

June 29, 2025

Dear Senator:

On behalf of our nearly 5,000 member hospitals, health systems and other health care organizations, our clinician partners — including more than 270,000 affiliated physicians, 2 million nurses and other caregivers — and the 43,000 health care leaders who belong to our professional membership groups, the American Hospital Association (AHA) writes to share our very serious concerns with the amendment in the nature of a substitute for the One Big Beautiful Bill Act (OBBBA) (H.R. 1) that is being considered by the Senate. **We welcome the opportunity to work with you to amend the legislation before its final passage in the Senate.**

The Medicaid program provides health insurance coverage for 72 million Americans, including children, pregnant women, the elderly, the disabled and millions of working Americans. A review by the Congressional Budget Office (CBO) of the Medicaid provisions in the Senate bill estimates cuts of \$930 billion from the program as well as the loss of coverage for 11.8 million Americans. The magnitude of nearly a trillion-dollar reduction to the Medicaid program cannot be characterized solely as waste, fraud and abuse. The real-life consequences of these reductions will result in irreparable harm to access to care for all Americans and undermine the ability of hospitals and health systems to care for our most vulnerable patients.

This legislation will also cause millions of Americans to be displaced from insured to uninsured status due to changes in Medicaid policies, as well as those impacting the health insurance marketplaces. This loss of coverage will result in additional uncompensated care for hospitals and health systems, which will affect their ability to serve all patients. There will be service line reductions and staff reductions, resulting in longer waiting times in emergency departments and for other essential services, and could ultimately lead to facility closures, especially in rural and underserved areas.

The Senate legislation includes drastic limitations on the legal use of provider taxes and state-directed payments (SDPs). These changes in provider taxes, which states use to support their providers, and SDPs, which are used in managed care to make additional payments to providers to achieve a state's Medicaid program quality goals, will result in significant reductions to hospital payments. These substantial policy changes far exceed the House-passed legislation. In a matter of weeks, the score for the policy changes related to SDP and provider tax changes went from \$161 billion in Medicaid



reductions in the House bill to \$340 billion in the Senate bill, which will result in direct decreases in provider payments.

Provider taxes and SDPs allow hospitals to bridge the chronic and historic underpayment by Medicaid for the care they deliver. For example, in 2023, hospitals experienced a -42% Medicaid margin for inpatient obstetrics care and a -44.9% Medicaid margin for outpatient obstetrics services. Even with states utilizing provider taxes to fund their programs and implementing SDPs to help offset underpayments, in 2023, Medicaid fee-for-service reimbursement paid less than 58 cents for every dollar that hospitals spent caring for Medicaid patients, and Medicaid managed care organizations paid less than 65 cents over the same period. Medicaid underpaid hospitals and health systems nationwide by \$27.5 billion in 2023.

It must be stated — once again — that Medicaid provider taxes are legitimate mechanisms to help states fund their programs, have been in use for decades, and are thoroughly vetted at both the state and federal levels. The CBO estimates that placing additional restrictions on the use of this critical tool will, along with the other policy changes in the legislation, force states to make significant changes. “CBO expects that in response to those provisions, states would modify their Medicaid or state-funded insurance programs to curtail their spending by reducing provider payment rates, reducing the scope or amount of optional services, and reducing Medicaid enrollment.”<sup>1</sup>

According to AHA estimates of the Senate version of the OBBBA, the provider tax changes alone will result in a loss of federal payments to hospitals of \$232 billion over 10 years.

We appreciate the Senate taking these concerns into consideration. We look forward to working with you to modify the legislation to mitigate the considerable structural changes to the Medicaid program that will result in negative impacts to beneficiaries, hospitals and our communities.

Sincerely,

/s/

Rick Pollack  
President and CEO

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<sup>1</sup> <https://www.cbo.gov/system/files/2025-06/Arrington-Guthrie-Letter-Medicaid.pdf>