COALITION OF STATE MEDICAL ASSOCIATIONS

May 21, 2025

The Honorable Mike Johnson
Speaker
H-232 The Capitol
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Hakeem Jeffries
Democratic Leader
H-204 The Capitol
U.S. House of Representatives
Washington, D.C. 20515

The Honorable John Thune
Majority Leader
S-221
U.S. Senate
Washington, D.C. 20510

The Honorable Charles E. Schumer
Minority Leader
S-230
U.S. Senate
Washington, D.C. 20510

Dear Speaker Johnson, Majority Leader Thune, Democratic Leader Jeffries and Leader Schumer,

On behalf of the undersigned State Medical Associations and the District of Columbia, representing hundreds of thousands of physicians and the 80 million Medicaid patients we serve, we strongly urge Congress to reject the $822 billion in Medicaid cuts included in the House Budget Reconciliation bill. The independent, non-partisan CBO estimates the proposal will result in the loss of coverage for at least 7.6 million Americans on Medicaid, including children, veterans, people with disabilities, seniors, pregnant women and low-income workers. This will lead to even more crowding of emergency departments, closures of rural hospitals and community physician practices, and widespread health and economic instability. Our patients' health will suffer, the nation's healthcare system will be in jeopardy, and health care costs will rise. Rural communities will be the hardest hit.

This legislation represents a major reversal of long-standing financing agreements between states and the federal government. These massive cuts will devastate state budgets and states will be forced to raise taxes, cut provider payments, and cut Medicaid coverage for millions.

As state medical associations, we are specifically concerned with the CBO estimate that shows the provider tax cuts and the state directed payment limit will result in nearly $200 billion in cuts to states, providers and our patients. Our specific comments are listed below:

1. **Elimination of provider taxes on hospitals, managed care organizations, nursing homes and other providers – Section 44134. CBO Score: $30 billion cut.**

We strongly oppose this provision which would effectively eliminate long-standing provider taxes used in many states to support Medicaid. This change will have a catastrophic impact on state budgets, providers, and coverage for Medicaid enrollees and severely threaten the stability of Medicaid, especially in rural communities where hospitals and practices are already operating on thin margins. One-third of American's rural hospitals are already at risk of closure.

These taxes have been authorized under federal law, approved by both Republican and Democratic administrations, and adopted by state legislatures for decades. Federal law requires states to establish

uniform provider taxes on all health plans, hospitals, nursing homes and other providers. These provider taxes must be uniform among providers and plans. This uniformity rule can be waived under strict circumstances and many states have received such waivers. Section 44134 requires all state provider taxes to meet the uniformity rule upon enactment of the legislation. If states cannot immediately meet these requirements, federal funding terminates. The legislation does provide a transition, but it is under the sole discretion of the Secretary of Health and Human Services, which is illusory and unreliable.

For many states, the proposal would require increasing taxes on commercial health plans which would force them to increase premiums on employers and individuals purchasing insurance coverage. Medicaid plans on the other hand, often receive indirect benefit as they receive the tax investment back from the state through higher payment rates to safety net providers in plan networks.

The uniformity rule will be difficult for states to comply. In states with low proportions of commercially insured individuals restructuring their programs to meet these new requirements will be near impossible without massive tax increases resulting in higher premiums. States unable to comply in such an accelerated time frame will face a fiscal crisis, be forced to cut coverage or raise taxes.

We respectfully urge Congress to eliminate this provision in the bill. If it remains, Congress should consider a clear and reliable transition period that gives states time to restructure to come into compliance or wind down programs and services.

2. **Moratorium and Freeze on Provider Taxes – Section 44132. CBO Score: $87 billion cut.**

We strongly oppose the proposed moratorium and freeze on provider taxes. This freeze amounts to a long-term funding cut as it will not keep pace with increasing health care costs brought on by inflation, economic downturns, public health crises and natural disasters. States will end up reducing coverage and benefits for Medicaid recipients that diminish care, especially in rural communities. Additionally, the moratorium penalizes states that may seek to adopt a provider tax in the future to maintain access, expand behavioral health services or respond to emergencies like the opioid crisis.

We urge Congress to remove this proposal.

3. **Payment Limits on State Directed Payments - Section 44133. CBO Score: $80 billion cut.**

We oppose the proposed Medicare payment cap on the State Directed Payments. The provision will negatively impact public hospitals and physician specialists who care for the most complex and critically ill patients across the country. These limits will reduce access to care which is equivalent to coverage losses. The Medicare physician fee schedule is an inadequate benchmark for state directed Medicaid payments. When adjusted for inflation, Medicare payments have declined by 33% over the past two decades and do not cover the costs to provide care. The Medicare Payment Advisory Commission (MedPAC) and the Medicare Trustees have warned Congress that these inadequate payments are limiting access to care.

We urge Congress to remove this provision.

4. **Cost-Sharing Requirements on Very Low-Income Medicaid Expansion Adults**

We oppose new cost-sharing mandates on extremely low-income Medicaid enrollees. A $35 copay/visit or a 5% income contribution on an income of $15,600 annually, creates a significant barrier to care. Instead, these individuals, many of whom are chronically ill or disabled, will end up hospitalized, driving up costs. Physicians are rarely able to collect such payments from patients effectively making this a provider pay cut.

We urge Congress to remove this provision.

5. **Administrative Barriers to Eligibility and Provider Participation. CBO Score:**

We are concerned that administrative burdens and frequent paperwork requirements to demonstrate employment status and other components of the program will result in legitimately eligible enrollees losing coverage. Moreover, the bill requires states to verify provider enrollment on a monthly basis which will discourage provider participation.

We urge Congress to reduce redundant administrative burdens that keep legitimately eligible patients and physicians off the program.

State Medical Associations and physicians nationwide urge Congress to reject the harmful cuts to Medicaid. Instead, we encourage you to protect and strengthen Medicaid – a proven, cost-effective safety net that serves 80 million vulnerable Americans.

Thank you for your support of physicians and the patients we serve.

Sincerely,

Alaska State Medical Association
Arkansas Medical Society
California Medical Association
Colorado Medical Society
Connecticut State Medical Society
Florida Medical Association
Hawaii Medical Association
Idaho Medical Association
Illinois State Medical Society
Indiana State Medical Association
Louisiana State Medical Society
Maine Medical Association
Massachusetts Medical Society
MedChi, The Maryland State Medical Society
Medical Association of Alabama
Medical Society of Delaware
Medical Society of New Jersey
Medical Society of the District of Columbia

Medical Society of Virginia
Michigan State Medical Society
Minnesota Medical Association
Mississippi State Medical Association
Missouri State Medical Association
Montana Medical Association
Nebraska Medical Association
New Mexico Medical Society
North Dakota Medical Association
Ohio State Medical Association
Oklahoma State Medical Association
Oregon Medical Association
Pennsylvania Medical Society
Rhode Island Medical Society
South Dakota State Medical Association
Tennessee Medical Association
Texas Medical Association
Utah Medical Association
Vermont Medical Society
Washington State Medical Association
West Virginia State Medical Association
Wisconsin Medical Society