment and Hospital Expenditures in Rural Communities

June 20, 2025

Introduction

The House-passed One Big Beautiful Bill Act, making its way through the Congressional budget reconciliation process, includes sweeping cuts to Medicaid, projected to result in 8.7 million people losing Medicaid coverage nationwide and $1.3 trillion or more in total Medicaid funding reductions.[1] On June 16th, the Senate Finance Committee released its budget reconciliation provisions, adopting much of the cuts included in the House bill but also making even deeper Medicaid cuts. The unprecedented cuts in Medicaid coverage and financing in Congress' reconciliation proposals, will have a major impact on rural communities—on the people covered by Medicaid, the rural health providers who serve them and the rural communities that will see more health facilities close, with associated impacts on access to care and local economies. This brief, prepared for the National Rural Health Association and its partners, shares new estimates based on the Senate Finance proposal on the impact to Medicaid enrollees and to hospitals in rural areas already struggling to keep their doors open. While Medicaid cuts are front and center in the Congressional proposals to reduce federal spending, other health related policies, including those that would result in deep reductions in Marketplace coverage, will add to the Medicaid impacts described here.

Medicaid's Role in Rural America

Medicaid is a vital source of health coverage for Americans living in rural areas. Together with the Children's Health Insurance Program (CHIP), Medicaid has an outsized role in rural America, covering a larger share of children and adults in rural communities than in urban ones.[2] Nearly half of all children and one in five adults in small towns and rural areas rely on Medicaid or CHIP for their health insurance.[3] Additionally, Medicaid covers nearly one-quarter of women of childbearing age and finances half of all births in these communities.[4] Medicaid is also a major source of funding for behavioral health services in rural areas, which have higher rates of suicide and drug overdoses.[5,6]

As a key insurer in rural communities, **Medicaid provides a financial lifeline for rural healthcare providers—including hospitals, community health centers, rural health clinics, and nursing homes—health care providers already facing significant financial distress.** Nearly half of all rural hospitals have negative margins, and over 400 rural hospitals are at immediate risk of closure.[7,8] Since 2005, more than 195 rural hospitals across the country—have closed or discontinued inpatient services.[9] Since 2010, more than 250 rural hospitals have closed their labor and delivery departments. [10]

The Impact of Federal Medicaid Cuts on Rural Healthcare

On May 22nd, the House passed its "One Big Beautiful Bill Act" through the budget reconciliation process. As the Senate moves ahead, Manatt has used its Medicaid Financing Model to estimate the impact of key Medicaid provisions in the June 16th Senate Finance Committee's proposal on rural enrollment and hospital funding over the next 10 years (federal fiscal year (FFY) 2025 to FFY 2034). These include mandatory work requirements and more frequent renewals for expansion adults; repeal of regulations that simplify eligibility and enrollment for Medicaid-eligible individuals; new limits on state directed payments (SDPs), which states use to boost payment rates for Medicaid providers; and new restrictions on how states may raise the funds to finance their share of Medicaid program costs.[11] The estimates take into account the interactions across the provisions included in the Manatt model.[12] For this analysis, Manatt has considered how these estimates impact individuals and hospitals in rural areas.[13,14]

Key Findings

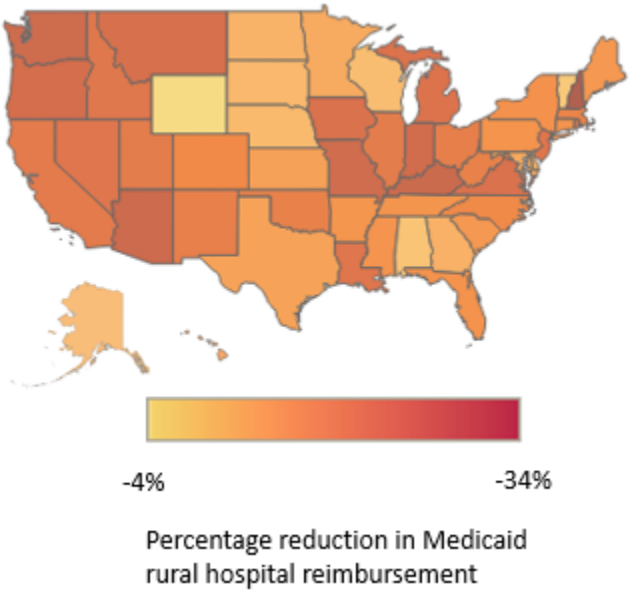
Impact on Rural Providers

- **On average, rural hospitals are slated to lose 21 cents out of every dollar they receive in Medicaid funding.** Total cuts in Medicaid reimbursement for rural hospitals—including both federal and state funds—over the ten-year period covered by the bill would reach **almost $70 billion** for hospitals in rural areas.[15] The Senate bill's cuts to rural hospitals are more than 15% greater than the already highly damaging $60 billion in cuts under the House bill.

