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The One Big Beautiful Bill: Understanding the Impact on Healthcare Facilities

June 24, 2026

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Questions

Please submit using the question tool on user dashboard

Meet Your Presenters

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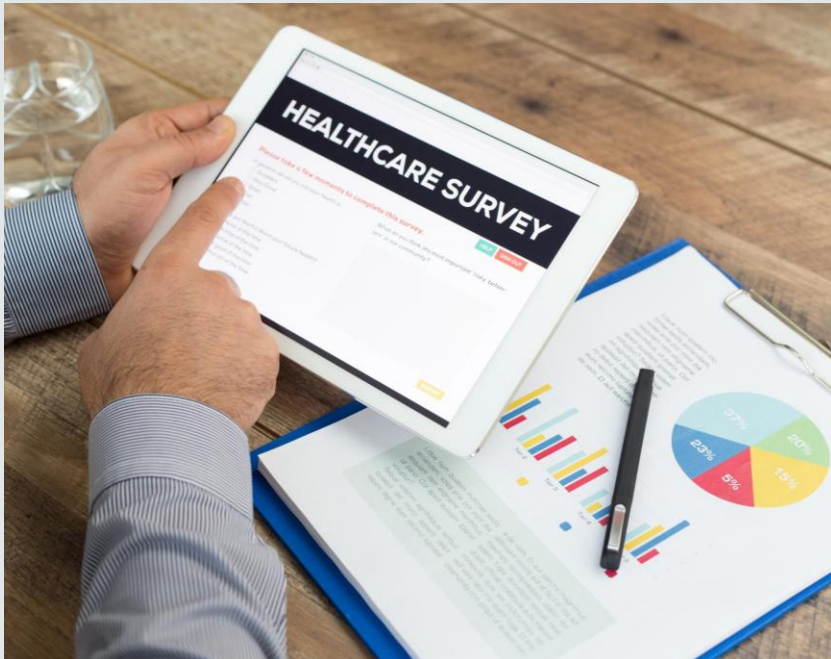
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Agenda

- **Major Policy Changes Introduced in the One Big Beautiful Bill Act (OBBBA) That Impact Healthcare Facilities**
- **The Impact of the OBBBA on Hospital Finances, Staffing & Risk Management**
- **What Healthcare D&O and EPLI Underwriters Should Monitor**
- **The Impact of the OBBA on Healthcare Payers**
- **The Impact of the OBBBA on Senior Care Facility Finances, Staffing & Operations**
- **Questions that Senior Care Liability Underwriters Should be Asking**
- **Questions**

MAJOR POLICY CHANGES INTRODUCED BY THE OBBBA



Medicaid Spending Reductions

OBBBA enacts long-term cuts to Medicaid spending via eligibility reforms and work requirements.

Provider Tax Restrictions

The act limits states from imposing or expanding provider taxes to control Medicaid reimbursements.

Reduced Retroactive Eligibility

Retroactive Medicaid eligibility is shortened from 90 to 60 days effective October 1, 2026 raising risk of uncompensated care.

Delayed Staffing Mandates

The law delays enforcement of federal nursing home staffing minimums for ten years.

Stronger Immigration Enforcement

Immigrants make up 10% - 25% of healthcare entity staffing – fewer immigrants may reduce staffing pool

Enhanced Transparency

OBBBA strengthens transparency, ensuring public access to staffing and ownership data.

THE ONE BIG BEAUTIFUL BILL ACT

**Hospital Finance,
Staffing &
Risk Management**



HEALTHCARE IMPACT AT A GLANCE



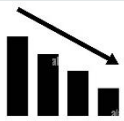
\$1T+

Cut from Medicaid
over 10 years



11.8M

People projected
to lose coverage



\$69B

Projected hospital
revenue loss
2026 & 2027

Sources: CBO (May 2025), KFF (May 2025), Advisory Board (2025)



Medicaid Under Pressure: Structural Changes and Coverage Impact



- Signed into law July 4, 2025 — the largest reduction to federal Medicaid funding in U.S. history.
- ACA enhanced premium tax credits expired December 31, 2025. CBO projects approximately 7 million ACA enrollees will drop coverage in 2026 as a result.
- Gives states more freedom to require Medicaid cost sharing, which may lead to higher copays and premiums for low-income enrollees.
- Medicaid work requirements, more frequent eligibility redeterminations, and stricter enrollment documentation expand administrative responsibilities for both states and hospitals.
- Puts limits on how states can fund Medicaid and reduces Disproportionate Share Hospital (DSH) payments by \$24 billion through 2028.

