MICHIGAN ASSOCIATION OF CHIROPRACTORS

Overview of One Big Beautiful Bill Act and How It Could Affect Michigan Chiropractic Patients and Providers

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Introduction

On Friday, July 4, 2025, President Trump signed into law H.R. 1, the One Big Beautiful Bill Act (OBBBA). The bill contains numerous provisions pertaining to such health care systems as Medicaid (traditional and expanded), the Affordable Care Act, and Medicare. These changes are likely to have huge implications for our state, from the overall Michigan budget to the Medicare and Healthy Michigan systems, all the way down to individual independent health care practices such as chiropractic offices. The final report from the Congressional Budget Office (CBO) (from July 21, 2025) estimates that the Medicaid, CHIP, Affordable Care Act marketplace, and Medicare provisions in the OBBBA could increase the number of uninsured nationally by approximately 10 million by 2034, relative to current law.

The OBBBA also contains small business and other tax provisions that could potentially affect chiropractic practices.

The MAC Government Relations, Legal Affairs, and Insurance Relations teams continue to evaluate the health care and other provisions of the One Big Beautiful Bill Act and how they could affect chiropractic patients and the chiropractors who provide their care.

Medicaid

Medicaid is jointly funded by state and federal governments. In Michigan, the federal government provides approximately 65% of Medicaid funding, with the remaining 35% covered by the state through a combination of state appropriations, provider taxes, and local revenue. Michigan's Medicaid expansion program, Healthy Michigan, qualifies for 90% federal funding.

MDHHS estimates that for every dollar the state spends, the federal government contributes an additional $1.87. For every dollar Michigan cuts, $2.87 is lost for people and providers.

The OBBBA mandates more than $1 trillion in Medicaid spending cuts over the next decade. According to a Kaiser Family Foundation estimate, Michigan could see reductions in federal Medicaid in-state spending of approximately $33 billion over the next 10 years (with a low-end decrease of $25 billion and high-end decrease of $42 billion). With a total General Fund operating budget of $14 billion, the state cannot absorb these losses without making deep cuts in other critical areas.

If the State sees these cuts from the federal government, they will have to make tough decisions on how to make up the balance. Possibilities include:

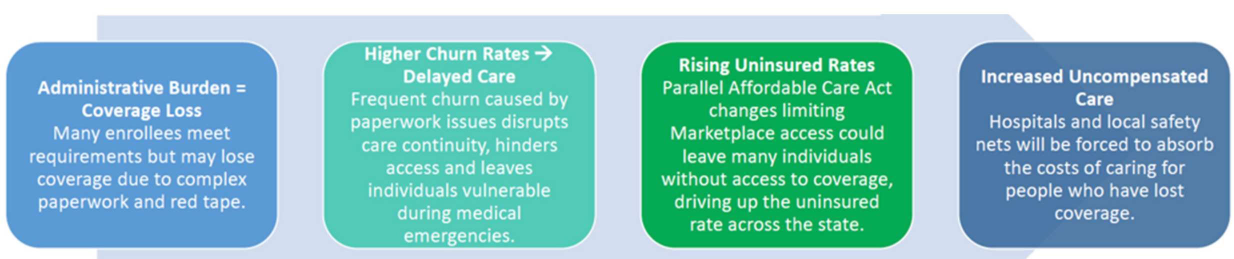
- Ending Medicaid expansion for the 725,000 Healthy Michigan plan beneficiaries
- Reducing payments to essential health care providers like chiropractors
- Taking money from road, schools, and other community supports

The Trump administration and supporters of the OBBBA make the case that Medicaid is rife with "waste, fraud, and abuse" and that the proposed changes to the program will not jeopardize health care for those who should qualify, and instead free up resources for vulnerable populations and rural providers. Others are concerned that the drastic cuts in this legislation will drastically reduce coverage across the board for patients, providers, hospitals, nursing homes, and other critical programs that support eligible Medicaid recipients.

The biggest sources of Medicaid savings will come from five areas:

1. Work and reporting requirements for adults eligible for Medicaid through the ACA expansion (Healthy Michigan plan)
2. Repealing a Biden Administration's rule simplifying Medicaid eligibility and renewal processes
3. Moratorium on new or increased provider taxes and reducing existing provider taxes in expansion states including Michigan),
4. Revising the payment limit for state directed payments to hospitals, nursing facilities, and other providers
5. Increasing the frequency of eligibility redeterminations for the ACA expansion group

MDHHS estimates that implementing these provisions will cost more than $150 million, with a potential loss of coverage for more than 500,000 Michiganders. How?



