Key Points: Senate Budget Reconciliation Bill

Congressional budget reconciliation provisions threaten kids' access to health care.

June 20, 2025

Medicaid state-directed payments (SDPs) are a critical funding source for the care children's hospitals provide to all children.

- Children's hospitals represent less than 5% of the nation's hospitals and account for nearly half of states' hospital days for Medicaid-enrolled children, while base payments cover less than 70% of children's hospitals' costs of providing care on average.
- SDPs are a significant source of funding for these hospitals, making up 37% of total Medicaid funding and 14% of overall operating resources.

The cuts in the current Senate reconciliation bill will have a devasting impact on children's hospitals' ability to access payment levels to sustain and promote access to care for children and their families in the Medicaid program.

- Because existing SDPs will be capped at Medicare levels over time, children's hospitals in states with existing SDP arrangements will receive 42% (or $2.8 billion) less in SDP funding relative to current state at year 10.
- In states pursuing a new SDP arrangement after enactment of the legislation and subject to new Medicare limits on these payments, children's hospitals would receive SDPs that are 57% below total Medicaid reimbursement (base payments and SDP) levels in place today. Current state directed payment limits allow for a consideration of populations not covered by Medicare, including children and pregnant women.
- Under the new provider tax provisions, children's hospitals surveyed would pay $5.8 billion less in provider taxes over 10 years but this would in turn eliminate $14.5 billion in Medicaid funding that would otherwise be available in these states under current regulations.

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