How Trump's cuts are reshaping America's health system

With Medicaid under threat, hospitals begin to remake how they care for patients

By Daniel Payne – STAT News
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Payne visited health systems in Louisiana and Maine and interviewed dozens of executives, doctors, and policymakers for STAT's Unraveled series, which explores the consequences of President Trump's unprecedented cuts to the health care safety net.

BANGOR, Maine — Last year, Republicans set American health care on a new path: They slashed $1 trillion from expected Medicaid funding over the next decade and allowed tens of billions of dollars in annual insurance subsidies to expire.

The full impacts of those changes won't be felt for years, but many parts of the health care system are already racing to prepare. The scramble is most intense where the cuts are projected to land the hardest: rural states. In dozens of interviews from Louisiana to Maine to Washington, D.C., providers laid out the changes, and difficult choices, they're making.

Maine, for example, has the nation's highest proportion of its population living in rural areas and an above-average share of Medicare and Medicaid beneficiaries. The federal government's planned retreat in health care has state leaders on edge — and planning a barrage of changes to how they deliver care and how they make money from it.

“We will look different moving forward,” said Lisa Harvey-McPherson, vice president of government relations at Northern Light Health, one of Maine’s large health systems. “Some services that we provide today will either look different or won’t be offered.”

Northern Light leaders have a long list of plans and contingencies. They’re working to move care away from their highest-cost facilities out to smaller facilities or even telehealth, where appropriate. They’re building up staffing and systems to help patients navigate new paperwork to get and keep Medicaid coverage. And they’re trying to plot the savings they’ll need to counter the expected increase in uncompensated care and the increased demand they’ll face as other health systems pull back or go under. They’re considering consolidations or closures that may be needed to achieve those savings.

Across the state, other systems are similarly looking to remake their models, Harvey-McPherson said.

“You’ll see this pattern of service closures,” she said of the state’s health providers. “We have a pretty fragile, unstable base upon which all of this negative activity will occur.”

Financial headwinds are nothing new for health systems that treat many rural, low-income, or elderly patients, and health systems like Northern Light have long been working to improve their financial outlook. (“There are so many headwinds that we’ve had to overcome, it’s hard to distinguish one from the other,” said Randy Clark, senior vice president of Northern Light Health who leads three hospitals in the system.)

Maine offers a window into what could be ahead for a health system increasingly squeezed by cost, revenue, and demand. The state has the oldest average population, with a high proportion of rural and government-covered patients, a particular concern for lawmakers considering the impact of the policy. Trampas Hutches, president of the Mountain Region for the system MaineHealth, said the state is a “canary in the coal mine” for the country: “The things that we’re experiencing today are the things that people will be experiencing soon behind us.”

In Maine, and across the U.S., hospitals and health systems are pursuing a number of strategies. Some are working to entice larger systems to buy

them, hoping to fortify their finances. Some are accelerating their adoption of artificial intelligence, betting big on the promises of added efficiencies. Most are taking a multifaceted approach, which may include relying more on philanthropy, squeezing more money out of employer-sponsored insurance plans or drugmakers, cutting services that aren't billable, fighting for the money in the new Rural Health Transformation Fund, or boosting lobbying efforts to roll back the law that cut funding in the first place.

More extreme measures are also on the table. Cutting services and closing facilities is a possibility for many systems — and some have already begun to do so.

"The outlook is not good. We think the outlook is going to get worse if Congress doesn't reverse cuts to Medicaid," said James Jarvis, president of the Maine Medical Association. "How do we take care of a population if we don't have the resources needed to do that?"

Patients may react to a swiftly changing health care landscape where there is less funding for insurance and fewer options for getting care — and Republicans worry that reaction will show up in the form of votes in the November elections. Unaffordable health care, which Democrats have tied to GOP-led cuts, has become a central issue in races nationwide.

That's also true in Maine, where a closely watched U.S. Senate race between incumbent Republican Susan Collins and former state Senate President Troy Jackson, a Democrat, is heating up. Collins has tried to bat down repeated attacks on health care, arguing she is a "Medicaid Champion." (Collins did not vote for the law that cut Medicaid programs.)

