COALITION OF STATE MEDICAL ASSOCIATIONS

Wednesday, June 11, 2025

The Honorable Todd Young
U.S. Senate
185 Dirksen Senate Office Building
50 Constitution Avenue NE
Washington, D.C. 20002

Dear Senator Young:

On behalf of the undersigned State Medical Associations and the Medical Society of the District of Columbia, representing hundreds of thousands of physicians and the 80 million Medicaid patients we serve, we urge you to reject the Medicaid cuts in H.R. 1, the House-passed budget reconciliation bill (One Big Beautiful Bill Act of 2025).

According to the nonpartisan Congressional Budget Office, H.R. 1 would reduce Medicaid spending by $723 billion and cause at least 7.8 million Medicaid enrollees to lose their health care coverage. We are particularly concerned about the $200 billion in cuts to provider taxes, which are longstanding, lawful mechanisms used by 49 states to sustain their Medicaid programs and meet rising health care needs. The bill also imposes damaging changes to federal student loan programs making it harder for students to pursue medical careers at a time of critical physician shortages. We urge the Senate to pursue more balanced solutions that expand the physician workforce and preserve Medicaid for our patients.

Medicaid Provider Tax Cuts Harm 49 States

Provider taxes have been authorized under federal law, approved by both Republican and Democratic administrations, and affirmed by state legislatures in 49 states for decades. They are a legitimate financing mechanism used by states in partnership with the federal government to fund essential health services and have kept rural hospitals, maternity wards, nursing homes and physician practices open. They have also ensured the participation of managed care plans that have curbed fraud and abuse and made Medicaid more efficient. If these provider tax cuts are enacted, it will create significant gaps in State budgets, forcing states to raise taxes, or reduce benefits, coverage, and provider payments. These reductions will lead to even more crowding of emergency departments, and as the uncompensated care burdens grow from patients losing coverage, many rural hospitals, nursing homes, and community physician practices will be forced to close to all patients.

These closures will create widespread health and economic instability, particularly in rural communities. Many of our rural hospitals, often the largest employer in the community, are already at risk of closure and provider taxes have literally kept them open.

Contrary to some claims about H.R. 1, provider tax cuts will impact the traditional Medicaid population of children, veterans, seniors, people with disabilities, and pregnant women. As states are forced to contemplate service and coverage cuts to Medicaid recipients, such reductions also threaten the viability of our public and private health care systems that care for all state residents, not only Medicaid recipients.

Our specific comments are listed below:

1. **Moratorium On New Provider Taxes and a Freeze on Provider Tax Levels (Section 44132)**

   We are strongly opposed to the proposed moratorium on new provider taxes and a freeze on the level of 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 be forced to reduce coverage and benefits for Medicaid recipients that will diminish care, especially in rural communities.

   Additionally, the moratorium unfairly penalizes states that may seek to adopt a new provider tax in the future to maintain access, expand behavioral health services or respond to emergencies like the opioid crisis. Moreover, there are substantial differences in the amount of each state's provider taxes, and we fear that many states would be frozen at lower funding levels than others, creating unfair discrepancies.

   We are eager to work with the Senate to improve the provider tax program and strengthen state-federal partnerships, and we therefore urge the Senate to reject a moratorium.

2. **Elimination of certain provider taxes on hospitals, managed care organizations, nursing homes and other providers that do not meet uniformity standards (Section 44134)**

   The federal Department of Health and Human Services (HHS) requires that when states establish provider taxes on health plans, hospitals, nursing homes and other providers, the tax must be uniform among the providers or the plans subject to them. Because the uniformity rule can be extremely difficult to achieve, HHS has waived it for many states under strict circumstances. For instance, taxing commercial health plans at the same rate as Medicaid plans increases premiums for employers and individuals purchasing private insurance coverage – an outcome that is not widely supported or defensible.

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 is terminated. The legislation does provide a transition, but it is under the sole discretion of the Secretary of Health and Human Services, which is not reliable for states to plan. States unable to comply in such an accelerated time frame will face fiscal crises.

Compounding this, if states are able to restructure their provider taxes, the amended provider tax could be disqualified because of the moratorium on new provider taxes in Section 44132.

We respectfully urge the Senate to oppose the elimination of these provider taxes.

3. **Payment Limits on State Directed Payments (Section 44133)**

   Capping State Directed Medicaid Payments at Medicare levels will harm public hospitals and physician specialists who care for some of the most complex and critically ill patients. 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 rates are already 33% lower than two decades ago 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 the Senate to eliminate this provision.

4. **Administrative Barriers that Could Cause Gainfully Employed and Legitimately Eligible Medicaid Recipients to Lose Medicaid Coverage**

   H.R. 1 creates excessive administrative and paperwork hurdles that will result in legitimately eligible Medicaid recipients losing coverage, including those who are employed, looking for work or performing community service. Many studies show that people who have health care coverage are healthier and more able to work. Therefore, we ask the Senate to give states more flexibility to design programs that work best for our states and our Medicaid enrollees.

   We urge the Senate to reduce the redundant and excessive employment verification red tape in HR 1 that keeps legitimately eligible patients off Medicaid and without access to health care.

5. **Student Loan Program Changes Exacerbate Physician Shortages**

   Finally, at a time when our country is experiencing serious physician workforce shortages, especially in rural areas, H.R. 1 would create severe financial and logistical student loan barriers for students pursuing medical education. The proposed changes would cap undergraduate and graduate student borrowing at $150,000 when today's medical students graduate with an average debt of $265,000. Moreover, the bill strips away Public Service Loan Forgiveness for physicians serving in nonprofit public institutions during medical residency. These student loan provisions will exacerbate physician workforce shortages and limit patient access to care.

We urge the Senate to increase the student loan borrowing cap for medical students and to allow medical residency hours worked in nonprofit public institutions to continue to count toward Public Service Loan Forgiveness.

State Medical Associations and physicians nationwide urge the Senate to reject the harmful cuts to student loan programs and Medicaid in H.R.1. These provisions will destabilize state health systems, reduce access to care, and worsen physician shortages. Instead, we encourage you to strengthen support for medical education and protect 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
Arizona Medical Association
Arkansas Medical Society
California Medical Association
Colorado Medical Society
Connecticut State Medical Society
Florida Medical Association
Hawaii Medical Association
Idaho Medical Association
Iowa Medical Society
Illinois State Medical Society
Indiana State Medical Association
Kansas Medical Society
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
Nevada State Medical Association
New Hampshire Medical Society
New Mexico Medical Society
North Carolina 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
Utah Medical Association
Vermont Medical Society
Washington State Medical Association
West Virginia State Medical Association
Wisconsin Medical Society
Wyoming Medical Society

cc: Jason Johnson, Deputy Chief of Staff – Legislative Affairs, Office of Indiana Governor Mike Braun