Rising Uninsured Volumes & ER Surge

Harder Eligibility → More Uninsured → Emergency Departments as Last Resort

Hospital Impact is Widespread

- ↑ Labor expense
- ↑ Medical supplies expense
- ↑ Pharmaceutical expense
- ↑ Security expense
- ↑ Bad debt expense



ER visits by uninsured patients are **2.5x** more expensive than insured visits.



Uncompensated care costs will rise by **\$128B** in 2026

Rising Operating Expenses Outpace Revenue

Less Revenue + More Patients + Higher Costs = D&O Level Financial Decisions



Medical Supplies & Pharmaceuticals

- Supply chain inflation
- Increased cost of drugs & PPE
- Specialty equipment



Clinical Workforce

- Overtime expense
- Higher benefit and retention incentives
- Travel nurses



Regulatory & Administrative *(Non-clinical workforce)*

- Compliance requirements
- Quality reporting
- Administrative costs

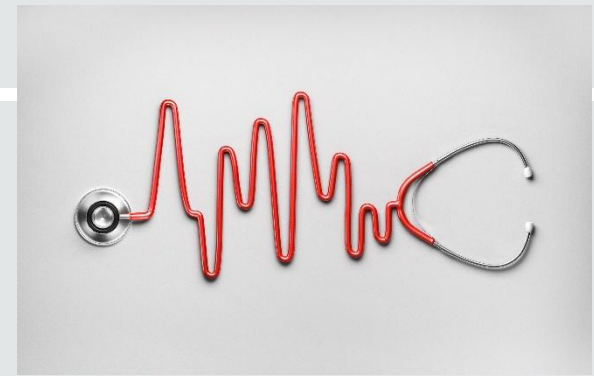


Technology

- Cybersecurity
- AI & data analytics
- EMR system upgrades

D&O IMPACT: Boards must navigate competing pressures between community obligations and preserving financial stability.

Medicare Reimbursement Cuts = Margin Compression



Financial Foundation Already Thin

- Most hospitals operate on razor-thin margins (1–3%).



Immediate Cash Flow & Liquidity Impact

- ~\$500B in Medicare cuts 2026–2034.
- Includes ~4% reduction in provider and hospital payments.



Disproportionate Impact on Vulnerable Providers

- Rural and safety-net hospitals most at risk.
- Many rural hospitals already operating at negative margins.
- 300+ rural hospitals at immediate risk of closure.



Forced Strategic Responses

- Cost reductions.
- Changes to services offered by hospitals.
- Consolidation or partnership affiliations.



D&O Underwriting: What to Watch

Key Financial & Operational Risk Indicators

Financial Metrics

- Days Cash on Hand
- Debt Service Coverage Ratio
- Operating Margin
- Credit Rating
- Bond Ratings
- Payor Mix
- Patient Volume Trends



Reduced Reimbursement



Deferred Capital Investments



Reduced Operating Income



Hiring Freezes or Workforce Reductions



Service Reductions or Department Closures



Higher Governance & Operational Risk

EPL Underwriting: What to Watch

Staffing Shortages



Leadership turnover, disruption in operational continuity



Fewer resources to recruit and retain talent



Higher nurse-to-patient ratios; increased burnout



Elevated patient safety concerns; medication errors, documentation issues which lead to adverse outcomes



Increased D&O/EPL exposure from staffing failures

Workforce pressure generate EPL Risk Exposures

- Wage and hour claims driven by misclassification, unpaid overtime, meal/rest violations.
- Hostile work environment and retaliation claims fueled by burnout and staffing constraints
- Wrongful termination claims tied to performance disputes (clinical errors), layoffs, budget driven restructuring
- Whistleblower activity and DOJ investigations tied to quality-of-care concerns



