

COALITION OF STATE MEDICAL ASSOCIATIONS

June 24, 2025

The Honorable John Thune
Majority Leader
U.S. Senate
S-221
Washington, D.C. 20510

The Honorable Charles E. Schumer
Minority Leader
U.S. Senate
S-230
Washington, D.C. 20510

The Honorable Michael D. Crapo
Chairman
Senate Finance Committee
U.S. Senate
SD-239
Washington, D.C. 20510

The Honorable Ron Wyden
Ranking Member
Senate Finance Committee
U.S. Senate
SD-221
Washington, D.C. 20510

Dear Majority Leader Thune, Leader Schumer, Chairman Crapo, and Ranking Member Wyden,

On behalf of the undersigned State Medical Associations and the District of Columbia, representing hundreds of thousands of physicians and the 80 million Medicaid patients we serve, we are writing to urge the Senate to reject the damaging cuts to Medicaid, Medicare, and medical student loan programs in the Senate Finance Committee draft budget reconciliation bill. These cuts will seriously harm access to health care for all Americans. The Senate plan threatens hospital and physician viability and our patients' health, particularly in rural communities; creates barriers to medical school and exacerbates physician shortages; and fails to address chronically inadequate Medicare physician payments that are causing serious access to care challenges for America's seniors. As physicians and stewards of our nation's health, we urge you to find more balanced solutions that protect the nation's health and well-being.

Unfortunately, the Senate bill increases the Medicaid cuts by nearly \$200 billion over the House cuts – reaching over \$900 billion in cuts to Medicaid – and will result in further unnecessary losses of coverage and access to care. Combined with the large Medicare physician cuts, the Senate bill will cause a wholesale shift of uncompensated care to states and an already fraying safety net of physicians, clinics, and hospitals. State budgets will be crippled. Patient conditions will worsen as they wait for hours in emergency departments or months to see a primary care physician and health care costs will increase.

The Coalition urges you to consider the recommendations below.

Medicaid Provider Taxes in 49 States Are Not “Waste, Fraud, and Abuse”

These taxes have helped states meet the mountain of increased demand for health care services from an ever-growing population with more serious chronic conditions.

The accusations that Provider taxes are waste, fraud and abuse are unfounded, as these programs have helped millions of people get the medical care they need. Provider taxes have been authorized under federal law, approved by both Republican and Democratic administrations, and affirmed by state legislatures in 49 states for decades. They are a legitimate financing mechanism used by states in partnership with the federal government to fund essential health services and have kept rural hospitals, maternity wards, nursing homes, behavioral health clinics, and physician practices open.

Provider taxes have played a vital role in stabilizing the health care system for both providers and patients because Medicaid consistently pays below the cost of providing care. These funding sources have helped providers across the nation remain accessible to patients during the COVID pandemic, economic recessions, and natural disasters.

If these cuts are enacted, it will create devastating gaps in State budgets that are already experiencing deficits, forcing states to raise taxes, or reduce Medicaid benefits, coverage, and provider payments. These reductions will lead to even more crowding of emergency departments and as the uncompensated care burdens grow from patients losing coverage, many rural hospitals, nursing homes, and community physician practices will be forced to close to all patients. These closures will create widespread health and economic instability, particularly in rural communities. **Many of our rural hospitals, often the largest employer in the community, are already at risk of closure and provider taxes have literally kept them open and protected local jobs.**

Contrary to some assertions, provider tax cuts will force states to cut benefits and access to care for the traditional Medicaid population of children, veterans, seniors, people with disabilities, and pregnant women.

The additional Senate Medicaid cuts that reduce the safe harbor tax caps from 6% to 3.5% in the 41 red and blue states that expanded Medicaid, unjustly harms the vast majority of states. Studies show that patient health status improved in these 41 states which also reduced health care costs.

The new Senate Medicare payment caps for State Directed Payments at a percent of Medicare penalizes public hospital systems and physician specialists caring for some of the sickest patients across the nation.

