

# **Bond Case Briefs**

*Municipal Finance Law Since 1971*

---

## **Fitch: OBBBA Poses Long-Term Challenges for U.S. Not-for-Profit Hospitals**

Fitch Ratings-Chicago/Toronto/New York-10 July 2025: The passage of the One Big Beautiful Bill Act (OBBBA) will have profound long-term implications for U.S. not-for-profit (NFP) hospitals, Fitch Ratings says. However, many of the act's provisions affecting the sector will not be implemented until 2027 or beyond, giving hospitals time to prepare.

Fitch expects current underlying business conditions to continue to support sound operating results for NFP hospitals for the remainder of 2025. The sector entered 2025 with patient volumes exceeding pre-pandemic levels in most markets, effective cost management despite labor disruptions and historic inflation, and equity market gains that strengthened balance sheets to near-record levels.

Fitch expects many NFP hospitals to improve their financial performance in FY 2025 compared to FY 2024 as management teams prepare for pressure from OBBBA in the coming years. The bill's significant cuts to federal healthcare spending, particularly Medicaid, represent the greatest future threat to NFP hospital operations and cash flows.

OBBBA cuts Medicaid spending through stricter eligibility recertifications, work requirements, and caps on provider taxes and state directed payments. The OBBBA also restricts Affordable Care Act (ACA) marketplace eligibility and allows ACA premium tax credits to expire at the end of 2025. This is likely to cause premium spikes and result in many people dropping their coverage.

The Congressional Budget Office (CBO) estimates the OBBBA could cut Medicaid spending by about \$1 trillion over 10 years, and an estimated 11 million fewer people would be covered by Medicaid or ACA marketplace health insurance by 2034. As early as federal fiscal year 2026 (beginning Oct. 1, 2025), hospitals in most states will begin to feel the squeeze of increased bad debt and charity care as patients lose Medicaid and ACA marketplace plan coverage. This will pressure cash flows and degrade hospitals' ability to serve more uninsured patients. OBBBA defers many of the Medicaid reforms into late 2026 and beyond, so much of the resulting margin compression will not be realized until 2027.

The bill's gradual implementation gives hospitals time to adjust operations ahead of cuts. OBBBA includes a \$50 billion fund available through 2030 to help rural hospitals manage added reimbursement challenges. Nevertheless, hospitals with higher exposure to Medicaid patients or in states that have aggressively expanded Medicaid eligibility, provider taxes or directed payment programs will be most vulnerable to financial pressures.

Beyond OBBBA, tariffs, presidential executive orders and proposed regulatory changes related to healthcare policy will pressure industry cash flows. Executive orders have called for cuts to the National Institutes of Health and other federal scientific research funding, changes to the 340B drug program, site neutrality, and additional acute care provider administrative requirements related to Medicaid eligibility. Higher tariffs present challenges for operating costs and capital spending.

Longer-term, the CBO estimates that the OBBBA will add more than \$3 trillion to federal budget deficits over the next decade and increase federal debt by up to \$4 trillion. Consequently, further healthcare spending cuts are possible in future budgets, posing downside risk to U.S. NFP hospitals in later years.

Copyright © 2026 Bond Case Briefs | [bondcasebriefs.com](https://bondcasebriefs.com)