Figure 1: Rural Hospitals Could Lose 21 Cents Out of Every Dollar They Receive in Medicaid Funding

- **Medicaid cuts would place significant financial pressure on hospitals in rural states, where many hospitals are already at risk of closure.** In more than half of states, reductions in Medicaid funding for rural hospitals would exceed 20%.
- **Missouri, where one-third of rural hospitals are at risk of closure, would see a 29% reduction.**
    - Other states would also see large rural hospital Medicaid funding losses, including **27% in Montana, 25% in Nevada, and 22% in West Virginia.**
- **Kansas,** where **more than half of rural hospitals are at risk of closure**, would see a **15% reduction** in total rural Medicaid hospital reimbursement.
- In **Maine** and **Alaska**—states that see little or no impact from the provisions that most directly affect hospitals (state directed payment and provider taxes)—Medicaid hospital reimbursement would nonetheless drop by **17% and 12%,** respectively, driven by coverage losses from work requirements, more frequent redeterminations, and the repeal of eligibility and enrollment rules.[16]
- **Reductions in Medicaid funding of this magnitude will accelerate rural hospital closures**, and for those rural hospitals that remain open, lead to the elimination or curtailment of critical services, such as obstetrics, chemotherapy, and behavioral health.[17] On average, states where **40% or more of rural hospitals are at risk of closure** would see Medicaid rural hospital funding reductions of more than 20%.

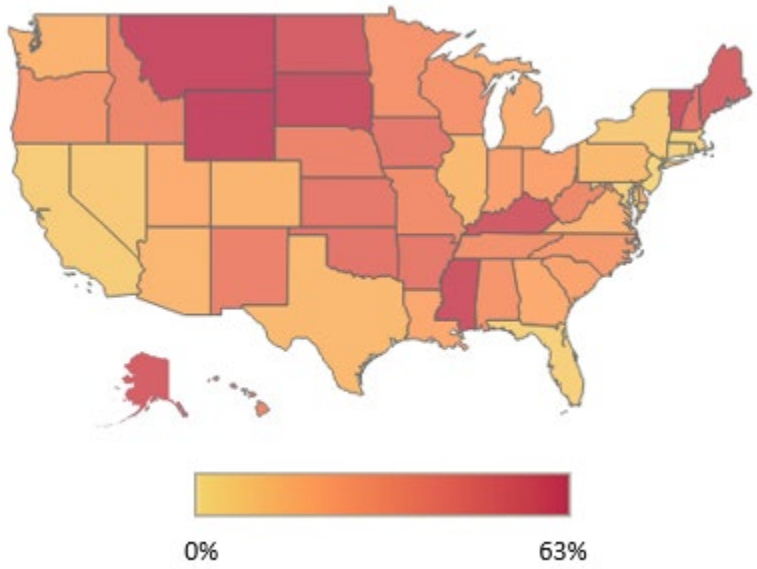
Figure 2. Senate Bill Rural Hospital Funding Impact: Percentage Reduction in Medicaid Rural Hospital Reimbursement



