American Hospital Association™
Advancing Health in America

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July 14, 2025

Honorable Mehmet Oz, M.D.
Administrator
Centers for Medicare & Medicaid Services
7500 Security Boulevard
Baltimore, MD 21244-1850

RE: Preserving Medicaid Funding for Vulnerable Populations—Closing a Health Care-Related Tax Loophole Proposed Rule (CMS-2448-P)

Dear Administrator Oz:

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) appreciates the opportunity to comment on the Centers for Medicare & Medicaid Services' (CMS) proposed regulation related to health care-related tax requirements.

This proposed rule would change how the government reviews and approves Medicaid program provider taxes. Since this rule was proposed, however, Congress passed the One Big Beautiful Bill Act (P.L. 119-21, OBBBA), which statutorily eliminates states' ability to impose new provider taxes, reduces existing provider tax rates, and adds additional requirements to determine whether a state's non-uniform provider tax is considered generally redistributive and may qualify for a waiver. **In light of Congressional action, we encourage the Administration to align its health care-related tax requirements with what is allowable under provisions in the OBBBA, specifically by providing states with a transition period of three years.**

Below, we provide comments on a key provision of the proposed rule.

Transition Period (§433.68(3)(4))

CMS proposes in §433.68(3)(4) to provide no transition period for waivers that do not satisfy (e)(3), which were approved two years or less before the final rule's effective date. CMS gives states with waivers approved more than two years before the effective date of the final rule the option to either submit a revised waiver proposal in compliance with (e)(3) with an effective date no later than the first state fiscal year beginning at least one year from the effective date of the final rule, or to modify the tax to be in compliance with an effective date no later than the start of the first state fiscal year beginning at least one year from the effective date of the final rule.

The AHA encourages CMS to consider a longer transition period of three years, which is in alignment with what is allowable under the OBBBA. To minimize disruption in access to care while the new requirements are being implemented, more time is needed for states and their stakeholders to plan, develop, and seek state approval for recalibrating Medicaid financing under the new federal requirements. Further, while most states develop their budgets in one-year cycles, 16 states intend to enact a two-year budget for fiscal years 2026 and 2027.[1] This would make the two-year transition period unfeasible.

The AHA urges CMS to provide all applicable states with a reasonable transition period of three years from the effective date of the final rule (taking into account the states' fiscal year) as allowed in statute.

We look forward to continuing to work with the agency to improve program integrity, promote transparency in Medicaid financing, and protect patient access to care for 72 million Americans who rely on Medicaid for health care coverage. Please contact me if you have any questions, or feel free to have a member of your team contact Krista Geier, AHA's senior associate director of Medicaid policy, at kgeier@aha.org.

Sincerely,

/s/

Stacey Hughes
Executive Vice President
Government Relations and Public Policy

[1] https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750-0fca152d64c2/UploadedImages/ProposedBudgetSummariesFY26.pdf