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OBBBA Impact on Health Care and Life Sciences

August 6, 2025



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Session CPE Requirements

- You need to attend 50 minutes to receive the full 1 CPE credit.
- There will be 4 polling questions throughout the presentation. You must respond to a minimum of 3 to receive the full 1 CPE credit.

****Both requirements must be met to receive CPE credit****



Learning Objectives

1

Explain major health policy changes related to Medicaid, the ACA marketplace, rural health transformation

2

Discuss why states and providers will face unique impacts due to these changes

3

Identify which Tax Cuts and Jobs Act (TCJA) items were extended or enhanced and how that could impact your tax planning

4

Recognize the law's changes to energy credits enacted under the Inflation Reduction Act



Agenda



OBBBA health care policies



OBBBA tax policies, energy credits



Tax planning, opportunities



One Big Beautiful Bill Act

Health care policies



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“One Big Beautiful Bill Act” Signed Into Law



U.S. House of Representatives vote

Passed on 5/22 by 215-214



Full U.S. Senate vote on revised bill

Passed on 7/1 by 51-50 (VP Vance breaks tie)



Bill returns to the U.S. House for another vote

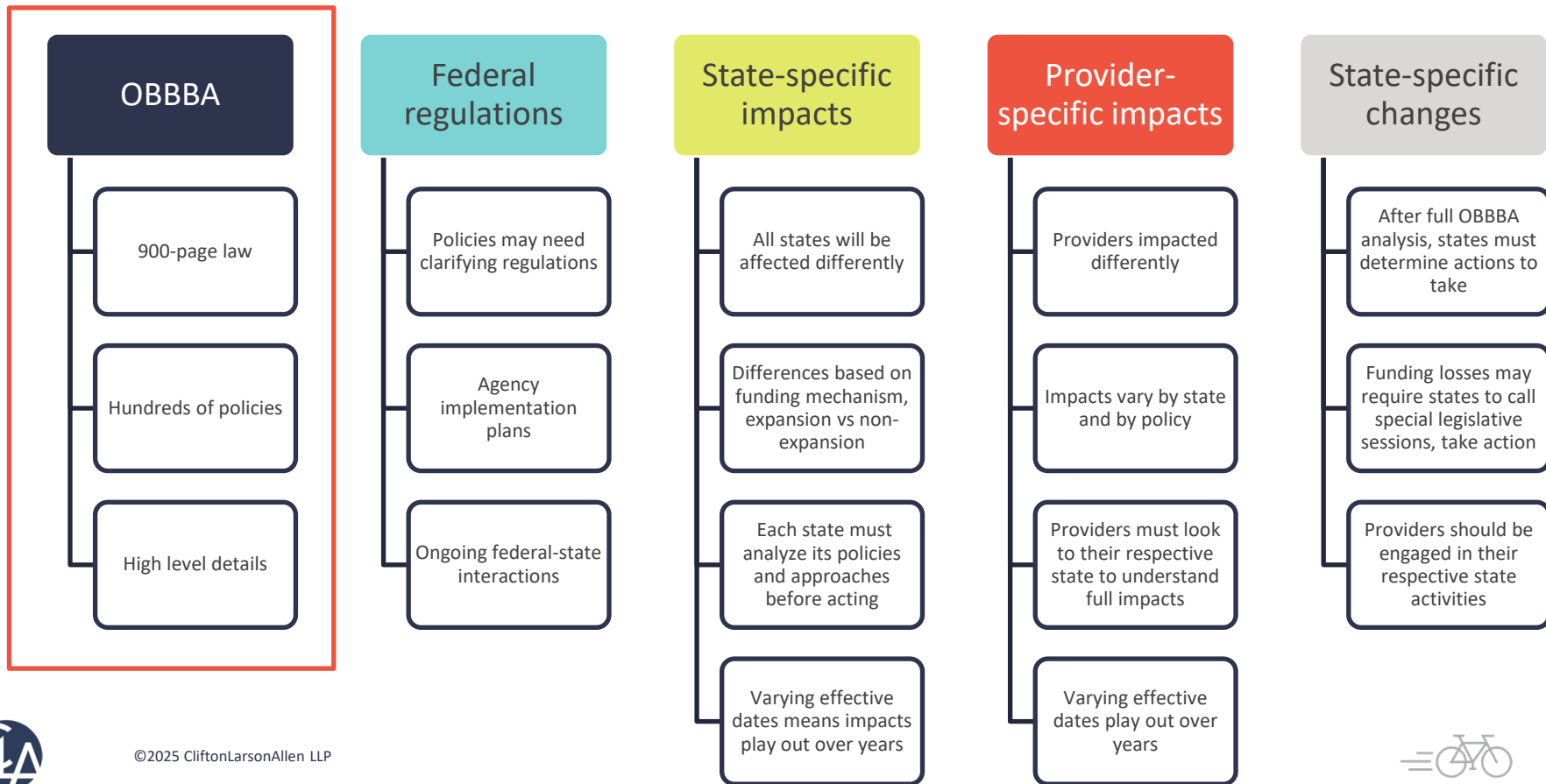
Passed on 7/3 by 218-214



President signs into law

Enacted into law on July 4, 2025

But Enactment Is Just First Step of Long Process



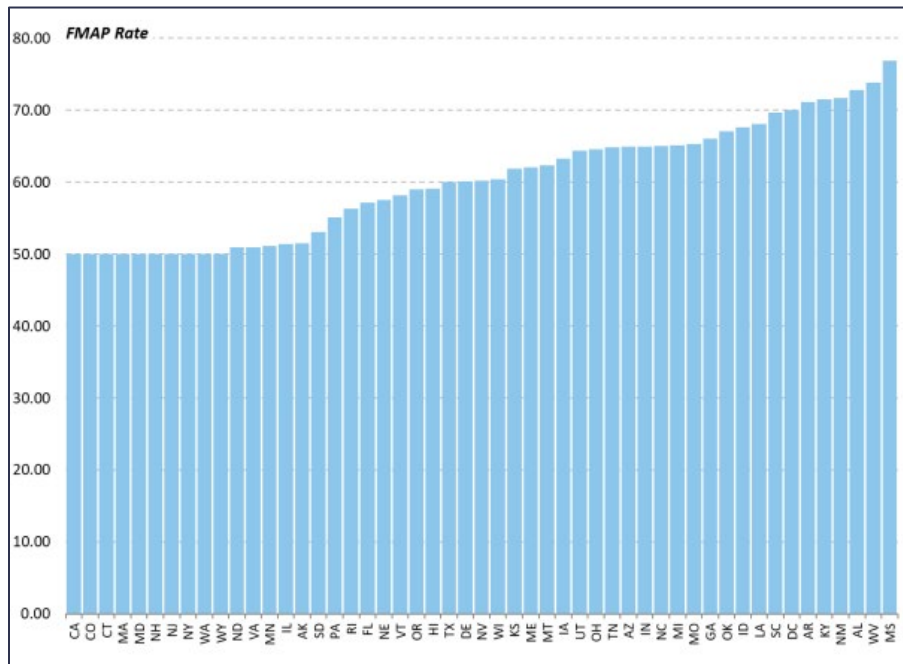


Medicaid Policies



Background Example on How Medicaid is Funded