Source: Michigan Department of Health and Human Services Presentation on Michigan's Medicaid Program, June 2025

<u>Cost Sharing</u>
Michigan currently has $1 co-pay for chiropractic visits. OBBBA requires states to impose cost sharing of up to $35 on expansion adults with incomes 100-138% of the federal poverty level (Healthy Michigan enrollees), except for primary care, mental health, substance use disorder services, and services provided by federally qualified health centers, behavioral health clinics, and rural health clinics. The bill maintains the current 5% of family income cap on out-of-pocket costs. Effective date: October 1, 2028, though the bill provides funds for implementation in fiscal year 2026.

If this $35 per service co-pay is applied to chiropractic benefits, it will effectively end chiropractic coverage in the Healthy Michigan plan, as payment for chiropractic services lags behind that large co-pay amount.

Note: Online analyses of the bill have had differing applications of this provision – some say the copay is per visit, some say per service. The text of the language in the bill itself seems to imply it's on a per service basis, reading: "Except as provided in subclause (II), in no case may a deduction, cost sharing, or similar charge imposed under the State plan with respect to care or an item or service furnished to a specified individual exceed $35."

Work Requirements

Prior to the OBBBA, conditioning Medicaid eligibility on meeting a work or reporting requirement was prohibited. The new law requires states to condition eligibility for individuals 18-64 applying for Medicaid or enrolled in Healthy Michigan on working or participating in a qualifying activity for at least 80 hours per month. Parents of children aged 13 and under, as well as those who are medically frail, from the requirements. Eligibility will be determined at least twice per year. If denied coverage or disenrolled due to work requirements, the individual is also ineligible for subsidized Marketplace coverage. The effective date is no later than December 31, 2026 (or earlier, at state option) but allows HHS to exempt states from compliance until no later than December 31, 2028, if the state is demonstrating a good faith effort to comply.

Eligibility Determinations

Currently, states are required to renew eligibility every 12 months for Medicaid enrollees whose eligibility is based on their income. The OBBBA requires this to occur every six months for Medicaid expansion adults, beginning on or after December 31, 2026.

Expansion Coverage and Financing

The Affordable Care Act expanded Medicaid eligibility to non-elderly adults with incomes up to 138% of the federal poverty level and provides 90% federal financing for the expansion population. The American Rescue Plan Act (ARPA) added a temporary financial incentive for states that newly adopt Medicaid expansion. Currently, 41 states, including DC, have done so. The bill eliminates the ARPA temporary incentive for states that newly adopt expansion, effective January 1, 2026.

Provider Taxes

Michigan is among the states that finance the non-federal share of Medicaid spending through health care-related taxes known as "provider taxes." About 20% of non-Federal Medicaid funding in Michigan (approximately $2.32 billion/year) comes from provider taxes. The State currently has provider taxes on three entities (hospitals, nursing homes, and ambulance providers), as well as a Managed Care Organization tax known as the Insurance Provider Assessment. According to the Michigan Department of Health and Human

Services: "The tax dollars fund both the base Medicaid program and broader state budget (through state retention) and increased reimbursement to the taxed provider classes."

Under the OBBBA, states cannot establish any new provider taxes or increase the rates of existing taxes. Michigan's taxes on managed care plans will not be permissible in future years. The bill reduces the limit for states that have adopted Medicaid expansion by 0.5% annually, beginning in FY 2028, until it reaches 3.5% in FY 2032 (the current maximum allowed is 6%).

Provider Screening Requirements

Beginning on January 1, 2028, states will be required to conduct checks at enrollment, reenrollment, and on a monthly basis to determine whether the provider has been terminated from Medicare or another state has terminated the provider from participating in Medicaid or CHIP. Quarterly checks of the Social Security Administration Death Master File to determine whether providers enrolled in Medicaid are deceased will also be required.

Medicare – Physician Payment

The OBBBA provides a temporary, one-year increase of 2.5% to the Physician Fee Schedule conversion factor for all services furnished between January 1, 2026, and January 1, 2027.

The House version tied annual increases in the conversion factor to the Medicare Economic Index (MEI), a measure of inflation in medical practice costs. The conversion factor would have increased by 75% of the projected increase in the MEI in 2026, and by 10% of the projected increase in the MEI in all subsequent years. Unfortunately, the Senate version does not include such annual mandated increases.

