HCA expects $1 billion hit from loss of ACA tax credits, Medicaid changes

Hospital chain's stock advanced as overall outlook was better than expected

By Tara Bannow – STAT News
Jan. 27, 2026
Hospitals and Insurance Reporter

The country's biggest hospital chain outlined Tuesday what could be a more than $1 billion hit to profit this year from the expiration of federal tax credits and changes to Medicaid payment programs.

For many other companies, it'd be a catastrophic proposition. For HCA Healthcare, it's a speed bump. The company's stock was up about 8% midday, and analysts remarked that its outlook was better than expected. It just goes to show how much a system of 190 hospitals with over $75 billion in annual revenue can withstand.

On the company's earnings call for the fourth quarter of 2025, CEO Sam Hazen outlined this year's challenges. They include a reduction of between $600 million and $900 million to the company's earnings before income, taxes, and depreciation, a form of profit known as EBITDA, from the expiration of the Affordable Care Act's enhanced premium tax credits. It's a lot of money, but a small chunk of the up to $16.5 billion in EBITDA that HCA expects to generate this year.

Republicans have repeatedly shot down Democrats' efforts to extend those credits, which expired at the end of 2025, and the odds of that happening now appear slim. Over 24 million Americans had ACA plans last year, and hospitals had previously expressed confidence that the credits would be extended. HCA had lobbied hard for an extension; the company's controller called them "roughly our second-best payer" at an investor conference.

In 2025, people with ACA coverage represented about 10% of HCA's total revenue of $75.6 billion and 8% of its total admissions. Those patients won't go away entirely, but HCA expects it'll see roughly 20% fewer visits from them in 2026. Of those who lose ACA coverage, HCA thinks up to 20% will migrate to employer coverage, and the rest will become uninsured.

That said, there are a lot of variables within that. It's unclear exactly how many people will lose exchange coverage, and what form of coverage they'll end up replacing it with. It's also unclear when exactly they would lose coverage or gain different coverage, and when the impacts to HCA would begin to show up.

HCA also relies heavily on Medicaid supplemental payment programs, money the federal government funnels to states to help compensate providers who treat Medicaid patients. States have been racing to get new programs approved before cuts from the One Big Beautiful Bill Act take effect in 2028, including in some of HCA's biggest states. For example, Texas is receiving $16.4 billion in extra Medicaid funds this year, including a $9.1 billion allotment for hospitals.

The Centers for Medicare and Medicaid Services is also considering applications for new Medicaid supplemental payment programs in Florida and Georgia, two states where HCA has many hospitals.

Even though the programs are generally beneficial for HCA financially, the company expects to earn $250 million to $450 million less in EBITDA on them in 2026 relative to last year because of specific changes happening in some of its key states. Tennessee's program is shrinking the number of quarters in which hospitals can benefit and Texas is pausing payments under a program called Aligning Technology by Linking Interoperable Systems, or ATLIS, while it undergoes a review. HCA also received a retroactive payment from Virginia in the fourth quarter of 2025.

To help offset some of the headwinds coming this year, HCA unveiled a suite of "resiliency initiatives" the company expects will save $400 million this year. The plan includes cutting hospital operating costs through better managing patient throughput and reducing length of stay, since longer stays tend to be less profitable for hospitals. HCA also aims to cut down on labor costs, such as by relying less on contract labor. The plan includes using artificial intelligence to automate certain functions.

“This is not a one-time event, it’s a cultural dynamic in our company around being cost-effective, being high quality, and finding ways to improve from a process standpoint and a leverage standpoint with our overall scale,” Hazen said.

The large nonprofit hospital systems that spoke at the J.P. Morgan Healthcare Conference earlier this month touted similar themes of consistency and stability as they, too, stare down challenges like the expired tax credits and cuts to Medicaid payments, especially once Medicaid work requirements take effect next year.