What Healthcare D&O & EPL Underwriters Should Monitor



Financial Health Scrutiny

Audited financials, operating margins, Medicaid revenue concentration, and debt levels demand deeper review. **Rural and safety-net hospitals warrant heightened attention.**



Governance Quality

Board composition, strategic planning processes, and financial oversight rigor are critical indicators. **Is the board prepared for OBBBA; what is their contingency plan?**



Employment Practices Controls

Review HR infrastructure: WARN Act compliance, RIF protocols, DEI programs, and whistleblower protections. **Staff reduction history is a key EPL signal.**



Payer Mix & Volume Risk

Concentration in Medicaid, Medicare, uninsured volume trends, and ER utilization rates signal exposure. **On average, Medicaid and Medicare represent over 70% of patient volume;** as that percentage increases, so does financial strain and staffing-related exposures.



Claims Trend Awareness

Expect frequency uptick in EPL (RIFs, wage & hour) and D&O (regulatory, insolvency) potential **severity claims from healthcare insureds through 2027 and beyond.**



Underwriting Review & Pricing Strategy

Revisit policy terms, including retentions, sublimits, and rate adequacy for financially distressed healthcare systems. Rate increases will likely be warranted.

KEY TAKEAWAYS

- 01 Revenue crisis is systemic — not cyclical**
Hospitals are expected to lose \$69B in 2026 and 2027, which will change the healthcare industry. Safety-net rural hospitals are under extreme pressure and fighting to stay open.
- 02 Uninsured volumes will surge ER utilization**
More than 11 million people may lose coverage, leading to more uninsured patients. This means higher unpaid care costs and more pressure on hospital operations through 2027 and beyond.
- 03 Staffing risk is a D&O & EPL trigger**
Workforce reductions under financial pressure may generate RIF claims, WARN Act exposure, hostile environment suits, and whistleblower actions.
- 04 Governance under fire**
Boards approving financial decisions in this environment face higher risk. They may face more legal exposure from bondholders, regulators, and insolvency scenarios.
- 05 Underwriters must adapt now**
Pricing, retentions, and risk selection criteria for healthcare D&O/EPL must reflect the OBBBA's structural impact on hospital financial risk.

OBBBA is now law.

The financial pressure on healthcare is real, imminent, and growing.



One Big Beautiful Bill

Risk Implications for Health Care Payers



Changing Care Models and Innovation

ANTICIPATED ACTION

A push for the repeal and replacement of the ACA may lead to:

- Reduced or eliminated subsidies
- Allow insurers to re-enact pre-existing condition clauses
- Creation of new plans within the private markets on the exchanges.

Increased consumerism within the healthcare marketplace may create opportunity for new strategic alliances focused on innovations in care delivery, payment and financing models.

ANTICIPATED INSURANCE IMPACT – D&O/MCEO/REGULATORY

Increased privatization of healthcare and new access points for care delivery could create new opportunities. **The increase in M&A activity may drive profit focused results.**

Payers will look for new ways to scale and seek profitably with reduction in federal and state funding, significant churn in plan membership, and increased operational complexity.

ONE BIG BEAUTIFUL BILL

Risk Implications for Health Care Payers

Artificial Intelligence (AI)



ANTICIPATED ACTION

With a commitment to repeal the prior administration's AI executive orders, new EO's have been passed to support AI development.

The current administration will likely support start up entities in the "Race to AI", which may include:

- Increased creation of AI platforms
- Workforce reductions for health plans
- Continued litigation over the use of AI and impact on utilization review processes

ANTICIPATED INSURANCE IMPACT – D&O/MCEO/REGULATORY

Reliance on AI will continue especially with reduced workforces. Payers will need to articulate the ways in which AI is being utilized for utilization review approvals vs. denials.

AI innovation may outpace regulation and without consistent guardrails in place on a state/federal level, health plan members could allege increased third party bias and discrimination claims for wrongful denials/delay of care. .