The Moratorium on new provider taxes and a freeze on provider tax levels amounts to a long-term funding cut, as the funding will not keep pace with increased health care costs over time brought on by inflation, economic downturns, public health crises and natural disasters. It also inequitably freezes rates in states with lower taxes.

The Uniformity Requirement for all provider taxes on hospitals, nursing homes, and managed care organizations to be equal in each provider category is essentially an elimination of numerous provider taxes across the nation because states would experience extreme difficulty meeting the rules and would need more time to try to restructure or unwind existing programs and services.

Coalition Recommendations:

1. Eliminate Provider Tax Cuts

+ Eliminate the Provider Tax Uniformity Requirement that essentially terminates numerous provider taxes in multiple states because the rules are so difficult to meet. If this provision is not removed, this requirement would necessitate much more time for states to come into compliance or wind down existing services. Section 71122.

+ Eliminate the Senate safe harbor tax rate limits from 6% to 3.5% and the Medicare payment limits on state directed payments. Sections 71120 and 71121.

+ Eliminate the Moratorium on new and increased taxes. Section 77120.

2. **Reduce Work Requirement Administrative Red-Tape**
Reduce the administrative barriers to demonstrating work status and give states the flexibility to design programs that work best for our states and our Medicaid populations.

3. **Reverse the Student Loan Cuts that Exacerbate Physician Shortages**
+ Raise the \$150,000 cap on undergraduate and medical school borrowing for students pursuing careers in medicine as the average medical student debt is at least \$250,000 and
+ Reinstate the ability for medical residents in training to apply the long hours worked in public institutions to count toward federal Public Service Loan forgiveness (PSLF).

4. **Increase Medicare Physician Payment and Seniors' Ability to Access Timely Care**
The Senate bill fails to address the deplorable Medicare physician payment rates and the corresponding access to care problems experienced by our senior patients. Medicare physician payment rates have declined by 33% since 2001, when adjusted for inflation and are not keeping pace with the rising costs to operate a medical practice. These woefully inadequate rates have forced physicians to consolidate which has driven up health care costs. The rates are also causing more physicians to reduce the number of Medicare patients they accept or retire early and close their doors. Medicare patients are experiencing longer wait times to see both primary care and specialist physicians. Both MedPAC and the Medicare Trustees are reporting that the low rates are negatively impacting seniors access to physicians.

Therefore, we urge the Senate to stop the 2.8% payment cut physicians experienced in 2025 and provide an inflation update to keep pace with rising costs to operate a medical practice.

The Coalition of State Medical Associations urge you to consider these recommendations to reverse many of the damaging cuts to Medicaid, Medicare and student loan programs, and ensure patient access to affordable health care and a stable physician workforce for generations to come.

Thank you for your support of physicians and our patients.

Sincerely,

**Alaska State Medical Association
Arizona Medical Association
Arkansas Medical Society
California Medical Association
Colorado Medical Society
Connecticut State Medical Society
Florida Medical Association
Hawaii Medical Association
Idaho Medical Association
Iowa Medical Society
Indiana State Medical Association
Kansas Medical Society
Louisiana State Medical Society**

Maine Medical Association
Massachusetts Medical Society
MedChi, The Maryland State Medical Society
Medical Association of Alabama
Medical Society of Delaware
Medical Society of New Jersey
Medical Society of the District of Columbia
Medical Society of Virginia
Michigan State Medical Society
Minnesota Medical Association
Mississippi State Medical Association
Missouri State Medical Association
Montana Medical Association
Nebraska Medical Association
New Hampshire Medical Society
New Mexico Medical Society
North Carolina Medical Society
North Dakota Medical Association
Ohio State Medical Association
Oklahoma State Medical Association
Oregon Medical Association
Pennsylvania Medical Society
Rhode Island Medical Society
South Dakota State Medical Association
Tennessee Medical Association
Texas Medical Association
Utah Medical Association
Vermont Medical Society
Washington State Medical Association
West Virginia State Medical Association
Wisconsin Medical Society
Wyoming Medical Society