Medicaid is a joint federal-state program so any impacts will vary by state. **All states receive a standard federal matching rate (called the FMAP) = cuts hurt state budgets (but by how much depends).** There are other FMAP rates as well.



[Medicaid's Federal Medical Assistance Percentage \(FMAP\) | Congress.gov | Library of Congress](#)

New York	Mississippi
FMAP = 50%	FMAP = 76.9
= For every \$1 NY puts in, the federal government matches with another \$1	= \$3.33 dollars federal matching dollars per every dollar MS puts in



OBBBA Law: Key Medicaid Policies

Provider taxes (CBO savings estimate = \$191B)*

- Bans new provider taxes
- Tighter provider tax methodology requirements
- Freezes provider taxes in non-expansion states
- Reduces provider tax rate (ie: safe harbor %) in expansion states from 6% to 3.5%
 - Reduction of 0.5% each year beginning 2028 through 2032
 - Exempts nursing homes, intermediate care facilities (i.e.: their %s would not phase down)

* [Estimated Budgetary Effects of Public Law 119-21, to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14, Relative to CBO's January 2025 Baseline | Congressional Budget Office](#)

OBBBA Law: Key Medicaid Policies

State directed payments (SDPs)

- Bans states from mandating Medicaid managed care companies pay providers more than 100% of Medicare
- Allows non-expansion states to pay up to 110% of Medicare rates
- Grandfathered SDPs rates reduced by 10% each year until rate equals either 100% Medicare or 110% Medicare, beginning 2028.
- CBO estimate on savings = \$150B*

* [Estimated Budgetary Effects of Public Law 119-21, to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14, Relative to CBO's January 2025 Baseline | Congressional Budget Office](#)