But Democrats see an opening.

"There's an energy like I've never seen of people that are frustrated; they're fed up. They want a government that works for them. And, cutting Medicaid, we've lost birthing centers in Fort Kent, we've lost birthing centers in Houlton, out on Mount Desert Island, and right now, Lincoln County," Jackson said in a statement. "And it's only getting worse."

Hospitals face a financial challenge

The Medicaid cuts could mean about a 1% drop in annual revenue for Maine hospitals, according to a report from center-left think tank Third Way, based on nonpartisan federal data. That could tip several facilities in the state — many of which operate at margins less than 1% — into a loss, or make an existing negative margin even more dire. In that way, Maine is not out of the ordinary: Many states expect a larger share of their revenues to be lost to the cuts.

Every health care leader in Maine who spoke with STAT said they expected the state to end up with fewer hospital services once the cuts are fully enacted. Reductions in hospital services are already having an impact, Norman Dinerman, the medical director of LifeFlight of Maine, said. He recalled one instance in which a newborn died because the mother went into labor too far from the medical care she needed. In another instance, earlier this year, a baby was delivered with a prolapsed umbilical cord, with her doctor having to hold it in position to keep the blood flowing through the ambulance ride. The baby ultimately survived.

“These are not all too uncommon situations,” Dinerman said.

LifeFlight of Maine’s staff and Maine National Guard personnel have expanded their relationship, the groups announced earlier this year. Personnel from both organizations train together, sharing techniques to care for patients with serious injuries in resource-limited environments.

“We’re going to need to do more of those in rural America,” said Tom Judge, the founding executive director of the organization. “It’s, in some ways, going to be more like a battlefield.”

The underlying causes of that reality cut across state lines. Nationwide, some 7.6 million Americans are expected to lose coverage because of the Medicaid reforms.

Ordinarily, providers might steer patients who are no longer eligible for Medicaid to individual marketplace plans. But as the cuts are set to take place, lawmakers also failed to renew enhanced subsidies for coverage,

raising the cost of insurance for individuals. So far, about 3 million Americans have dropped coverage since the subsidies expired.

The impact is twofold. Patients avoided needed care because of the cost, only to show up in emergency rooms when they become seriously ill. Clinicians are left to provide this intensive care, without getting paid.

Republicans who passed the cuts have defended them on multiple fronts: suggesting some of the ways the Medicaid program has been funded are "scams," that the savings are needed to make the program sustainable, and that the reductions in funding don't really constitute "cuts" — just that annual increases in spending will be smaller than previously projected.

But already, uncompensated care is on the rise, health system leaders told STAT, and in some cases, payments through Medicaid have dropped.

Hospitals look for a lifeline

Many health systems, seeing little hope for surviving the coming cuts alone, are seeking other systems to buy them and offer some new financial stability.

Some have already done it. In Bogalusa, La., the local hospital — with the help of its larger system — will remain: "Regardless of the uncertainty, we're going to be here," said Brian Galofaro, the chief medical officer at Our Lady of the Angels Hospital.

His hospital is part of the Catholic system FMOL Health, which helps the remote hospital maintain robust service lines and pays millions of dollars for services offered to the larger system, according to tax filings.

But even relatively large, stable systems will feel the impacts of the cuts. "We're going to get very creative," Galofaro said.

Some of those creative approaches for systems range from complex pharmaceutical reimbursement calculations to new efforts to keep patients insured.

The drug discount program 340B, which requires drug manufacturers to provide their drugs at a discount to providers, has become an important revenue source for some health systems. ("Thank God for 340B," Galofaro said.)

The drug program can prove to be lucrative for some systems. A recent analysis found that in the case of one drug, the cancer treatment Keytruda, 340B hospitals marked the price up an average of 173%.

But some health systems say the program is necessary.

Lori Dwyer, president and CEO of the Bangor-based Penobscot Community Health Center, said her system also relies on 340B, which accounts for some 10% of its revenue.

That income, too, may be at risk, with lawmakers in Washington urging reforms and pharmaceutical companies complaining that the discounts are going to hospitals, not patients.