Impact on Medicaid Coverage

- Because Medicaid covers a larger share of the rural population than the urban population, rural communities are likely to experience a more significant impact from coverage losses. Based on provisions modeled by Manatt, approximately 1.5 million—the midpoint in the estimated range of coverage losses—or **more than one out of every ten** rural residents who would be covered by Medicaid under current law—will lose their coverage. [18]
- **Among the 20 states where greater than 20% of Medicaid enrollees live in rural areas**, over **half a million** rural enrollees would lose coverage. In these states, rural Medicaid coverage losses represent **more than 40% of total projected Medicaid coverage losses statewide.**
- **Nine states would see rural Medicaid coverage losses that represent more than half of the total expected Medicaid coverage loss statewide**, including **62% in Montana, 53% in Alaska, and 52% in Maine.**
- In **Missouri**, 42,000 rural enrollees are expected to lose coverage, which is almost one-third of expected coverage loss statewide. In **Kansas**, 5,000 rural enrollees are expected to lose coverage, representing 41% of expected coverage loss in the state.
- **The projected number of people losing coverage ranges between 1.2 million and 1.9 million** depending on how key provisions, most notably work requirements, are implemented. Because work requirements hit rural areas particularly hard, **it is likely coverage losses will be at the high end of the range in rural communities.** For example, compared to urban residents, rural residents perform jobs with greater variability in hours (like farming), and a growing share of workers in rural areas are self-employed, circumstances that make it more difficult to comply or to prove compliance with work requirements. [19,20 21]
- **While most of the coverage losses that directly flow from the congressional proposals will affect adults in the expansion group, children, seniors, and people enrolled based on disability will also lose coverage.** A provision that reverses changes in how people enroll and retain coverage would result **in almost 140,000 children, parents, and pregnant women living in rural areas losing coverage, along with more than 180,000 seniors and individuals with disabilities and low-income Medicare beneficiaries** losing out on subsidies from Medicaid to cover Medicare premiums and cost-sharing.[22] More Medicaid coverage losses are likely as states consider how they will make up for the overall losses in federal funding associated with various reconciliation proposals.

Figure 2. Senate Bill Coverage Impact: Medicaid Coverage Loss Among Rural Enrollees as Percentage of Statewide Medicaid Coverage Loss



Conclusion

The Senate Finance proposal would reduce Medicaid funds to rural hospitals by 21% and result in over a million rural enrollees losing Medicaid coverage and likely becoming uninsured. While the Senate Finance committee proposal has made some cuts deeper than the House passed bill, both are certain to lead to more hospital closures and reduced access to care for rural residents, exacerbating economic hardship in communities where hospitals are major employers.

About National Rural Health Association

NRHA is a non-profit membership organization with more than 21,000 members nationwide that provides leadership on rural health issues. Our membership includes nearly every component of rural America's health care, including rural community hospitals, critical access hospitals, doctors, nurses, and patients. We work to improve rural America's health needs through government advocacy, communications, education, and research."

About Manatt Health

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[1] Due to a lack of publicly available data, Manatt did not estimate the impact of all Medicaid provisions included in the House Bill, nor did it assess the implications of Marketplace provisions. As such, these estimates significantly understate the total impact of the bill on healthcare coverage and expenditures at the state level. For a full description of the methodology and key findings, please see "House Budget Bill Medicaid Proposals: State-by-State Estimates of Impacts on Expenditures and Enrollment," available at: https://shvs.org/wp-content/uploads/2025/06/Reconciliation-House-Bill-Key-Findings-Overview_06.02.2025.pdf.

[2] Georgetown University Center for Child & Family Policy, *Medicaid's Role in Small Towns and Rural Areas*, (Jan. 15, 2025), https://ccf.georgetown.edu/2025/01/15/medicaids-role-in-small-towns-and-rural-areas/ (accessed June 13, 2025).

[3] Georgetown University Center for Child & Family Policy, *Medicaid's Role in Small Towns and Rural Areas*, (Jan. 15, 2025), https://ccf.georgetown.edu/2025/01/15/medicaids-role-in-small-towns-and-rural-areas/ (accessed June 13, 2025).

[4] Georgetown University Center for Child & Family Policy, *Medicaid Plays a Key Role for Maternal and Infant Health in Rural Communities*, (May 15, 2025), https://ccf.georgetown.edu/2025/05/15/medicaid-plays-a-key-role-for-maternal-and-infant-health-in-rural-communities/ (accessed June 13, 2025).

[5] Brenda Mack et al., *Mental Health in Rural Areas: Policy Brief,* National Rural Health Association, (Feb. 2022), https://www.ruralhealth.us/getmedia/cf3c3922-25cb-49a0-bb04-0bad81d634f9/NRHA-Mental-health-in-rural-areas-policy-brief-2022.pdf (accessed June 13, 2025).

[6] Centers for Disease Control and Prevention, *Drug Overdose in Rural America as a Public Health Issue*, (May 16, 2024), https://www.cdc.gov/rural-health/php/public-health-strategy/public-health-considerations-for-drug-overdose-in-rural-america.html (accessed June 13, 2025).

