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Cuts to Medicaid Would Hurt Rural & Safety-Net Hospitals



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Medicaid has emerged as a central flashpoint in the tax reform debate as Republican leaders look to cleave \$715 billion from the program to partially offset tax cuts. With 72 million Americans on the program—including children, seniors, pregnant and postpartum women, those with low-incomes, and people with disabilities—there is widespread concern that Republican cuts would decimate access to care. Those concerns are absolutely warranted, but there’s another issue that’s gotten far less attention: **cuts to Medicaid would also hurt rural and safety-net hospitals.** ¹

In this memo, we highlight how Medicaid is an essential funding stream for rural and safety-net hospitals. We also break down how broad cuts to Medicaid would be disastrous for those providers and suggest smarter health care savings that won’t hurt patients.

Medicaid Is an Essential Funding Stream for Rural and Safety-Net Hospitals

Medicaid is a crucial source of funding for the US hospital system. Hospitals serving patients in lower-income and rural communities especially rely on Medicaid to stay open and provide critical services.

Here are the key facts:

All hospitals depend heavily on Medicaid funding.

- Medicaid spent \$283 billion in 2023 on hospital care.
- Hospital care accounts for nearly 1-in-3 total Medicaid dollars.
- Each year, 19% of total US spending on hospital care is through Medicaid.

Rural hospitals are already struggling—Medicaid cuts would exacerbate these challenges.

- More than 60 million Americans live in rural areas, yet 100 rural hospitals have closed recently; 700 more are struggling financially and facing closure.
- Each closure leaves rural patients, on average, an additional 20 miles farther from access to inpatient care.
- Rural hospitals are closing at higher rates in states that haven't expanded Medicaid as part of the Affordable Care Act, demonstrating the importance of Medicaid funding to rural hospitals.

Safety-net hospitals that serve high rates of Medicaid patients are at particular risk.

- Hospitals with higher shares of revenue from Medicaid also have, on average, lower profit margins than other hospitals.
- Low patient volume and higher rates of uncompensated care contribute to financial insecurity.
 - **Higher uninsured rates** due to significant Medicaid cuts would **worsen** both of those challenges, **intensifying** the financial strain on already at-risk, safety-net hospitals.

Broad Cuts to Medicaid Would Be Disastrous

The most disastrous proposal Republicans are considering is a cap on spending per person in the Medicaid program, known as “per capita caps.” This policy would cut the Medicaid program by up to **\$890 billion**, with **\$300 billion in cuts to hospitals**, by capping federal funding to states at a fixed rate per Medicaid enrollee. If this happens, states would be forced to cut benefits and eligibility, decreasing revenue for hospitals that rely on Medicaid payments to operate. House Energy and Commerce Chairman Brett Guthrie is a longtime supporter of this policy.

Another Republican proposal involves establishing work requirements for certain enrollees. These requirements would cut the program by an estimated **\$110 billion**, with **\$37 billion in cuts to hospitals due to patients losing coverage and forgoing treatment**. But work requirements have proved to be highly problematic: state-level attempts to implement work requirements have led to people losing coverage *without* producing increases in employment rates.

Hospitals in Districts Represented by Energy and Commerce Republicans Will Face Significant Losses in Reconciliation Package

Medicaid has emerged as a central flashpoint in the reconciliation debate as Republican leaders look to cleave at least \$715 billion from the program. While nearly every hospital around the country will feel the impact of major cuts to Medicaid, below is a short list of hospitals in districts represented by Energy and Commerce Committee Republicans that would be affected by these policies:

