

Navigating HR 1:

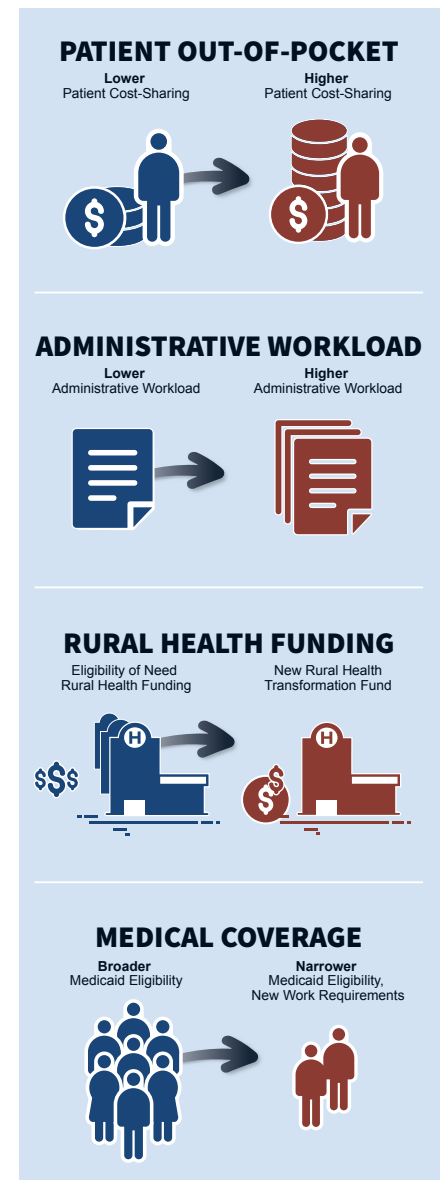
What Healthcare Leaders Should do Now

HOW HEALTHCARE ORGANIZATIONS AND PAYORS CAN PIVOT IN AN ERA OF POLICY UNCERTAINTY

H.R. 1 (One Big Beautiful Bill Act) was signed into law in July 2025 and enacts sweeping changes to Medicaid, Medicare, and ACA programs. It makes deep cuts to federal Medicaid funding (CBO: ~\$1 trillion over 10 years) and introduces stricter eligibility and work requirements that will directly affect patients. At the same time, it creates a \$50 billion Rural Health Transformation Fund (2026–2030) to bolster rural care. Providers and payors must act quickly to protect patients and their bottom lines. Below we outline organizational challenges and then highlight strategic focus areas with examples of how Sand Cherry Associates' healthcare consulting services can help.

IMPACTS TO HEALTHCARE ORGANIZATIONS:

- Revenue and Budgetary Pressure:** With federal Medicaid funding capped and state matches constrained, hospitals and health systems can expect tighter margins. H.R. 1 bans new provider taxes beyond a shrinking threshold (from 6% of revenues down to 3.5%) and limits provider-directed payments to at most 100–110% of Medicare rates. In practical terms, many providers may see lower Medicaid reimbursements and fewer financial 'backfill' programs. Hospitals and payors must therefore re-examine budgets and find savings or alternative revenue streams (e.g. private grants, philanthropy, value-based payment models).
- Increased Administrative Costs:** The law imposes extensive new verification tasks on payors and providers. States must conduct twice-yearly Medicaid eligibility redeterminations for expansion adults and frequent provider enrollment checks. Payors and hospitals should anticipate building or upgrading IT systems for automated address-DMF matching and multi-state enrollment checks. These processes will require training and staff time; optimizing them through data and process improvements is critical.
- Rural Health Focus and Grants:** The passage of HR 1 has intensified the rural health challenge by reducing Medicaid funding, straining already limited resources and threatening the sustainability of critical care services. While the Rural Health Transformation fund will not ease the entire financial strain, eligible hospitals and clinics should capitalize on the new \$50B in funds. To secure funding, they will need to craft a state-approved "Rural Health Transformation Plan" detailing projects like telehealth expansion, AI for chronic care, local workforce incentives, and value-based care pilots. States will look for partnerships among hospitals, clinics, and even tech vendors. Non-rural systems can also engage by partnering on regional initiatives.
- Market and Enrollment Shifts:** The Congressional Budget Office estimates about 16.9 million Americans could lose coverage due to H.R.1 and other contemporaneous policy changes. This projected loss stems from H.R.1's deep cuts to federal Medicaid funding, stricter eligibility and work requirements, and increased administrative burdens on states and payors. Collectively, these factors are expected to reduce enrollment and disrupt coverage continuity. Payors should prepare for lower Medicaid membership and adjust actuarial models accordingly. Hospitals may see shifts in the payor mix (e.g. fewer insured patients in some demographics) and should revise revenue cycle forecasting. Conversely, networks that excel at efficiency and managing high-risk populations will stand out in this new environment.



