



The Honorable John Thune
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Mike Crapo
Chairman, Committee on Finance
United States Senate
Washington, DC 20510

June 12, 2025

Dear Senators Thune and Crapo:

On behalf of our hospitals and their thousands of providers serving millions of patients across 13 states, we are writing to urge you to move forward with the carefully negotiated Medicaid provider tax-related and Medicaid directed payment program provisions in the House-passed budget reconciliation bill (H.R. 1), specifically, Sections 44132, 44133, and 44134.

These sections reflect a balanced approach that recognizes the vital role Medicaid directed payments play in sustaining access to care, including a much-needed grandfather clause to allow continuation of existing state programs as well as those awaiting CMS approval. We have requested statutory language clarifications that will ensure that the intent of the House bill – to grandfather the existing state programs and financing mechanisms upon which our hospitals and our patients depend – will be fully effectuated and strengthened.

For many hospitals, especially those in rural and underserved communities, directed payments can constitute as much as 20% of their annual revenues. Weakening these critical sections at this pivotal stage would have severe consequences. We appreciate President Donald J. Trump's commitment to not cut Medicare or Medicaid benefits, and we need these critical provisions in HR 1 to ensure that our hospitals can provide healthcare services to patients entitled to those Medicare and Medicaid benefits. The House bill recognizes that continuation of these supplemental payment streams is vital to ensure access to our hospitals.

Hospitals across our states are facing unprecedented financial pressures. Chronic underpayment from Medicaid and Medicare, combined with increasing instances of commercial insurers failing to meet contracted obligations, has pushed many facilities to the brink. Directed payments help offset these shortfalls by leveraging provider taxes and other lawful funding mechanisms to support hospitals that serve a high volume of Medicaid patients. Without these supplemental payments, many hospitals would face immediate and difficult choices, including scaling back essential services or closing entirely. These consequences would fall hardest on the most vulnerable populations we serve.

We are committed to continuing to work on policies that ensure long-term sustainability for Medicaid. However, any additional changes to seek further cuts through these Medicaid provider tax-related provisions would jeopardize the fragile balance that has been struck and threaten the healthcare safety net in our communities.

We welcome the opportunity to further discuss the impact of Medicaid directed payments and provider taxes in our states and stand ready to provide supporting data and insights. Thank you for your consideration and continued leadership on behalf of the patients and providers who rely on a strong Medicaid program.

Sincerely,



Ann-Marie Alameddine
President & CEO
Arizona Hospital and Healthcare
Association



M. James Kaufman, PhD
President & CEO
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