Trump’s health care affordability czar touts Medicaid cuts to hospital leaders

Hospitals say they’ll struggle to handle GOP law’s $510 billion cut to state-directed payments

Casey Mulligan, the Department of Health and Human Services' chief economist and chief regulatory officer *Photo illustration: STAT; Photo: HHS*

By Tara Bannow – STAT News
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NATIONAL HARBOR, Md. — Hospital finance leaders rolled out the red carpet for the Trump administration's new health care affordability czar at an industry conference on Monday. He promptly took the main stage to champion Medicaid cuts that threaten their bottom lines.

Casey Mulligan, appointed by Robert F. Kennedy Jr. as the Department of Health and Human Services' chief economist and chief regulatory officer in April, spent most of his speech at the Healthcare Financial Management Association's conference praising the One Big Beautiful Bill Act's cuts to state-directed payments, which the government projects could save $510 billion over 10 years.

State-directed payments work by first taxing Medicaid providers like hospitals and nursing homes, using that money to obtain federal Medicaid match dollars, and then redistributing the money to providers, often giving them more than they paid in taxes. Since 2024, some providers have gotten reimbursed at much higher commercial rates. The One Big Beautiful Bill Act will gradually trim those payments beginning in 2028 until they're close to or on par with Medicare rates. Mulligan said that under the current model, "providers come out ahead" at the expense of taxpayers.

"The state can say it increased Medicaid spending without relying on its general fund, but the federal taxpayers are pulled on the dance floor without being asked," he said.

Meanwhile, in interviews and during other sessions of the conference, hospital leaders talked about how they'll struggle to weather the cuts. "It's basically our bottom line," said Melinda Hancock, chief financial officer of Sentara Health, a 12-hospital system based in Norfolk, Va.

Mulligan is one of many Trump administration leaders who have fanned out across industry conferences to push the administration's agenda. While Mulligan's speech on Monday was met with applause, a senior

adviser at the National Institutes of Health had a dicier time at the American Diabetes Association conference on Friday.

Mehmet Oz, Trump's Medicare and Medicaid administrator, similarly described state-directed payments as "legalized money laundering" at a panel discussion in front of hospital and health insurance leaders during at the J.P. Morgan Healthcare Conference in January. Oz is speaking at HFMA on Tuesday.

In Mulligan's view, cutting state-directed payments squares with the main theme of HFMA's conference: affordability. He said that "Medicaid financing gimmicks" drive up commercial prices, employer premiums, marketplace premiums, wages, and Medicare spending.

"The small business renewing its health plan or the worker paying family premiums and the taxpayer funding federal subsidies all end up paying for a financing dance they never joined," Mulligan said.

Mulligan is a Trump loyalist who served as chief economist of the Council of Economic Advisers during Trump's first term. After Trump left office following his first term, Mulligan published a book that detailed the economic growth and prosperity that resulted from his policies.

Mulligan co-wrote a recent report that projected that Medicaid work requirements would increase employment and reduce poverty. In 2014, he predicted that the Affordable Care Act would reduce weekly employment per person by 3% on average because it penalizes potential employees for not buying health insurers and employers for not providing it.

Hancock, the Sentara executive, said the system recently used its funds to replace a rural hospital last year, for example, and it's doing the same this year, Hancock said. "It's not going to frivolous items."

When payments from Medicare and Medicaid don't fully cover the costs of caring for patients covered by those government plans, Hancock said she has to seek out extra funds from programs like state-directed payments.

“We’re not the bad guys here,” Hancock said. “We’re not making double digital margins. We’re trying to make, as nonprofits, enough money to reinvest in our systems and our people.”

Gordon Edwards, the chief financial officer of Akron Children’s, a northeast Ohio children’s hospital with $1.7 billion in annual revenue, said during a Monday session that managing the cuts from the One Big Beautiful Bill Act, especially those to state-directed payments, will be his organization’s biggest challenge in the next five years. He said over half of his hospital’s patients rely on Medicaid.

Edwards said the Trump administration’s plan for implementing the law’s cuts to state-directed payments makes their magnitude even greater because they take flexibility from states that formerly allowed them to manage the unique circumstances of their providers. For example, the law directs reimbursement for services to be on par with what Medicare pays, but that’s complicated for children’s hospitals because few children are on Medicare, he said.

Just before Congress passed the tax law in July, Ohio’s legislature expanded its supplemental Medicaid payment program for providers. “So the first thing our organization faced is what I’m going to call a sugar high,” Edwards said. “We’re going to see a significant increase in funding only for that funding to then go away and actually be lower than it was before that period of time.”