Note: Sequestration. Sequestration refers to automatic, across-the-board cuts to a federal government program, mandated by Statutory Pay-As-You-Go (PAYGO) provisions found in federal law. PAYGO requires the Office of Management and Budget to keep scorecards that track the cumulative effects of legislation on the budget deficit, based on estimates from the Congressional Budget Office (CBO).

Under a Statutory PAYGO sequestration order, Medicare benefit payments and spending cannot be cut by more than 4%. The (CBO) projects that because the One Big Beautiful Bill Act will increase the deficit by roughly $3.4 trillion in debt over the next 10 years (as the result of a decrease in direct spending of $1.1 trillion and a decrease in revenues of $4.5 trillion), it would trigger mandatory reductions in Medicare spending (unless Congress takes action to prevent them, which they have done in the past). If Congress does not act to exempt Medicare from sequestration cuts, one media outlet is reporting that OMB would be required to issue an order reducing Medicare spending by approximately $45 billion for 2026 (with cuts increasing to $75 billion by 2034, with total cuts over the decade amounting to nearly $500 billion).

Additional Note: In its final analysis of the OBBBA (July 21, 2025), at the request of Senate Republicans, CBO also scored the bill using a “current policy baseline,” a novel accounting method that zeroes out the cost of permanently extending the 2017 Trump tax cuts that would otherwise sunset next year. The argument is that extending current tax rates should not be counted toweard the deficit and that the traditional accounting method used by CBO biases against preventing tax increases. This analysis found that the OBBBA would increase the deficit by on $366 billion over the next 10 years.

The White House also contends that economic growth from the bill will offset this deficit hit.

Should these analyses prove true, and the deficit not increase by as much as the traditional CBO score projects, sequestration may not be necessary. Stay tuned.

Affordable Care Act

The OBBBA will make it more difficult to enroll and retain coverage under so-called "Obamacare" plans. Beginning for plans after December 31, 2027, policyholders will be required to update their income, immigration status, and other information every year, ending automatic reenrollment. Beginning for plans after December 31, 2025, those applying outside of a qualifying life event (have a child, lose a job, get married, etc.) special enrollment period will not be eligible for either premium tax credits or cost-sharing reductions.

Non-Health Care Provisions That Affect Chiropractors

Student Loans

The OBBBA imposes significant changes to the federal student loan program, including:

- New cap on professional student loans ($50,000 in loans per year, $200,000 total)
- Eliminating Graduate PLUS loans
- Restricting new borrowers to only two repayment options (standard repayment plan, in which the same amount is paid every month, or a new plan based on annual income)

The Association of Chiropractic Colleges (ACC) has analyzed how these provisions will affect chiropractic education.

- The $200,000 aggregate limit may be insufficient for chiropractic education, which requires extensive clinical training. Unlike some graduate programs, chiropractic students cannot work full-time during their clinical rotations, making them more dependent on federal aid. Pushing students into the private loan market means higher interest rates and fewer protections - ultimately making their debt burden even greater when they enter practice.
- The elimination of Graduate PLUS loans would create a significant barrier for students pursuing chiropractic education. These loans are essential for students who need additional funding to complete their professional training. Restricting access to federal aid will ultimately reduce the number of healthcare providers available to serve our communities.
- The proposed changes to Income-Driven Repayment plans, particularly the elimination of income protection, are concerning. Many new chiropractic graduates start their careers in underserved areas or spend years building their practices. The current IDR plans provide crucial breathing room for these healthcare providers.

Small Business Provisions

Please note: This analysis is information only and is not all-encompassing of every potential small business tax provision found in the One Big Beautiful Bill Act. As always, consult your CPA or other tax professional for more information on how the OBBBA's tax and other small business benefits could affect your practice.

Small Business Tax Deduction

The Small Business Tax Deduction, originally enacted as part of the 2017 Tax Cuts and Jobs Act, has allowed small businesses to deduct up to 20% of their qualified business income (QBI). The deduction was set to expire at the end of this year, and without congressional action, millions of small businesses would have faced a significant tax increase.

The OBBBA makes the Section 199(A) deduction – the technical term for the 20% Small Business Tax Deduction – permanent. This deduction is available to most pass-through businesses, including chiropractic practices.