Before and after H.R. 1

HEALTHCARE ORGANIZATION IMPERATIVES

Healthcare organizations and payors should prioritize the following strategic areas to navigate H.R.1:

• Leverage Rural Health Funding

Develop a competitive rural transformation proposal.

- *Action:* Form multi-provider collaboratives to meet state plan criteria (tech adoption, chronic care management, workforce training). Identify vendors (telehealth platforms, AI monitoring) and workforce pipelines to include. This is a rare federal infusion (\$50B) aimed at stabilizing rural providers and improving patient outcomes, so capturing these grants can directly bolster patient care and your bottom line.

- *How Sand Cherry helps:* We help healthcare organizations develop competitive Rural Health Transformation Plans by coordinating multi-provider collaboratives, identifying technology and workforce partners, and aligning proposals with state criteria. Our consultants also support grant readiness, implementation planning, and impact modeling to ensure clients secure funding and deliver measurable improvements in rural care.

• Optimize Revenue Cycle and Funding

Maximize billing and reimbursements under new rules.

- *Action:* Audit revenue cycle processes to adapt to lower state-directed payment caps and provider tax limits. Ensure all billable services (especially rural health clinic services) are captured.

- *How Sand Cherry helps:* Our Business Process Optimization experts can streamline billing workflows, identify missed revenue, and redesign processes to fit the new regulations.

• Strengthen Patient Engagement

Keep patients in care despite new eligibility hurdles.

- *Action:* Proactively reach out to vulnerable patients about work requirements and copays; offer care coordination and social supports. Use data analytics to identify patients at risk of disenrollment.

- *How Sand Cherry helps:* Sand Cherry's Business Intelligence team can develop predictive models (e.g. who might fail a redetermination) and dashboards to target outreach. We can also help design patient communication strategies to improve retention.

• Accelerate Digital Transformation

Adopt technology to meet new program goals.

- *Action:* Implement or expand telemedicine, remote patient monitoring, AI decision support and other tools emphasized by H.R.1. For example, building platforms to manage chronic diseases or mental health in rural settings.

- *How Sand Cherry helps:* Sand Cherry Health specializes in digital solutions and complex data projects. We can help select and integrate new technology into legacy systems, leveraging best practices for healthcare IT.

• Enhance Data and Compliance Infrastructure

Automate new verification and reporting requirements.

- *Action:* Upgrade eligibility systems to perform monthly DMF checks and address matching, and to prevent duplicate enrollment. Reconfigure member records to capture new data (e.g. community engagement hours).

- *How Sand Cherry helps:* Our consultants bring expertise in data engineering and business intelligence. We can architect analytics that continuously flag compliance issues and streamline reporting to CMS.

• Explore Partnerships and Scale

Consider mergers, partnerships or value-based contracts to spread risk.

- *Action:* In the face of revenue cuts, small hospitals and health plans may need to join forces or restructure.

- *How Sand Cherry helps:* Sand Cherry's Merger Planning & Integration services can guide due diligence, integration planning, and change management to ensure a smooth transition. Our financial analysts can build pro forma models to evaluate new organizational structures.

SAND CHERRY ASSOCIATES' HEALTHCARE EXPERTISE

In summary, H.R.1's "One Big Beautiful Bill" brings both challenges and opportunities. Its patient-focused provisions require healthcare executives to proactively assist members, while its funding cuts demand for operational agility and efficiency. Sand Cherry Associates is positioned to help clients pivot; we have proven healthcare expertise and a full suite of services (data analytics, strategic planning, process engineering, project management and more) to navigate this new landscape. By partnering with us, hospitals and payors can transform H.R.1's uncertainties into strategic wins for their patients and their organization's bottom line.



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Senior Director



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