SDP + Provider Taxes + ACA Expansion

	ACA Expansion	ACA Non-Expansion												
State	All others	AL, FL, GA, KS, MS, SC, TN, TX, WI, WY												
OBBBA Provider Tax Policy Impact	<ul style="list-style-type: none">Beginning 2028, taxes begin to phase down by this schedule:<table><tr><th>Year</th><th>Percentage</th></tr><tr><td>2028</td><td>5.50%</td></tr><tr><td>2029</td><td>5.00%</td></tr><tr><td>2030</td><td>4.50%</td></tr><tr><td>2031</td><td>4.00%</td></tr><tr><td>2032</td><td>3.50%</td></tr></table>Nursing home, ICF exempted	Year	Percentage	2028	5.50%	2029	5.00%	2030	4.50%	2031	4.00%	2032	3.50%	<ul style="list-style-type: none">No New TaxesExisting Taxes Frozen
Year	Percentage													
2028	5.50%													
2029	5.00%													
2030	4.50%													
2031	4.00%													
2032	3.50%													
OBBBA State Directed Payment Policy Impact	<ul style="list-style-type: none">Phases down to 100% MedicareBegins 202810% reduction per year	<ul style="list-style-type: none">Phase down to 110% MedicareBegins 202810% reduction per year												

OBBBA Law: Additional Medicaid Policies

Work requirements for able-bodied adults

- Called “community engagement requirements”
- Effective Dec. 31, 2026

(CBO savings estimate = \$325B)

Mandated cost-sharing for expansion adults

- Up to \$35 cost sharing
- Services provided at FQHCs, RHCs, BHCs exempt

Heightened and more frequent eligibility/verification requirements

Shortened retroactive eligibility

- One-month retroactive eligibility for expansion enrollees
- Two months retroactive eligibility for traditional enrollees



OBBBA Law: Additional Medicaid Policies

Reduced FMAP for emergency Medicaid for individuals

- Applies to individuals who would otherwise be eligible for expansion coverage except for immigration status
- Emergency Medicaid FMAP rate is now set at the state's standard FMAP
- Effective Oct. 1, 2026

Home equity limits (LTC) Medicaid eligibility set at \$1 million

- Not indexed for inflation
- Not waivable
- Some state flexibility for homes on farmland
- Effective Jan. 1, 2028

New state home and community-based support waiver (1915 c)

- May now cover individuals who do not need institutional level care
- Effective July 1, 2028



Polling Question #1

Will all states be impacted the same by OBBBA's Medicaid policies?

- Yes
- No





ACA Marketplace Policies



OBBBA Law: General ACA Marketplace Changes



All premium tax credit recipients must repay full amount of any excess, no matter their income. Effective for taxable years beginning after Dec. 31, 2025



Pre-enrollment verification of eligibility for premium tax credit and cost-sharing reductions. Effective after taxable years beginning after Dec. 31, 2027



Prohibits tax credits, cost sharing for individuals who are not enrolled in Medicaid due to failure to meet community engagement requirements

OBBBA Law: ACA Marketplace Changes (Immigrants)

Restricts subsidized coverage to only certain types of lawfully present immigrants (green card holders, Cuban/Haitians, certain Pacific Islanders...)

Eliminates subsidized coverage for all lawfully present immigrants under 100% of Federal Poverty Level





Other Health Care Policies



OBBBA Law: Rural Health Transformation Fund

\$50 billion

- \$10 billion per year
- 2026-2030
 - 50% of funds go to states equally
 - 50% determined by HHS (ex: based on specific rural metrics)

Application

- Funds distributed to states
- States submit 1 application for all five years
- HHS must approve applications by Dec. 31, 2025

States

- Funds must be used by the end of the next fiscal year after receipt
- Funds must be used for specific purposes

Usage

- Chronic disease management
- Health care provider payments
- Technology solutions
- Training/technical assistance (technology)
- Technical assistance, software, hardware for significant IT advances
- Access to opioid use, substance use, mental health services, treatments
- Value-based care models
- Others



OBBBA Law: Other Health Care Policies



Physician reimbursements under Medicare increased 2.5% in 2026



Tax-exempt entity exec comp excise tax

Tax-exempt nonprofits with employees receiving compensation in excess of \$1 million face a 21% excise tax



Mandatory nursing home staffing rule prohibited for 10 years Effective immediately through October 1, 2034

Polling Question #2

Which of the OBBBA policies is of most interest to you?

- Medicaid provider tax, state directed payment changes
- Rural health transformation fund
- Tax policy changes
- Other





What's Next?



Preliminary Questions For States and Providers



Does my state use Medicaid provider taxes?

Which classes of health care providers are taxed?
What is the taxation level?
What is the methodology used?



Does my state use Medicaid state directed payments?



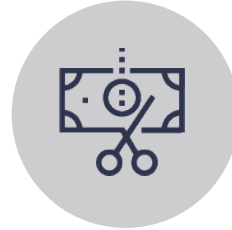
Is my state an ACA “expansion state” or not?

Depending on the answers to these and other questions, states will have to contend with the potential for state Medicaid budget shortfalls.