[7] Zachary Levinson, Jamie Godwin & Scott Hulver, *Rural Hospitals Face Renewed Financial Challenges, Especially in States That Have Not Expanded Medicaid*, KFF, (Feb. 23, 2023), https://www.kff.org/health-costs/issue-brief/rural-hospitals-face-renewed-financial-challenges-especially-in-states-that-have-not-expanded-medicaid/ (accessed June 13, 2025)

[8] Michael Topchik et al*., 2025 Rural Health: State of the State*, Chartis Center for Rural Health, (Feb. 10, 2025), https://www.chartis.com/insights/2025-rural-health-state-state (accessed June 13, 2025).

[9] Cecil G. Sheps Center for Health Services Research, *Rural Hospital Closures* (n.d.), https://www.shepscenter.unc.edu/programs-projects/rural-health/rural-hospital-closures/ (accessed June 13, 2025).

[10] Katy B. Kozhimannil et al., *Obstetric Care Access at Rural and Urban Hospitals in the United States*, 332 JAMA 2055 (2024), https://jamanetwork.com/journals/jama/fullarticle/2827543 (accessed June 13, 2025)

[11] Manatt also modeled the reduction in the federal medical assistance percentage (FMAP) for expansion adults from 90% to 80%, should states continue to providing coverage for undocumented or lawfully residing immigrants who do not meet certain criteria. Note that the modeling does not include other Medicaid proposals due to the lack of publicly available data, including new copayments for certain adults, and limits on retroactive coverage.

[12] Where possible, Manatt aligns with the CBO's estimates and assumptions, but the purpose of CBO's estimates is to assess the implications of the House Budget Bill for the federal budget, not to provide state-specific estimates. In contrast, Manatt's Medicaid Financing Model is based on state-specific baselines of Medicaid expenditures and enrollment, making it possible to estimate implications for each of the 50 states and D.C. Additional information on Manatt's financial model can be found here: https://shvs.org/wp-content/uploads/2025/06/Reconciliation-House-Bill-Key-Findings-Overview_06.02.2025.pdf

[13] US Department of Agriculture (USDA) Rural-Urban Commuting Areas (RUCA) codes were used to designate rural and urban areas for the purpose of identifying rural Medicaid enrollees (areas with RUCA codes 4-10 are generally considered to be rural). To identify rural hospitals, the analyses identify hospitals located in nonmetropolitan core-based statistical areas, as defined by the Office of Management and Budget (OMB).

[14] Manatt's analysis complements recent work completed by other researchers including a June 10th analysis published by the Cecil G. Sheps Center for Health Services Research (https://www.markey.senate.gov/imo/media/doc/sheps_response.pdf).

[15] Expenditure figures represent the estimated decline in expenditures from FFY 2025 - 2034. Percentage impacts reflect the change in total Medicaid spending (inclusive of federal and non-federal Medicaid spending).

[16] Maine has no state directed payments and limited provider taxes. Alaksa does not have hospital provider taxes.

[17] Michael Topchik et al*., 2025 Rural Health: State of the State*, Chartis Center for Rural Health, (Feb. 10, 2025), https://www.chartis.com/insights/2025-rural-health-state-state (accessed June 13, 2025).

[18] US Department of Agriculture (USDA) Rural-Urban Commuting Areas (RUCA) codes were used to designate rural and urban areas for this analysis. Areas with RUCA codes 4-10 are generally considered to be rural.

[19] Center on Budget and Policy Priorities, *How Medicaid Work Requirements Will Harm Rural Residents and Communities*, (Mar. 10, 2020), https://www.cbpp.org/research/health/how-medicaid-work-requirements-will-harm-rural-residents-and-communities (accessed June 13, 2025).

[20] Marybeth J. Mattingly, Justin R. Young., *Not Enough Work: Access to Full-Time Jobs with Decent Pay and Benefits Varies by Race/Ethnicity and Place of Residence*, Stanford Ctr. on Poverty & Inequality, (2014),

https://inequality.stanford.edu/publications/media/details/not-enough-work-access-full-time-jobs-decent-pay-and-benefits-varies (accessed June 13, 2025).

[21] Center on Rural Innovation, *Understanding the Gig Economy in Rural America* (Dec. 27, 2021), https://ruralinnovation.us/wp-content/uploads/2022/01/Gig-Economy_122721.pdf.

[22] Certain Medicare enrollees have their out-of-pocket costs such as premiums, coinsurance, and deductibles covered by Medicaid. Medicaid enrollees who are dually eligible for Medicaid may also receive additional Medicaid-covered services, such as long-term care, vision, and dental services.