One Big Beautiful Bill

Risk Implications for Health Care Payers

Gender Affirming Care & Abortion Rights



ANTICIPATED ACTION

While federal focus has been grounded in restricting funding and access to federal government programs, many states have taken more restrictive actions by banning or restricting care for minors.

ANTICIPATED INSURANCE IMPACT – D&O/REGULATORY

Focusing on access to care for minors, providers may violate executive orders and state orders which increases their exposure to regulatory bodies, i.e. DOJ-HHS Health Care Fraud Enforcement Group when violating Medicaid and/or CHIP regulations.

Third Party Employment Practices Liability

For payers, the perceived discriminatory practices that could be alleged due to their inability to provide gender affirming surgeries or care could lead to increased 3rd party EPL exposures.

At the same time, participating in federal programs while reimbursing for these services can lead to **FCA actions**.



One Big Beautiful Bill

Risk Implications for Health Care Payers



Regulatory and Antitrust

ANTICIPATED ACTION

OBBB focus is to remove healthcare fraud, abuse and waste, thus this may lead to new funds, like the Rural Health Care Fund that was passed to include \$50B to help offset the estimated cuts to Medicaid, being created

ANTICIPATED INSURANCE IMPACT – D&O/MCEO/REGULATORY

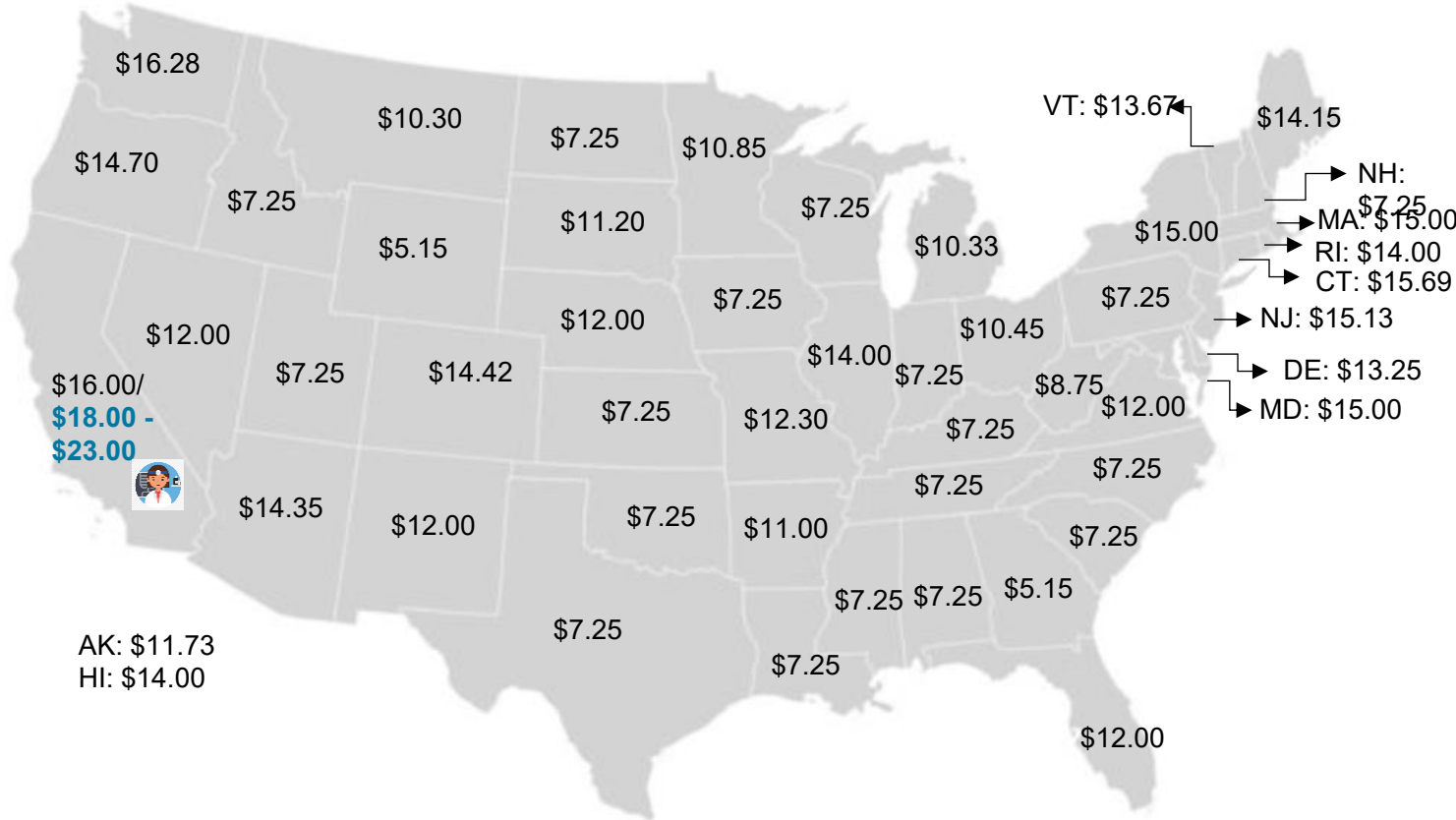
Financial pressures for health care payers are expected to increase as they face strained federal reimbursement, sicker enrollee and increased scrutiny around reimbursement and oversight for those within the Medicaid/Medicare space.