 <p>Rep. Brett Guthrie (R-KY-2)</p> <p>\$2.9 M PROJECTED REVENUE LOSS</p> <p>The Medical Center, Bowling Green</p>	 <p>Rep. Bob Latta (R-OH-5)</p> <p>\$1.0 M PROJECTED REVENUE LOSS</p> <p>Galion Community Hospital</p>	 <p>Rep. Morgan Griffith (R-VA-9)</p> <p>\$1.1 M PROJECTED REVENUE LOSS</p> <p>Carilion New River Valley Medical Center</p>
 <p>Rep. Gus Bilirakis (R-FL-12)</p> <p>\$1.1 M PROJECTED REVENUE LOSS</p> <p>Oak Hill Hospital</p>	 <p>Rep. Richard Hudson (R-NC-9)</p> <p>\$925 K PROJECTED REVENUE LOSS</p> <p>Alamance Regional Medical Center</p>	 <p>Rep. Buddy Carter (R-GA-1)</p> <p>\$4.1 M PROJECTED REVENUE LOSS</p> <p>Memorial Health University Medical Center</p>
 <p>Rep. Gary Palmer (R-AL-6)</p> <p>\$724 K PROJECTED REVENUE LOSS</p> <p>Brookwood Baptist Medical Center</p>	 <p>Rep. Neal Dunn (R-FL-2)</p> <p>\$2.9 M PROJECTED REVENUE LOSS</p> <p>Tallahassee Memorial Hospital</p>	 <p>Rep. Dan Crenshaw (R-TX-2)</p> <p>\$2.4 M PROJECTED REVENUE LOSS</p> <p>HCA Houston Healthcare Kingwood</p>
 <p>Rep. John Joyce (R-PA-13)</p> <p>\$2.0 M PROJECTED REVENUE LOSS</p> <p>Memorial Medical Center</p>	 <p>Rep. Randy Weber (R-TX-2)</p> <p>\$1.4 M PROJECTED REVENUE LOSS</p> <p>Christus Hospital</p>	 <p>Rep. Rick Allen (R-GA-12)</p> <p>\$1.9 M PROJECTED REVENUE LOSS</p> <p>Doctor's Hospital of Augusta</p>
 <p>Rep. Troy Balderson (R-OH-12)</p> <p>\$2.9 M PROJECTED REVENUE LOSS</p> <p>Genesis Hospital</p>	 <p>Rep. Russ Fulcher (R-ID-1)</p> <p>\$2.3 M PROJECTED REVENUE LOSS</p> <p>Kootenai Hospital District</p>	 <p>Rep. August Pfluger (R-TX-11)</p> <p>\$1.1 M PROJECTED REVENUE LOSS</p> <p>Midland Memorial Hospital</p>

 Rep. Diana Harshbarger (R-TN-1) \$912 K <small>PROJECTED REVENUE LOSS</small> Holston Valley Medical Center	 Rep. Mariannette Miller-Meeks (R-IA-1) \$1.7 M <small>PROJECTED REVENUE LOSS</small> Genesis Medical Center – Davenport	 Rep. Kat Cammack (R-FL-3) \$11.5 M <small>PROJECTED REVENUE LOSS</small> UF Health Shands
 Rep. Jay Obernolte (R-CA-23) \$1.9 M <small>PROJECTED REVENUE LOSS</small> Desert Valley Hospital	 Rep. John James (R-MI-10) \$3.0 M <small>PROJECTED REVENUE LOSS</small> Ascension Macomb-Oakland Hospital	 Rep. Cliff Bentz (R-OR-2) \$4.3 M <small>PROJECTED REVENUE LOSS</small> Rogue Regional Medical Center
 Rep. Erin Houchin (R-IN-9) \$2.5 M <small>PROJECTED REVENUE LOSS</small> Indiana University Health Bloomington Hospital	 Rep. Russell Fry (R-SC-7) \$3.2 M <small>PROJECTED REVENUE LOSS</small> McLeod Regional Medical Center	 Rep. Laurel Lee (R-FL-15) \$771 K <small>PROJECTED REVENUE LOSS</small> Advent Health – Zephyrhills
 Rep. Nick Langworthy (R-NY-23) \$884 K <small>PROJECTED REVENUE LOSS</small> Upper Allegheny Health System	 Rep. Tom Kean (R-NJ-7) \$3.0 M <small>PROJECTED REVENUE LOSS</small> Overlook Medical Center	 Rep. Michael Rulli (R-OH-6) \$2.6 M <small>PROJECTED REVENUE LOSS</small> St. Elizabeth Health Center
 Rep. Gabe Evans (R-CO-8) \$2.3 M <small>PROJECTED REVENUE LOSS</small> North Colorado Medical Center	 Rep. Craig Goldman (R-TX-12) \$3.2 M <small>PROJECTED REVENUE LOSS</small> Texas Health Harris Methodist Hospital	 Rep. Julie Fedorchak (R-ND-AL) \$5.8 M <small>PROJECTED REVENUE LOSS</small> Sanford Medical Center – Fargo

Source: Calculations were made using hospital-specific 2023 data from <https://tool.nashp.org/>. As hospital spending accounts for one-third of total Medicaid spending, across-the-board reductions in federal Medicaid spending of \$715 billion would result in an 8% total Medicaid cut, 2.68% applying to hospitals. Using hospital revenues and payer mixes from NASHP's data gives hospital revenues from Medicaid. These revenues multiplied by the expected 2.68% Medicaid cut provides the impact for specific hospitals.

