



The One Big Beautiful Bill Act & Florida's Medicaid Program

Most of the biggest changes under the One Big Beautiful Bill Act (OBBBA) target states that expanded Medicaid. As a non-expansion state, Florida avoids the steepest impacts (e.g., work and eligibility requirements), but the law will still significantly impact the Sunshine State's patients, providers, and payers.

Retroactive Coverage

For Medicaid and CHIP (KidCare) applications filed on or after January 1, 2027, OBBBA will shorten the retroactive coverage period for pregnant women and children under 21 years old from 3 months to 2 months. Non-pregnant adults will continue to receive 1 month of retroactive coverage.

This change will particularly impact maternity care and pediatric hospital admissions, and is expected to increase uncompensated care costs for some hospitals as more bills fall outside the shortened period.

Eligibility

Beginning October 1, 2026, the following groups will be ineligible for Medicaid and CHIP:

- **Lawful Permanent Residents (LPR)**
- **Asylees**
- **Refugees**
- **Trafficking Survivors**
- **Humanitarian Parolees**
- **Certain Cuban and Haitian Entrants**

Provider Taxes and State-Directed Payment Programs

Medicaid funding changes to provider taxes and state-directed payment (SDP) programs will start in 2028 and be phased in over time.

Provider Tax: Florida imposes a statewide hospital assessment into the Public Medical Assistance Trust Fund (PMATF) of 2.5% – 1.5% of inpatient and 1.0% of outpatient net operating revenue.

Under OBBBA, non-expansion states like Florida retain the existing 6% federal safe-harbor threshold for current provider taxes. However, the law sets the hold-harmless threshold for new provider taxes at 0%, preventing the creation of new provider tax classes to draw down additional federal matching funds.

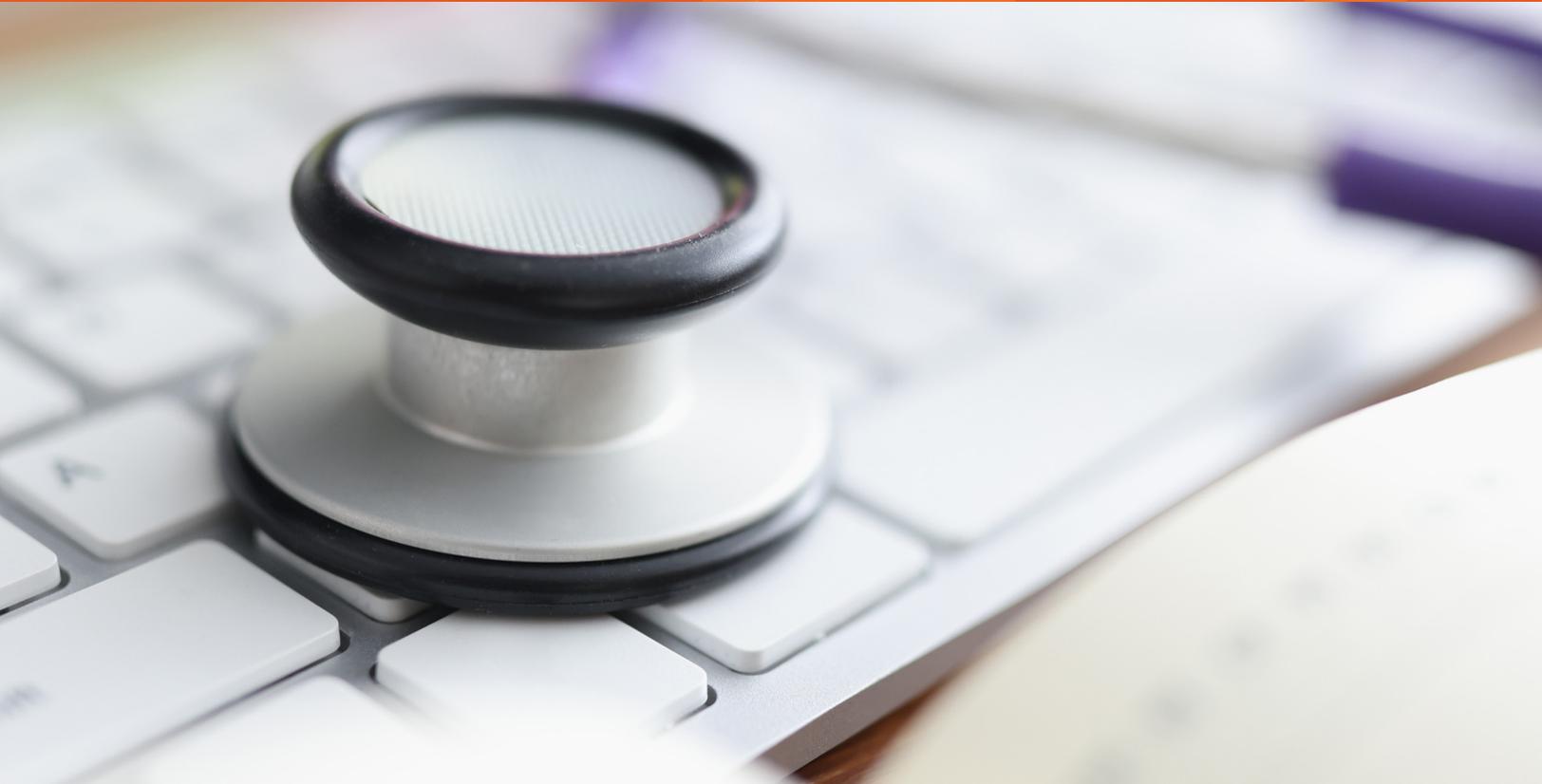
SDPs: In non-expansion states, SDPs can go up to 110% of Medicare rates. Beginning in 2028, amounts above the cap must step down by 10 percentage points per year until they hit the cap.

According to Florida Agency for Health Care Administration (AHCA), the Hospital Directed Payment Program (DPP) is currently estimated at 194% of Medicare. Florida's other SDP programs range from 134% (Public Hospital Physician Program) to 213% (Physician Supplemental Payment).

When all SDP programs reach 110%, cumulative cuts to Florida's SDP programs will exceed **\$3.8 billion**.



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Federal Payments to Prohibited Entities

OBBBA effectively prohibits state Medicaid programs from providing reimbursement to healthcare providers that also perform abortions.

Three Florida healthcare providers currently meet the definition of “prohibited entity” as they perform abortions and are enrolled in the state’s Medicaid program.

Rural Health Funding

To support rural healthcare providers, OBBBA established a \$50 billion Rural Health Transformation Fund. Competitive grants will be awarded annually by the state over 5 years, \$10 billion per year from 2026 through 2030.

Florida’s application was due November 5, 2025; CMS will select awardees by December 31, 2025. Funding flows to states, which then implement their CMS-approved plans and sub-award to rural providers, such as Statutory Rural Hospitals, Critical Access Hospitals, and Federally Qualified Health Centers (FQHCs) in rural areas.