Payers will need to drive new innovation and product offers to be able to compete with those enrollees that will no longer be able to afford exchange policies.

M&A activity will likely increase over the next 12 – 24 months due to the uncompensated care to be absorbed by providers and systems. This will likely lead to increased acquisitions by larger profitable payers.

Minimum Wage Paid to Health Care Workers

On October 16th 2024, nearly all health care facilities in California will be required to increase the minimum wage paid to health care workers, ranging anywhere from **\$18 per hour up to \$23 per hour** depending on the type of health care facility.



- 45 States across the United States have state specific minimum wages in place ranging from \$5.15 to \$16.28. States with a lower minimum wage, or none, default to the federal minimum wage of \$7.25.
- The following states have passed legislation to reach a \$15 minimum wage in 2024 and beyond.
 - Delaware (2025)
 - California (2025)
 - Florida (2026)
 - Illinois (2025)
 - Maryland (2025)
 - New Jersey (2024)
 - New York state (2025)
 - Rhode Island (2025)
- For purposes of the new healthcare minimum wage, CA broadly defines “covered health care employee” to not only include patient care employees like nurses, but also **employees providing support services to the provision of health care**, such as janitors, guards, schedulers etc.
- Under the new law, health care facilities are divided into the following four categories, which dictates the new minimum wage requirements that apply:
 - health care facilities that employ 10,000 or more full-time employees
 - hospitals with a high or elevated governmental payor mix, and rural independent health care facilities
 - clinics
 - other health care facilities. The applicable minimum wage depends upon which type of health care facility employs the workers.

Insurance Impacts on Healthcare Entities	
<p>Employment Practices Liability</p> <ul style="list-style-type: none"> ▪ Misclassification is excluded from EPL policies ▪ Wage and Hour is excluded on EPL policies 	<p>Wage & Hour</p> <ul style="list-style-type: none"> ▪ Stand alone W&H coverage is available in Bermuda marketplace ▪ Some US carriers will provide a small sublimit for defense costs only in the healthcare space

UNDERSTANDING THE ONE BIG BEAUTIFUL BILL ACT: IMPACTS AND RISK STRATEGIES FOR SENIOR LIVING

Analyzing effects and
approaches for elderly
care safety





WHY THE OBBBA MATTERS TO SENIOR LIVING

Economic Impact of OBBBA

OBBBA affects Medicaid funding, the largest payer for nursing home care, reducing Medicaid spending and restricting state financing tools creates downward pressure on facilities during a time they are facing rising costs.

Regulatory Changes and Risks

New regulations increase financial risks and administrative workload with shorter coverage windows and frequent eligibility checks which can raise likelihood of administrative errors that disrupt cash flow. Maintain public reporting requirements

Operational and Strategic Implications

Policy risks extend to strategic planning, workforce management, and reputation, requiring informed leadership decisions.