Dwyer, like other providers, has a host of other new strategies to prepare for the cuts. She said the work requirements and other Medicaid changes have pushed her system to "completely revamp" how they encourage patients, including the uninsured, to get preventive care, and how they help people get health coverage or help in affording care. Many health systems nationwide are doing the same.

And the system has created a related foundation to boost charitable giving. "That's one way to take charge of your destiny," she said.

MDI Health, headquartered on the coast of Maine near Acadia National Park, has found real success with that model. In recent years, the system has boosted what would have been a negative operating margin to a margin well above the sector average: sometimes 10% or more in the black because of gifts and grants, which can total more than $10 million per year, according to the system's tax filings.

The funding has allowed the system to make investments that can drive further revenue growth, such as buying new imaging equipment. Oka Hutchins, who was previously in a communications role, began working

on philanthropy efforts full time. The changes across the system to boost charitable income have doubled annual fundraising, she said.

“We would be smoked without it,” Philip Pizzola, the system’s director of medical imaging, said. “We would not have a chance without the donors.”

Those donors include wealthy seasonal residents of the tourism hub, which make up an unusually robust philanthropy pool.

The move to philanthropy, though, could leave behind providers in lower-income areas — already more dependent on Medicaid.

Systems leaders have found other ways to sidestep the traditional reimbursement models that seem increasingly unstable. Cuts to SNAP and Affordable Care Act subsidies, as well as growing financial pressure on patients, created new needs in the community, leading MDI Health to expand its food pantry program.

Late in 2025, providers raised concerns that their patients without insurance were unable to pay for a mammogram — which costs more than $1,000 for self-pay patients. The system won a Maine Cancer Foundation grant to cover the cancer screenings for those patients for two years.

Hutchins once went to restaurants and bars to help people sign up for coverage through the ACA marketplace. Now, as the cost climbs, she worries about the people she steered toward coverage.

“What are they doing now?” she said. “Because that coverage isn’t there for them as much as it was.”

Maine has at least one advantage over other states in the shifting Medicaid rules: its provider tax was already below a new limit, which will cost some other states hundreds of millions of dollars.

Despite the possibility that other states will be worse off, Maine providers — even those with relatively optimistic financial outlooks — are scared of what’s ahead.

“I’ve never seen us more concerned about sustainability,” said Chrissi Maguire, MDI Health’s president and CEO. “It’s the most fragile I’ve ever seen it.”

Even as it’s raised money from donors to improve its finances, MDI Health has cut back as well. The system closed its inpatient labor and delivery services in July. Providing that care can be costly, and it’s often considered a financial loser for health systems, though MDI’s leaders attributed the closure to low utilization.

But they place the system among the nearly half of emergency service hospitals in Maine that lack inpatient obstetric services.

Instead, MDI offers OB care up until delivery, which is now often performed at Northern Light Eastern Maine Medical Center, more than an hour west.

The retreat of hospital systems — even those in relatively good shape — has put pressure on emergency services to fill in the gaps.

In a state with so many remote enclaves, many of those patients are likely to wind up in the care of LifeFlight of Maine, a nonprofit critical care transport organization with helicopters, a plane, and ambulances.

“The capabilities in the little hospitals just keep declining,” Judge, the founding executive director, said. “Demand is going to keep going up.”

The group will be responsible for offering more care — and more kinds of it — as hospitals go under, Judge said. Sepsis, cardiac, obstetrics, and stroke care, for instance, will increasingly be up to them.

But they, too, are feeling the impacts — and sooner than expected, said Joe Kellner, CEO of LifeFlight of Maine. Medicaid reimbursement has begun to tilt downward, and self-pay patients are on the rise. That’s on top of the rising fuel costs and tariffs on Italian helicopter parts that have made aircraft more costly to operate, as well as rising labor costs.

“It’s really hurt our cash position this year,” Kellner said, though adding that the organization was committed to serving patients despite the headwinds.

But that will mean changes at every level of the health system, from helicopter to hospital, he said: “We’re not going to be able to do things the way they’re done today.”