States Options to Address Funding Cuts?



Cutting Medicaid eligibility levels.



Cutting provider reimbursements. This means cuts to hospitals, nursing homes and others.



Increasing state taxes.



Cutting state spending on other programs to backfill Medicaid.

or any combination of the above

A Few Final Thoughts

Estimates of \$1.1 trillion in total health care cuts

Many, many moving and interrelated parts

Impacts will vary by policy, by year, by state

Policies all have varying effective dates

Each state will need to assess impact, develop plans to address shortfalls and enact policy changes

New rural transformation funds could assist some locations

Advocacy at both the state and federal level will be ongoing

There are many individual/business tax opportunities





One Big Beautiful Bill Act

Tax, energy policies and planning opportunities





Key Tax Law Changes: Individuals



Key Individual Provisions

Tax rates

Lower brackets
permanent and
inflation adjustment
on lower brackets



Personal exemptions

Permanently
repealed



Child Tax Credit

\$2,200 permanent
increase



Other Individual Provisions

Standard deduction

made permanent at the higher amounts



Overall itemized deduction limitation

a 35% deduction for those individuals in the 37% top tax bracket (starts 2026)



Miscellaneous Deductions

Permanently suspended



State and Local Tax Limit

\$40,000 SALT cap (<\$500k AGI) (2025- 2029)



Seniors

\$6,000 deduction for seniors 65 and older (2025 - 2028)



Charitable Deduction Provisions

Creates a new deduction for those that do not itemize - \$1,000 single and \$2,000 married filing joint

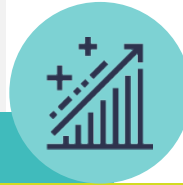
New .5% floor on charitable deductions



Financial Planning Provisions

Permanently increased and
indexed for inflation

Estate and Gift Exemption



Trump Accounts

- Established for children under 18
- \$1,000 deposited for children born 1/1/25 - 12/31/2028



Polling Question #3

I would like someone from CLA to contact me to discuss these services:

- Opportunity modeling to analyze the impact of tax changes
- Other concerns related to the new legislation
- Strategic planning
- Reimbursement consulting
- I'm already in touch with my CLA advisor
- Nothing at this time





Key Tax Law Changes: Business



Compensation and Benefits Provisions

New deductions allowed for
qualifying tips and overtime
payments

Tips and Overtime



1099 Reporting Threshold

Increased to \$2,000





Research and Development Expensing

Sec. 174 R&D Expensing

- Full expensing restored for domestic R&D
- Two options to unwind prior year capitalized expenses
 - Amended return for small businesses
 - Deduct in 2025 (or ratably over 2025 and 2026)



Bonus Depreciation

- Permanently extends 100% expensing – property acquired and placed in service after 1/19/2025
- Qualified Production Property – new 100% expensing for qualified production non-residential real property
- Section 179 expensing increased to \$2.5 million after 12/31/2024



Clean Energy Tax Credits

- Early termination and accelerated phaseouts for some credits
- Introduces complex restrictions around “foreign entities of concern”
- Generally, no direct changes to transferability or direct pay





Other Energy Provisions

Energy Efficient
Commercial Buildings
Deduction (Sec. 179D)

Repealed for projects that
begin construction after
6/30/2026

New Energy Efficient
Home Credit (Sec. 45L)

Repealed for homes
acquired after 6/30/2026

Cost Recovery for Clean
Energy Property

Terminates special 5-yr
recovery period that applies to
certain energy credit property



Polling Question #4

How optimistic are you on the current economic conditions and the impact to your organization?

- 5 = Very confident
- 4 = Confident
- 3 = Neutral
- 2 = Somewhat confident
- 1 = Not at all confident



Business Interest Deductions



163(j) Interest Limitation



Reinstates and makes
permanent EBITDA
limitation and capitalized
interest subject to 163(j)



Qualified Business Income Deduction

- Permanently set at 20% and phase out range increases





Other Business Provisions

Section 1202

Enhanced benefits, expanded eligibility, and tiered exclusion



Corporate charitable contributions

New 1% floor on contributions





Excess Compensation Tax

Expanded definition
of covered employee to
expand excise tax base



Endowments Excise Tax

New 3-tier tax rate on
higher ed endowments
and new tax law changes

Exempt Organization Provisions



Summary of Planning Items

1. Proactive management of itemized deductions
2. Analyze impacts of tax changes to business deductions
3. Look at impact of expanded bonus depreciation
4. Manage business interest deductions
5. Examine research and development costs
6. Evaluate cost segregation scenarios
7. Plan ahead for clean energy credit changes
8. Exempt entities: Prepare for changes



Questions? Reach out.

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