MEDICAID COVERAGE AND ELIGIBILITY CHANGES

Reduced Retroactive Coverage

Retroactive Medicaid coverage decreased from 90 to 60 days increasing financial risk for senior living admissions, particularly for residents who admit before care is finalized. Facilities may face longer period of unpaid services if applications are delayed or denied.

Eligibility Caps

LTC eligibility capped at \$1M in home equity

Increased Eligibility Verification

More frequent eligibility verifications add administrative complexity and raise chances of coverage disruptions. In 2027, determination of Medicaid eligibility will be required every 6 months. Closer collaboration is required between Admission, business office and social services teams

Operational and Financial Impact

Changes require better revenue cycle management, documentation, and interdepartmental collaboration to avoid financial volatility.

STAFFING MANDATE DELAY AND WORKFORCE IMPLICATIONS

Staffing Mandate Delay

With prior staffing mandate, facilities were required to have a registered nurse physically on-site **24 hours a day, 7 days a week** in addition to requiring minimum staffing standards. This delay will unburden facilities of federal requirement and allow for staffing based on factors to include acuity and venue. Allows for continued use of qualified LPNs to staff nursing shifts. Facilities can opt to increase RN staffing at their discretion. Allows for flexibility in staffing models. State rules apply.

Overtime Tax Deduction

"No Tax on Overtime" provision is a temporary federal tax deduction for qualified overtime earnings, \$12,500 individual, \$25,000 married filings. Incentivizes existing staff to assist in filling of scheduling gaps without tax burden.

Persistent Workforce Challenges

Labor shortages, wage inflation, and turnover continue to challenge nursing homes despite delayed federal mandates.

Risk and Quality Implications

Value based programs require investment in skill set of staff to produce quality outcomes. Quality outcomes can translate to increased reimbursement via value based models.

Leadership Strategies

Senior living leaders must balance regulatory flexibility with retention, training, and culture to sustain quality.





FINANCIAL RISK PROFILE UNDER THE OBBBA

Impact of Medicaid Changes

Medicaid funding cuts and eligibility shifts increase revenue volatility and financial risk for senior living providers.

Rising Operating Costs

Elevated labor and operational costs compress margins, challenging long-term financial sustainability.

Financial Risk Management

Providers must adopt scenario planning, liquidity management, and disciplined capital allocation to navigate uncertainty.

Strategic Financial Planning

Evaluating balance sheet strength and prioritizing efficiency and revenue diversification ensures sustainable growth.

RESIDENT AND FAMILY IMPACTS



Policy Effects on Access

Reduced Medicaid funding and stricter eligibility may limit long-term care access for seniors.



Family Financial and Administrative Burden

Families face higher out-of-pocket costs and greater administrative complexity when managing coverage and placement decisions.



Importance of Transparency and Communication

Transparency data helps consumers navigate care variability and providers build trust through proactive communication. For providers, understanding and anticipating impact on residents and families is essential in maintaining trust, occupancy and referral relationships.



RISK MITIGATION THROUGH FINANCIAL STRATEGY

Scenario Planning and Stress Testing

Enhancing scenario planning allows modeling of reimbursement and census impacts under various policy outcomes. Stress tests identify vulnerabilities early and prioritize mitigation actions before financial pressure becomes acute.

Revenue Cycle and Eligibility Management

Improving revenue cycle management and eligibility verification reduces days in accounts receivable and offsets uncompensated care risks.

Diversifying Payer Mix

Expanding private-pay services and service lines lowers Medicaid reliance, enhancing revenue stability in senior living organizations.

Integration with Enterprise Risk Management

Aligning financial strategies with enterprise risk management ensures capital allocation matches risk appetite and strategic goals.

Specialized Services

Invest in higher acuity or specialized services with better reimbursement. Strengthen hospital relationship, facilities should look to be a solution for referrals.

