



**ALLIANCE *of***  
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July 14, 2025

The Honorable Mehmet Oz  
Administrator  
Centers for Medicare & Medicaid Services  
U.S. Department of Health and Human Services  
P.O. Box 8016  
Baltimore, MD 21244-8013

***Subject: CMS-2448-P: Medicaid Program; Preserving Medicaid Funding for Vulnerable Populations-Closing a Health Care-Related Tax Loophole Proposed Rule***

Dear Administrator Oz:

I am writing on behalf of the Alliance of Safety-Net Hospitals, a group of private community safety-net hospitals that serve diverse and economically disadvantaged and underserved communities, to convey to the Centers for Medicare & Medicaid Services (CMS) our views on the proposed rule on health care-related taxes. We support steps the Trump administration has taken to protect the future stability of the Medicaid program. Although recent legislation has enacted many of the same changes that CMS proposed in this rule, we are concerned about the impact this change will have on vulnerable populations and the hospitals that serve their communities. **We strongly urge CMS to employ the discretion the One, Big Beautiful Bill (OB BB) Act offers and give all states a transition period of up to three fiscal years** to phase out any impermissible aspects of their assessment programs and stabilize funding for impacted providers as much as they can during that transition.

## **Provider Assessments Form the Structural Support of Medicaid Provider Payments**

States across the country would not be able to meet the demand of current Medicaid reimbursement rates without the revenue that states can collect through provider assessment or tax programs. Assessment programs in many cases have been the but-for cause of provider rate increases for years. In other words, these providers have been meeting state Medicaid agencies at the negotiation table willing to pay their fair share so states can get closer to covering the high cost of caring for low-income Medicaid patients. Provider taxes are a legally sound method for raising the funds needed to meet this demand. For over three decades, nearly every state in the country has used provider taxes as integral funding streams to support their Medicaid programs. These mechanisms are structured within strict parameters, usually vetted by state legislators, and reviewed and approved by the federal government, leaving providers with confidence that

they can rely on the tax proceeds for the length of the program's approval. Without a transition period, hospitals and their patients will feel the brunt of this change.

Not only are tax revenues firmly integrated into state Medicaid finances, but hospital budgets have also evolved for many years with the expectation of tax-funded reimbursement rates and supplemental payments and these institutional budgets likewise cannot be easily unwound to remove that support. Hospitals have structured their service mix – and the jobs that support those services – based on these financial assumptions. Without transitional time and a clear path forward from CMS, hospitals could be forced to make choices about ancillary services and health care jobs that they can no longer support like outpatient services, elective surgeries, and free clinics.

Nearly every state Medicaid program would be hurt by restricting the use of provider taxes, putting state residents and patients in the crosshairs. Without the revenue from these taxes and the federal matching funds they draw, states would be forced to make acceptable trade-offs: cutting eligibility or benefits, reducing already-low provider rates, or shifting costs to individual taxpayers.

## **We Urge CMS to Offer the Full Three-Year Transition Period**

After the passage of the OBBB and its provisions that mirror those described in the proposed rule, ASH believes it would be appropriate for CMS to rescind this proposed rule and focus instead on implementing the provisions of the OBBB, taking full advantage of the proffered three-fiscal-year transition period. The transition framework outlined in the proposed rule creates an unclear and inequitable distinction between states based solely on the timing of their most recent tax waiver approvals. Specifically, it grants a limited transition period only to states whose waivers were approved more than two years ago, while denying the same consideration to states with newer approvals —without regard to program design or policy impact.

ASH requests CMS give all states a reasonable and clear transition period for coming into compliance to minimize adverse consequences to health care outcomes and access to health services. Medicaid tax programs are typically embedded in state budgets and tied to provider payment arrangements that cannot be quickly reconfigured. States have made critical policy and budgeting decisions made in good faith based on the rules in place at the time of submission to CMS. The timing of a state's waiver approval does not correlate with its ability to unwind or revise its tax structure. On the contrary, immediate discontinuation of more recently approved waivers is more likely to disrupt current budgetary planning and financial operations for programs that were already approved to continue into future fiscal years. Unwinding or redesigning them often requires legislative action, stakeholder negotiation, and identification of any possible alternative funding – none of which can happen in a matter of months. The transition period must allow time for states to work with CMS in unwinding complex tax and payment structures.

As the administration and Congress worked to craft the OBBB, it left space for transition when other Medicaid policy changes were enacted like the limited grandfathering of state-directed payment amounts and the transition period for bringing down provider tax rates. In the same vein, CMS was provided with a transition period to implement the new uniformity rules over up to three fiscal years. We appreciate this glidepath and we hope that CMS will use its full authority to ensure a smooth transition for all states and the providers that will be impacted by abrupt changes in their state tax programs. Such a foundational funding change would cause immediate distress for many hospitals, but particularly for providers in rural and underserved areas without grand donor support or academic endowments.

For these reasons, ASH urges CMS to allow for a full three-year transition period prior to implementation of any uniformity standards that diverge from current practice, consistent with Congressional directives under the OBBB.



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The Alliance of Safety-Net Hospitals appreciates the opportunity to comment on the proposed rule and welcomes any questions CMS may have about the views we have expressed in this letter.

Sincerely,

A handwritten signature in black ink, appearing to read 'EKugler', is positioned above the typed name.

Ellen Kugler, Esq.  
Executive Director

