

‘One Big Beautiful Bill’ Would Batter Rural Hospital Finances, Researchers Say

Rural hospitals would be at a disproportionate risk of closure, service reductions or ending inpatient care.

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Cuts to Medicaid and other federal health programs proposed in President Donald Trump’s budget plan would rapidly push more than 300 financially struggling rural hospitals toward a fiscal cliff, according to researchers who track the facilities’ finances.

The hospitals would be at a disproportionate risk of closure, service reductions, or ending inpatient care, according to a report authored by experts from the [Cecil G. Sheps Center for Health Services Research](#) following a request from Senate Democrats, who released the findings publicly Thursday. Many of those hospitals are in Kentucky, Louisiana, California, and Oklahoma, according to the analysis.

Trump’s budget plan, dubbed the “One Big Beautiful Bill Act,” contains [nearly \\$800 billion](#) in Medicaid cuts, according to the [nonpartisan Congressional Budget Office](#). House Republicans passed the bill in late May, and it now awaits Senate consideration.

The proposed cuts to Medicaid raise the stakes for rural hospitals nationwide, many of which already operate on razor-thin, if not negative, margins. Diminished reimbursements from the state-federal health insurance program for those with low incomes or disabilities would further erode hospitals’ ability to stay open and maintain services for their communities — populations with more severe health needs than their urban counterparts.

“It’s very clear that Medicaid cuts will result in rural hospital closures,” said [Alan Morgan](#), CEO of the National Rural Health Association, a nonprofit advocacy and research organization.

The Senate Democrats [sent a letter](#) to Trump, Senate Majority Leader John Thune, and House Speaker Mike Johnson asking them to reconsider the Medicaid cuts.

Sen. [Edward Markey](#) (D-Mass.), one of the Senate Democrats who requested the information from Sheps, in a statement said communities should know exactly what they stand to lose if Congress

approves the reductions to Medicaid.

“People will die” if rural hospitals close, he said. “No life or job is worth a yes vote on this big billionaire bill.”

The legislation passed by the House in May would require most working-age, nondisabled Medicaid beneficiaries to prove they’re working, studying, or volunteering to retain coverage, and it would cut Medicaid reimbursement to states that use their own money to extend coverage to immigrants living in the country without authorization. Also, the bill would curtail taxes that nearly every state levies on providers to help draw down billions in additional federal money, which generally leads to [more money for hospitals](#).

The Congressional Budget Office [has estimated](#) that the bill’s Medicaid provisions would lead to 7.8 million people becoming uninsured by 2034.

Johnson, a Louisiana Republican, has repeatedly claimed that the bill’s reductions in federal Medicaid spending don’t amount to cuts to the program. “If you are able to work and you refuse to do so, you are defrauding the system,” Johnson said May 25 on the CBS show “Face the Nation.”

Hospitals that do stay afloat likely will do so by cutting services that are particularly dependent on Medicaid reimbursements, such as labor and delivery units, mental health care, and emergency rooms. Obstetric services are among the most expensive and are being [eliminated by a growing number of rural hospitals](#), expanding the areas that lack nearby maternity or labor and delivery care. Iowa, Texas, and Minnesota had the most rural obstetrics service closures between 2011 and 2023, [according to the health analytics and consulting firm Chartis](#), which also studies rural hospital finances.

Nearly half of rural hospitals are operating in the red and 432 are vulnerable to closure. Medicaid cuts would push them further into financial peril.

That vulnerability stems at least partly from rural Americans’ being more likely to depend on Medicaid than the general population. For instance, nearly 50% of rural births are covered by the program, compared with 41% of births overall. But Medicaid covers only about half of what private insurance reimburses for childbirth-related services. Rural health systems have been struggling to meet the needs of their communities without the cuts to Medicaid, which brings in \$12.2 billion, or nearly 10% of rural hospital net revenue, according to a Chartis report from May.

Hospitals in rural areas would collectively lose more than \$1.8 billion with a 15% cut to Medicaid. That loss in revenue is roughly equivalent to 21,000 full-time hospital employees’ salaries.

Rural hospitals’ margins have been deteriorating for 10 to 15 years, said [Michael Topchik](#), executive director for the Chartis Center for Rural Health, which analyzes and consults on rural hospital finances. Ten years ago, about one-third of rural hospitals were operating in the red. That’s closer to 50% now, he said.

It's even higher in the 10 states that did not expand Medicaid eligibility under the Affordable Care Act, with 53% of rural hospitals there already operating in the red and more than 200 vulnerable to closure.

Other policies continue to affect rural hospitals, according to Chartis. Facilities will lose \$509 million this year due to a 2% Medicare reimbursement cut — what's known as sequestration — and \$159 million in reimbursement for bad debt and charity care combined.

Some rural hospitals have responded to the increasing financial pressures in recent years by joining larger networks, such as Intermountain Health or Sanford, which are connected to facilities in the Mountain West and Midwest. But about half of rural hospitals are still independent, Topchik said, and struggle with a perennial collision of low patient volume and high fixed costs.

"We can't Henry Ford our way out of this by increasing volumes to dilute costs and reduce prices," he said. "It's expensive, and that's the reason the federal government, for a long time, has reimbursed rural hospitals in a variety of manners to help keep them whole."

Rural hospitals play an important role in their communities. They provide health care to Americans who are [older, sicker, and poorer](#) and have less access overall to providers compared with people who live in urban areas. In many cases, a local rural hospital is the largest employer in a community and can trigger substantial local economic declines if it closes.

"When you close a hospital, oftentimes, the community follows," Morgan said.

More than 10 million Americans enrolled in Medicaid live in counties that have at least one rural hospital, according to Chartis estimates. Kentucky, Texas, New York, North Carolina, California, and Michigan have the largest estimated populations of rural Medicaid enrollees.

And while Utah is not a state identified as especially vulnerable, health leaders there are concerned about rural hospital closures if Medicaid funding is cut, said Matt McCullough, the rural hospital improvement director for the Utah Hospital Association.

Facilities in rural parts of Utah are often governed by a board made up of community members — farmers, ranchers, and business owners who care about keeping their hospitals open, McCullough said, because they were born there and their kids were born there.

"They'll do anything to see it stay open and provide good quality care to their neighbors, family members," he said. "It's people that they know and care about."

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