

Legislative Priority

South Carolina Hospitals & the One Big Beautiful Bill



SCHA Position:

The "One Big Beautiful Bill Act" (OBBA) enacts sweeping changes to the federal budget, especially in rural areas. While South Carolina's status as a non-Medicaid expansion state shields it from many disruptive provisions, the bill presents significant challenges for hospitals due to statutory caps and phased reductions on Medicaid State Directed Payments (SDPs). Beginning in 2028, SDPs will be reduced by 10% annually until they reach 110% of Medicare rates.

Direct Financial Loss:

- **Affected SC Programs:** All three of South Carolina's SDPs: Emergency Medical Transport, Supplemental Teaching Payment, and the Health Access, Workforce, and Quality (HAWQ) programs, the last of which is a major source of Medicaid payments to hospitals.
- **Phase-Down Costs:** 10% annual reductions starting in 2028, a decrease of roughly **\$258 million each year** in hospital payments.
- **Final Impact:** An annual loss of **\$1.8 billion to hospitals** in Medicaid payments when fully implemented.

“
SC Hospitals will face a budget cliff in 2028 when the OBBBA is fully implemented.”

-Thornton Kirby, FACHE, SCHA President & CEO



Effects on Access to Care:

South Carolina hospitals will face a "budget cliff" in 2028. Without the ability to leverage provider taxes, changes to this new federal law, or direct assistance from the SC General Assembly, hospitals will be forced to make difficult decisions and deep cuts to services to mitigate the impact of these cuts on patients. If the latter impact happens:

- **Disparate Impact on Rural "Safety Net" Grid:** South Carolina's rural hospitals operate on razor-thin margins, so these cuts will put tremendous financial stress on these institutions. If a rural hospital closes, EMS will be forced to travel much further distances for time-sensitive care. Rural EMS agencies—many of which are volunteer-based or underfunded—will also face increased fuel and maintenance costs due to longer transport distances.
- **The "Hidden Tax" on Private Employers:** As uncompensated care increases, hospitals will inevitably look for higher reimbursement rates from private insurers. This effectively functions as a hidden tax on South Carolina businesses.
- **Reduced Mental Health & Addiction Services & Workforce:** Medicaid is the primary payer for behavioral health services, so cuts to the program will require reductions in services that will exacerbate existing gaps in care while increasing the prevalence of "boarding" psychiatric patients in Emergency Departments for extended stays. This reduces overall ER capacity and creates a dangerous environment for both staff and patients.
- **Obstetric Deserts and Maternal Mortality:** The OBBBA's pressure on Medicaid reimbursement disproportionately hurts obstetrics, which has high liability and low margins. Expect a rapid expansion of "maternity deserts" where no OB-GYN services exist within a 50-mile radius.
- **Rural Economic Stagnation:** In many rural SC counties, the local hospital is the largest or second-largest employer. The loss of a hospital in these areas can lead to an economic death spiral. The immediate loss of jobs drains the local tax base. Industrial recruitment becomes nearly impossible, as companies do not build plants in counties without access to emergency healthcare.