OPERATIONAL RISK MANAGEMENT ACTIONS/STRATEGIES

Admission Process Improvement

Refining admission procedures ensures timely eligibility and clear financial communication for residents and families. Clarify payment responsibilities during potential payment coverage gaps.

Staff Training and Coordination

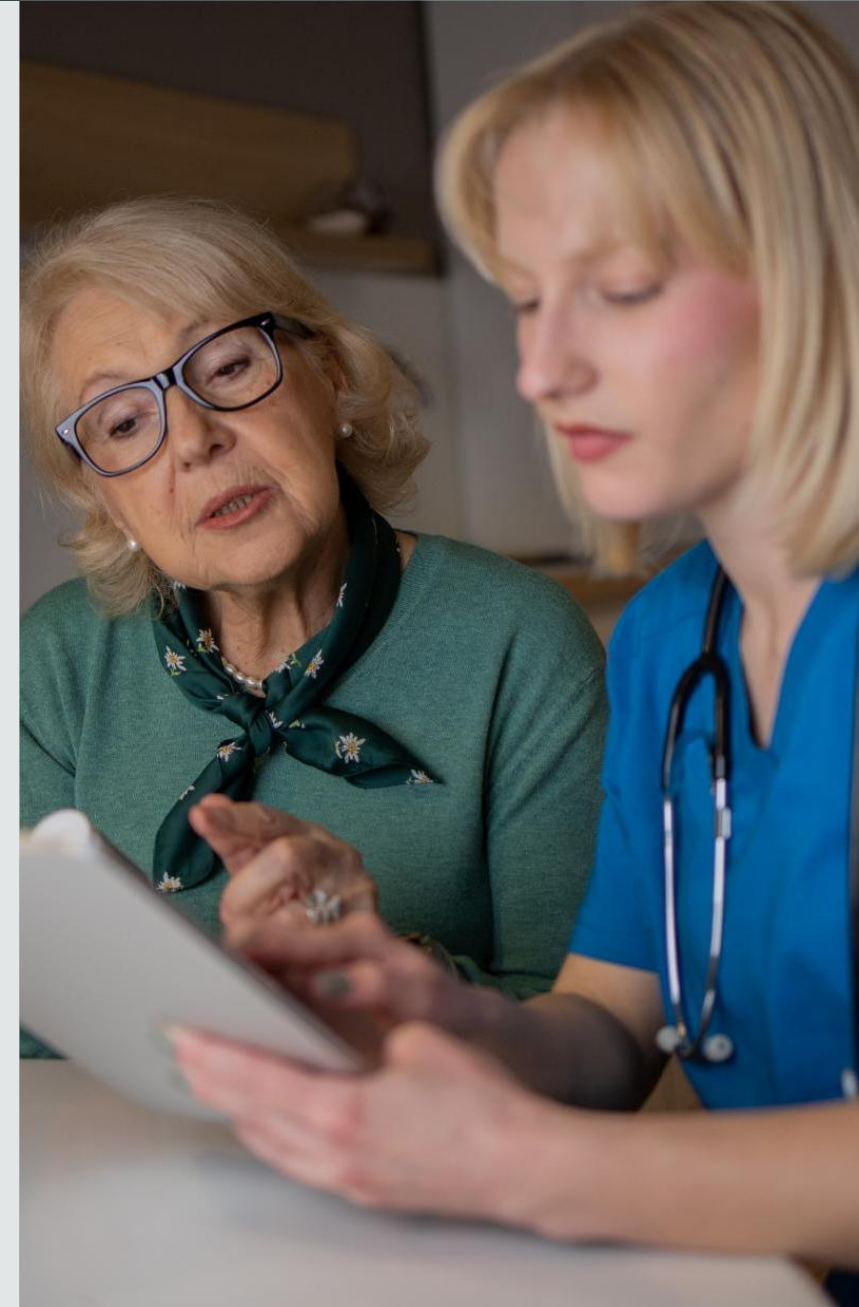
Investing in staff training and cross-functional teamwork reduces errors and enhances compliance. Interdisciplinary approach to ensure resident's eligibility is protected.

