

July 13, 2026

The Honorable Russell Vought
Director
Office of Management and Budget
725 17th St. NW
Washington, DC 20503

Re: Comments on Proposed Regulation for Federal Financial Assistance (RIN 3133-AG07)

Dear Director Vought:

On behalf of our nearly 5,000 member hospitals, health systems and other healthcare organizations; our clinician partners — including more than 270,000 affiliated physicians, 2 million nurses and other caregivers — and the 43,000 healthcare leaders who belong to our professional membership groups, the American Hospital Association (AHA) appreciates the opportunity to comment on the Office of Management and Budget's (OMB's) and other agencies' proposed revisions to the Uniform Grants Regulation governing federal financial assistance.

The proposed regulation, as we understand it, would give agencies broader discretion to modify federal award conditions, impose additional requirements during the life of a federal award, and suspend or terminate funding based on evolving agency priorities or determinations regarding the national interest, except where the governing federal statute explicitly addresses the use of such funding. For example, the proposed changes to 2 CFR 200.340(a)(2) would provide the federal agency with the unilateral authority to terminate grant funding, broaden the range of permissible reasons for that termination (which could be determined at the time of termination), and remove appeals processes for such discretionary terminations. Even if these authorities are exercised sparingly, their existence creates uncertainty for recipients contemplating long-term investments supported by federal funding, and, absent statutory changes, grantees may be forced to look to the courts for clarity.

Hospitals and health systems are among the nation's largest recipients of federal grant funding. Federal grant awards support groundbreaking medical research, workforce development, emergency preparedness, maternal health, behavioral health, rural health initiatives, public health infrastructure and countless other programs that strengthen



access to the highest quality care. Because these initiatives often span many years, hospitals and health systems make significant investments in personnel, facilities, equipment, technology and community partnerships based on the expectation that awarded grants will remain reasonably stable absent failure to comply with applicable requirements.

While we appreciate OMB's efforts to improve accountability and stewardship of taxpayer dollars, we are concerned that several provisions of the proposed regulation could introduce substantial uncertainty regarding the stability and predictability of federal grant awards. That uncertainty may ultimately undermine the very objectives federal financial assistance is intended to achieve.

Federal grants differ fundamentally from procurement contracts. Congress establishes grant programs to encourage recipients to undertake activities that advance important public purposes. Hospitals and health systems frequently hire specialized researchers, clinicians and support staff, purchase sophisticated laboratory or medical equipment, establish community partnerships, and commit institutional resources based on multiyear federal awards. These commitments cannot easily be reversed without disrupting patient care, delaying research or reducing services to communities.

Hospitals and health systems cannot responsibly recruit principal investigators, launch multiyear clinical studies, expand residency programs, establish rural outreach initiatives or build community-based behavioral health programs if there is significant uncertainty regarding whether funding conditions may materially change after an award has been made. Increased uncertainty also makes it more difficult for governing boards and institutional leadership to commit matching funds or make complementary capital investments that often maximize the value of federal grants.

Moreover, uncertainty surrounding the durability of federal awards may discourage participation in competitive grant programs altogether. Hospitals — particularly rural, children's, safety-net and otherwise vulnerable hospitals — may conclude that the financial risks associated with accepting federal grants outweigh the potential benefits if funding can be modified or discontinued based on changing policy priorities unrelated to recipient performance.

Finally, we are uncertain about the scope of the proposed changes. While we understand these rules would not apply to Medicare or Medicaid payments for patient care services to Medicaid-eligible individuals, it is unclear whether certain other funding streams through these programs would be implicated, such as the Medicare Rural Hospital Flexibility Program, certain funding arrangements through Center for Medicare and Medicaid Innovation models, certain supplemental payments or capitation payments made to Medicaid managed care organizations.

Accordingly, we respectfully recommend that OMB preserve recipients' ability to rely upon the stability of awarded grants by clarifying that federal awards will not be modified

The Honorable Russell Vought

July 13, 2026

Page 3 of 3

or terminated absent substantial recipient noncompliance, statutory changes or other extraordinary circumstances clearly identified in regulation. We further recommend that any new regulatory requirements apply prospectively to new awards rather than altering the expectations associated with previously awarded grants. In addition, agencies should provide clear notice, a meaningful opportunity to respond, a transparent written justification, and access to a formal appeals process before imposing significant new conditions or terminating ongoing awards based on discretionary policy determinations. Finally, OMB should provide clearer guidance on the full scope of Medicare and Medicaid payments that are not considered payments for patient care under the proposed rule.

Federal financial assistance succeeds because recipients have confidence that they can responsibly invest in programs that often require years to produce measurable public benefits. Preserving reasonable predictability does not diminish accountability. Rather, it enables hospitals and other recipients to make prudent investments that maximize the return on federal dollars and improve outcomes for the patients and communities Congress intended these programs to serve.

We appreciate OMB's consideration of these comments and look forward to continuing to work with the administration to ensure that federal grant programs remain both accountable and sufficiently predictable to support long-term investments in the nation's healthcare system. Please contact me if you have questions, or feel free to have a member of your team contact Benjamin Finder, AHA vice president of coverage, at bfinder@aha.org.

Sincerely,

/s/

Ashley Thompson
Senior Vice President
Public Policy Analysis and Development