

July 16, 2025

The Honorable Josh Hawley
United States Senate
115 Russell Senate Office Building
Washington, DC 20510

Dear Senator Hawley:

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 express our appreciation for your leadership during the debate on the reconciliation package and offer support for your legislation, the Protect Medicaid and Rural Hospitals Act. If enacted, your legislation will help hospitals and communities mitigate the impact of the Medicaid reductions that were part of the recently enacted One Big Beautiful Bill Act (OBBBA; Public Law No: 119-21).

The Medicaid program provides services for 72 million Americans, and the OBBBA would reduce federal support for the program by nearly \$1 trillion and cause many millions of people to lose access to health insurance. Among the law's provisions are significant changes to how provider taxes and state directed payments (SDPs) will operate. Provider taxes and SDPs are important tools states use to ensure providers are more adequately reimbursed by a program that historically underpays them for the care they deliver to Medicaid patients. In 2023, Medicaid underpaid hospitals and health systems nationwide by \$27.5 billion for treating program beneficiaries. SDPs also support hospital financial viability and allow them to offer essential services for Medicaid recipients, including labor and delivery and behavioral health care, which ultimately contributes to the wellbeing of everyone served by their local facility. The Congressional Budget Office estimates Sections 71115 and 71116 of the OBBBA would cut \$340 billion in federal funding from the Medicaid program over the next 10 years. Your legislation strikes these two sections to mitigate the impact of Medicaid reductions on hospitals and health systems and allow them to continue to serve their patients and communities.

In addition, you build upon the provisions of the OBBBA that seek to assist rural hospitals, some of which are struggling to operate, even before the major policy changes of the OBBBA are enacted. The Protect Medicaid and Rural Hospitals Act



The Honorable Josh Hawley

July 16, 2025

Page 2 of 2

provides for an additional \$50 billion for the Rural Health Transformation program. These funds are a positive step toward mitigating some of the other Medicaid policy changes in the OBBBA that could negatively impact rural hospitals.

Thank you for your continued attention to the issues that affect America's hospitals and health systems, and we look forward to working with you to increase support for your legislation.

Sincerely,

/s/

Richard J. Pollack
President and Chief Executive Officer