A pass-through business (AKA a "pass-through entity" or "flow-through entity") is a business structure where the profits and loss are "passed through" to the owner's / shareholder's personal income tax returns, and the owner or shareholder is required to report the income and pay the tax at their individual tax rate. This allows the owner / shareholder to avoid the business' profits being taxed at both the corporate and individuals. Examples include sole proprietorships, partnerships, LLCs, and S Corporations.

The OBBBA also contains additional benefits for businesses considered a specified service trade or business (SSTB), where the principal asset is the reputation or skill of one or more of its employees or owners (such as health care, law, accounting, etc). The OBBBA adjusts the phase-out thresholds for the QBI deduction specifically for income earned through SSTBs (to $75,000 for individual filers and $150,000 for joint filers).

Also included in the OBBBA, beginning in 2026, is a new minimum $400 deduction (indexed to inflation in subsequent years) for taxpayers with at least $1,000 in "active" QBI. The taxpayer must materially / actively participate in the business, as defined in the Internal Revenue Code. This minimum deduction should provide some tax relief for owners of even very small businesses.

Individual and Corporate Tax Rates / Standard Deduction
Individual Tax Rates: The OBBBA extends the current federal marginal (individual) tax rates, established in the 2017 Tax Cuts and Jobs Act, which were scheduled to expire and (in most cases) increase at the end of 2025. The new permanent federal marginal rates are 10%, 12%, 22%, 24%, 32%, 35%, and 37%. The National Federation of Independent Businesses (NFIB) estimates that this provision will help approximately 33 million pass-through entities subject to the marginal rate. For more on the current marginal rates and tax brackets, see: https://www.irs.gov/filing/federal-income-tax-rates-and-brackets.

Corporate Tax Rate: Under the OBBBA, the tax rate on C corporations- business entities such as PCs, where the company is a separate entity from its owners – permanently remains at 21%.

Standard Deduction: For 2025, the standard deduction was scheduled to be $15,000 for individuals and $30,000 for married filing jointly taxpayers. The OBBBA permanently increases the standard deduction to $15,750 for singles, $23,625 for heads of household, and $31,500 for marrieds filing jointly, beginning this year. It also includes inflation-adjusted increases in subsequent years.

Alternative Minimum Tax
Without congressional action, the Alternative Minimum Tax (AMT), a tax levied on taxpayers with high incomes to ensure they pay a minimum amount of tax, was scheduled to greatly decrease (to $120,700 for single filers and $160,900 for joint filers) in 2027. According to the Joint Committee on Taxation, this would affect more than 7 million filers.

The OBBBA permanently extends the increased AMT exemption amounts to $500,000 for individuals and $1 million for married couples filing jointly.

State and Local Tax (SALT) Deduction
While the OBBBA provides for a temporary increase in the limit on the federal deduction for state and local taxes to $40,000 (from the current $10,000) and adjusts for inflation (until this provision expires in 2029), Michigan is one of 36 states that has passed legislation (Public Act 135 of 2021) that provides a "workaround" for pass-through businesses that is not affected by the passage of the OBBBA. For more information, ask your CPA or tax professional.

Section 179 Expensing
Section 179 of the tax code allows businesses to deduct the cost of certain tangible property, such as equipment purchased for use in a business, as an expense when the property is first placed in service (up to a specific limit). In a chiropractic practice, this could include a new table, diagnostic equipment, therapeutic devices, or even chiropractic software. For more, see here: https://www.section179.org/property_that_qualifies_for_section_179/.

The OBBBA doubles the expensing cap from $1.25 million to $2.5 million, allowing small businesses to fully expense business equipment purchases in the first year. The phase-out threshold is also raised to $4 million.

Bonus Depreciation
Currently, Section 168(k) (bonus depreciation) of the Internal Revenue Code only allows businesses to deduct 40% of the purchase price of qualifying assets in the year of acquisition. The OBBBA modifies this provision and permanently restores 100% immediate expensing for eligible assets.

allows businesses to take an additional first-year deduction for qualified property acquired and placed in service after January 19, 2025, in the year it is placed in service.

Estate Tax

The OBBBA permanently codifies the Estate Tax – a tax on the transfer of an estate and/or property upon the death of the owner – exemption and increases the exemption levels to $15 million individually and $30 million jointly. These levels are also indexed to inflation. Small business advocates say the permanent codification of this provision is good for independent, family-owned businesses, as it allows owners to maintain their business and property without having to sell or liquidate to pay the tax.

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