Georgia's Big Beautiful Reckoning: Medicaid, Rural Health, and the Legal Landscape Ahead

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With the passage of H.R.1, the "One Big Beautiful Bill Act" (OBBBA), in July, significant changes are coming to the nation's health care landscape. This article examines the potential impact on Georgia's hospitals and health care providers.

Overview

OBBBA's most notable features include steep cuts to federal health care spending. The Congressional Budget Office (CBO) estimates federal Medicaid spending will decrease by $911 billion over the next decade. In Georgia, federal funding comprises 71% of the total Medicaid spend, supporting 2,240,000 children and adults as of May 2025. According to KFF's most recent analysis, Georgia could lose $6-$10 billion in federal funding over the next 10 years. In addition, the uninsured population is projected to increase by roughly 150,000 (about 1%), with 32,000 losing coverage due to Medicaid changes, 120,000 due to changes in the Affordable Care Act (ACA), and 7,500 due to Medicare and policy interactions, according to KFF's calculations.

There are two main provisions in OBBBA that will potentially strain the state's budget: (1) freezing state provider taxes at current rates and preventing states from establishing new provider taxes (Sec. 71115) and (2) capping new directed payment programs in non-expansion states at 110% of the Medicare rate (Sec. 71106). These cuts could force Georgia to raise additional revenue and/or find other funding sources to bridge the gap. The state will likely pursue Medicaid cuts by restricting eligibility for optional populations and/or increasing cost-sharing for enrollees.

The impacts on Georgia will be both significant and distinct.

Georgia's Unique Position

Georgia is one of ten states that have not expanded Medicaid and the only state requiring those not eligible for traditional Medicaid to prove they are working or completing 80 hours per month of other qualifying activities, such as school or volunteering (Georgia Pathways to Coverage). Under the current Georgia Pathways program, enrollees must document eligibility monthly but OBBBA requires eligibility determinations every six months starting December 31, 2026 (Sec. 71107), meaning Georgia would need a waiver to maintain its current system. As of July 21, 2025, 8,633 Georgia adults are enrolled in Pathways.

There are several places in OBBBA that differentiate between expansion and non-expansion states. In Sec. 71115, OBBBA dictates that for Medicaid expansion states, the 6% of net patient revenue safe harbor threshold for existing provider taxes will be gradually reduced to 3.5%. But for non-Medicaid expansion states, like Georgia, the safe harbor threshold for existing provider taxes will stay at 6% of net patient revenues and will not be subject to a gradual phased reduction. Sec. 71106 imposes caps on new state directed payments (SDPs) that have not yet been submitted or approved as of the date of enactment of OBBBA (July 4, 2025). For Medicaid expansion states, the total payment rate for new SDPs is capped at 100% of the Medicare fee schedule, whereas for non-Medicaid expansion states, the cap on new SDPs is 110% of the Medicare fee schedule. Accordingly, Georgia will have more flexibility to administer its Medicaid program (with potentially higher provider taxes and a higher limit for SDPs) than those states (and Washington DC) that have expanded Medicaid pursuant to the ACA.

Addressing Fraud, Waste, and Abuse

Georgia's current eligibility requirements combined with OBBBA's new mandates for expansion states, aim to reduce fraud, waste, and abuse in Medicaid while ensuring resources are available to those who need them most. OBBBA addresses these issues by requiring each state to regularly update beneficiary and provider records, remove deceased individuals, and prevent duplicate enrollments across state programs.

Impact on Rural Hospitals

OBBBA's cuts to Medicaid and federal health care spending are expected to hit rural hospitals particularly hard. Nearly 39% of Georgia hospitals are in rural areas and serve 19% of the state's population. Federal Medicaid spending is projected to decline in rural Georgia by about $1.74 billion over the next 10 years. Though significant, this loss is smaller than the $10 billion projected for states that both expanded Medicaid and have high rural populations. Georgia's lack of

Medicaid expansion makes this change less dramatic.

To mitigate the impact of Medicaid cuts on rural providers, OBBBA establishes a $50 billion "Rural Health Transformation Program," (Sec. 71401). The Centers for Medicare & Medicaid Services (CMS) will distribute half of these funds equally among states with approved applications. The remaining funds will be allocated based on criteria such as rural population, the number of rural health facilities, and the needs of hospitals serving large, rural populations.

Anticipation and Uncertainty in Georgia's Health Care Sector

Although it is too early to determine the full impact of OBBBA on the state's healthcare landscape, the anticipation of funding losses is already affecting Georgia's health care providers. The Atlanta Journal Constitution reported in August 2025 that Evans Memorial Hospital, already facing a $3.3 million budget shortfall in 2026, relies on Medicaid for about $3.4 million of its $20 million in revenue, and a significant number of other patients qualified health plans under the ACA. With anticipated federal cuts under OBBBA, the hospital is considering closing its intensive care unit, searching for other ways to reduce cost, and is "struggling to figure out what the next chapter looks like."

This example reveals that uncertainty may impact health care just as much as financial loss. However, Georgians—and Georgia health care lawyers in particular—may face somewhat smoother waters than their counterparts in other states. Georgia's existing Medicaid landscape means that many of OBBBA's policy changes will be adjustments rather than sweeping reforms. During this period, it is crucial for counsel to guide Georgia providers on compliance and strategic planning as they step into the unknown ahead.

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