Care Delivery Optimization

Balancing staffing models with technology and workflow improvements supports quality care and caregiver efficiency. Invest in technology and compliance infrastructure to manage QMs, RTAs, labor, alternate payment models.

Risk Monitoring and Reporting

Strengthening incident reporting and quality monitoring mitigates clinical and liability risks effectively.





WORKFORCE STRATEGY AND HUMAN CAPITAL RISK

Human Capital Risk

Human capital remains a major risk factor in senior living, exacerbated by workforce shortages and retention issues.

Long-term Workforce Strategy

Focus on competitive compensation, career growth, and supportive environments to build a sustainable workforce.

Training and Engagement

Investing in training, leadership development, and employee engagement reduces turnover and improves care quality.

Regulatory Monitoring

Organizations must track varying state regulations to ensure staffing compliance and minimize operational risks.



RURAL HEALTH TRANSFORMATION PROGRAM

The **Rural Health Transformation Program (RHTP)** is a \$50 billion federal initiative established under the One Big Beautiful Bill Act and administered by the Centers for Medicare & Medicaid Services (CMS). It provides all 50 U.S. states with multi-year funding to modernize, sustain, and expand rural healthcare delivery.

States distribute RHTP funding to local hospitals, clinics and EMS for:

- Workforce recruitment and retaining of clinical professionals in rural areas
- Innovative care through value-based care, mobile health units and after hours clinics
- Upgrade rural infrastructure for technological modernization- telehealth, remote patient monitoring, AI health tools
- Preventative Health for chronic disease management and food as medicine programs.

Funds began flowing March 2026, averaging around \$200 million per state annually.



KEY QUESTIONS UNDERWRITERS SHOULD CONSIDER:

- What percentage of the facility's revenue comes from Medicaid?
- How has Medicaid reimbursement trended relative to actual cost of care?
- What is facility's plan if state Medicaid rates are reduced in response to federal funding restrictions?
- What are facilities internal protocols for Medicaid application upon admission?
- How quickly does the facility initiate Medicaid applications and what is the average lag time to approval?
- What is current facility process for redetermination application for existing Medicaid residents?
- Has the facility revised admission agreements to address payment responsibility?



KEY QUESTIONS UNDERWRITERS SHOULD CONSIDER:

- Current staff turn over and vacancy rates?
- Has facility experienced labor shortage due to immigration policy enforcement?
- Does the facility participate in value-based payment arrangements or supplemental funding pools? Strong VBP performance signals operational discipline and translates to better reimbursement multipliers.
- Does the facility have relationships with ACOs, I-SNPs, or hospital partners under episode-based payment models?
- What is facility's operating margin and how much of a Medicaid reimbursement reduction can it afford?
- What is facility's current survey rating and deficiency history?



OPPORTUNITIES FOR GROWTH AND DIFFERENTIATION

Quality and Transparency

Investing in quality, transparency and resident experience helps providers differentiate themselves in a data-driven senior living market.

Diversified Revenue Streams

Expanding private-pay services and wellness programs reduces Medicaid reliance and diversifies revenue.

Technology Adoption

Adopting analytics and care coordination technology enhances operational efficiency and data-driven decisions.

Innovation Through Risk Management

Aligning growth with risk management turns policy challenges into opportunities for competitive advantage.

By aligning growth initiatives with risk management principles, organizations can turn policy disruption into a catalyst for innovation and competitive advantage.



KEY TAKEAWAYS AND STRATEGIC OUTLOOK

Financial and Policy Impact

The bill creates sustained Medicaid funding pressure and increases uncompensated care risks for senior living providers.

Workforce and Labor Dynamics

Greater workforce flexibility is paired with ongoing labor risks requiring adaptive human capital strategies.

Transparency and Accountability

Increased transparency demands stronger governance and accountability in operations and compliance. Partnership with families enhanced.

Strategic Foresight and Resilience

Early investment in data capabilities and resilience positions organizations to manage risk and sustain quality care.

Ultimately, the OBBBA underscores the importance of strategic foresight in senior living, challenging leaders to adapt not only to regulatory change but to a fundamentally evolving risk landscape.

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