Other significant cuts to Medicaid could come from arbitrary federal caps on Medicaid spending, which would decrease federal matching to states. These would create barriers to enrollment, meaning hospitals have less patients to care for. This approach would also see uncompensated care increase, leading to cuts in essential services, staff reductions, and even closures. As current enrollees lose

coverage, uninsured populations will increase, resulting in less preventive care and leading to more emergency room visits and uncompensated care for hospitals. Hospitals that service higher proportions of patients covered by Medicaid would be impacted the most.

An Alternative Approach: Smarter Savings in Health Care

Republicans are pursuing cuts to Medicaid as a means of offsetting their tax and spending priorities. But cutting Medicaid is the wrong approach. If policymakers are looking for savings, there are numerous other options that would lower costs for patients and benefit the health care system overall.

Before the reconciliation process began, committees circulated a long list of potential offsets, some of which would target waste and abuse in health care. Below is a list of offsets and their savings that would fulfill President Trump’s promise not to touch Medicare and Medicaid—while improving health care affordability.

Smarter Health Care Savings for Reconciliation

Savings Option	10 Year Savings
Paying hospitals the same price for the same service in Medicare.	Up to \$279 billion
Limit or eliminate hospital facility fees for people with private coverage.	Up to \$117 billion
Expand list of services available as outpatient.	\$10 billion
Prohibit hospitals’ use of anticompetitive contracting terms that increase prices.	\$5 billion
Expand antitrust funding and enforcement against hospital chains.	\$17 billion

Source: “Equalizing Medicare Payments Regardless of Site of Care.” Committee for a Responsible Federal Budget, 26 Mar. 2019, <https://www.crfb.org/papers/equalizing-medicare-payments-regardless-site-care>. Accessed 4 Mar 2025. “Moving to Site Neutrality in Commercial Insurance Payments.” Committee for a Responsible Federal Budget, 14 Feb. 2023. <https://www.crfb.org/papers/moving-site-neutrality-commercial-insurance>. Accessed 3 Mar 2025. “Read: Draft Options for G.O.P. Cost Cuts for Tax Bill.” The New York Times, 23 Jan 2025. <https://www.nytimes.com/interactive/2025/01/23/us/politics/republican-tax-spending-cuts-options.html>. Accessed 3 Mar 2025. “S. 2840, Bipartisan Primary Care and Health Workforce Act.” Congressional Budget Office, 6 Feb 2024. <https://www.cbo.gov/publication/59945>. Accessed 4 Mar 2025. Mader, Tony et al. “Savings Estimates for Solutions to Reduce Spending on Health Care and Private Insurance Premiums: 2025 Update.” Harmonic Consulting and Helse Consulting Group, Jan 2025. https://www.bcbs.com/media/pdf/BCBSA_affordability_solutions_for_the_health_of_america_2025_update. Accessed 3 Mar 2025.

Ideally, the policies above would be enacted in stand-alone legislation and would expand access to coverage. The American health care system isn't perfect—rural and safety-net hospitals struggle while large hospital systems consolidate and overcharge patients. Some of the reforms above would correct these disparities without risking widespread loss of health coverage for vulnerable Americans.

Conclusion

Protecting Medicaid means protecting hospitals and patients.

Enacting so-called reforms that would cut the Medicaid program would devastate already struggling hospitals in rural and low-income communities, leaving millions without access to care. Lawmakers should reject proposals that harm rural and safety-net hospitals and patients and, instead, pursue smarter reforms that lower costs without reducing coverage. Protecting Medicaid isn't just about funding—it's about ensuring that rural and underserved Americans have a hospital to turn to when they require care.

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ENDNOTES

1. The projected \$880 billion in cuts to Medicaid are from the House-passed Budget Resolution, which requires as least \$880 billion in cuts from the Energy and Commerce Committee, where Medicaid is by far the largest program under their jurisdiction.