



May 9, 2025

The Honorable Brett Guthrie
Chairman
Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, DC 20515

The Honorable Frank Pallone
Ranking Member
Committee on Energy and Commerce
2322A Rayburn House Office Building
Washington, DC 20515

Re: Protect Critical Medicaid Funding to Preserve Coverage, Access and the Health Care Delivery System

Dear Chairman Guthrie and Ranking Member Pallone:

Today, Medicaid plays a big role in making America a strong and independent nation. By providing essential health coverage through Medicaid to 78.5 million Americans – 15 million of whom live in California – our great country is supporting strong families, protecting American workers, and contributing to the greatest, most advanced health care sector in the world.

The Local Health Plans of California represents 17 public and not-for-profit Medicaid managed care plans in California that collectively serve over 9.5 million Medicaid beneficiaries. Local health plans play a unique role as they are community-based, locally governed and publicly accountable, with a responsibility to ensure the core population we serve, Medicaid beneficiaries, has access to a network of providers that are paid a fair rate to provide care that helps keep enrollees from utilizing unnecessary emergency care. Given our central focus on the safety net, we urge you to protect Medicaid by rejecting major cuts under consideration as a part of the budget reconciliation process. While we welcome Congressional efforts designed to increase program efficiencies and target waste, fraud and abuse, and ensure sufficient resources are available for the most vulnerable, we remain concerned that the cuts under consideration will instead result in coverage loss, increases in uncompensated care, poorer health outcomes for low-income working families, and job loss in local communities.

Specifically, we urge Congress to:

- **Uphold the current financing structure for the Medicaid expansion population that includes working parents, disabled adults, and other vulnerable populations that rely on Medicaid to stay healthy, productive members of their communities.**

Changes to underlying Medicaid financing structures, including per capita caps or FMAP reductions for the Medicaid expansion population, will lead to loss of coverage or

reduced benefits for millions of families across the country. *For California alone, the impact of significant changes to Medicaid financing structures such as the federal matching ratio or establishing per capita caps for the expansion population, could mean a loss in federal funding of more than \$20 billion annually, depending on the specific proposal.* Even cuts that are much less severe than reducing the federal matching rate to 50% will have a significant and harmful impact on Medicaid beneficiaries and providers.

California, like other states, could not absorb such a significant loss of federal funding and maintain the program at the current coverage or service levels. Significant cuts to funding for the Medicaid expansion population will ultimately lead to difficult decisions about cutting coverage and benefits for millions of Californians, including those who are most vulnerable.

- **Preserve critical Medicaid financing mechanisms that ensure hospitals, long-term care providers, and other health care providers can continue to serve Medicaid populations.** Provider taxes are essential to funding nearly all states' Medicaid programs. Reductions to these taxes would mean that the viability of key safety net providers would be in jeopardy, particularly rural hospitals and hospitals that serve a high proportion of Medicaid beneficiaries. In California, provider taxes mean that hospitals can afford to serve the Medicaid population and provide access to care despite, in many cases, still experiencing losses on Medicaid overall. Even with provider taxes, 60% of California's community safety net hospitals, the hospitals whose patient mix is predominantly Medicaid, are operating at a loss several years post-pandemic. *Without provider taxes, Medicaid reimbursement to hospitals in California would fall from paying 80 cents of every dollar it costs to provide care to 70 cents of every dollar.* Additionally, as a result of Proposition 35 which was supported by 68% of California voters, our state is dedicating critical resources through its MCO tax to improving access to care in Medicaid through workforce funding, and enhanced reimbursement for primary care, specialty care, hospital services, and other Medicaid services.

Overall, California stands to lose more than \$90 billion dollars in federal funding over the 10-year scoring period if provider taxes are eliminated. Even cuts that are a fraction of this amount would be devastating and result in reduced hospital services or even hospital closures, particularly in rural areas where many hospitals are already experiencing financial distress. Without federal funding through California's MCO tax, longstanding workforce shortages and access gaps will remain for those who need care the most.

As the House and Senate contemplate cuts to the Medicaid program, we remind Congress of the strengths of Medicaid:

Medicaid Supports Our Economy

Medicaid is a cornerstone of American economic strength. One in five American workers receives health coverage through Medicaid, enabling them to be productive members of society. These hardworking Americans serve our communities in restaurants, big box stores, and construction sites. With Medicaid's support, they can focus on their jobs without the constant worry of medical bankruptcy or untreated illness.

By keeping our workforce healthy, Medicaid ensures that America's economic engine continues to run smoothly. Workers with reliable healthcare miss fewer days, are more productive, and contribute more fully to our nation's prosperity.

Medicaid Makes American Families Strong

The strength of our nation rests on the strength of our families. Medicaid provides vital coverage to millions of children, seniors, and people with disabilities. Nearly half of all Medicaid enrollees are children – approximately 37 million young Americans receive the preventative care and medical treatment they need to grow into healthy, productive citizens.

When parents have health care coverage, they can maintain employment while caring for their families. Regular preventative care and treatment for chronic conditions keeps Americans of all ages healthy and productive. By supporting multi-generational care, Medicaid upholds our country's commitment to family values and ensuring no American is left behind.

Medicaid Contributes to America's World-Class Medical Infrastructure

America's health care system is the envy of the world, and Medicaid plays a critical role in maintaining this excellence. The program supports hundreds of thousands of health care workers and hospitals across the nation. Rural hospitals, in particular, rely on Medicaid to keep their doors open and continue serving communities that would otherwise lack access to medical care.

By ensuring a steady stream of patients and reliable payment, Medicaid helps maintain the viability of our health care infrastructure from coast to coast. This system enables American health care innovation to continue flourishing, developing life-saving treatments that benefit people worldwide.

Medicaid Has Helped Erase High Rates of Uninsured Americans

Before Medicaid expansion, millions of Americans went without health insurance, leading to high rates of personal bankruptcy from unpaid medical bills and financially struggling hospitals burdened with uncompensated care. Today, Medicaid has dramatically reduced these problems, strengthening both individual financial security and the stability of our health care institutions.

The impact is clear: fewer families face financial ruin from medical emergencies, and hospitals can focus more resources on providing quality care rather than absorbing the costs of treating the uninsured. This achievement represents American pragmatism at its best – solving problems through practical solutions.

Medicaid is Efficient and Effective

As stewards of taxpayer dollars, we must recognize Medicaid's remarkable efficiency. The program delivers health care at costs 83% lower than private coverage, showcasing smart government that works for the American people. This cost-effectiveness demonstrates that Medicaid is not just compassionate policy but fiscally responsible governance.

The American people understand Medicaid's importance to our nation's foundation, with three in four voters expressing support for the program. This bipartisan backing reflects the recognition that Medicaid strengthens America's families, workforce, health care system, and economy.

As you consider upcoming legislation affecting Medicaid, I urge you to protect and strengthen this vital program that underpins so much of what makes America great. Our nation's continued strength and prosperity depend on maintaining this critical support for hardworking Americans and their families.

Sincerely,

A handwritten signature in blue ink, appearing to read "Li C. Hsu".

Chief Executive Officer
Local Health Plans of California

Cc: Speaker Mike Johnson
Democratic Leader Hakeem Jeffries
CA Delegation Members