



June 12, 2025

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

The Honorable Chuck Schumer
Senate Minority Leader
U.S. Senate
Washington, D.C. 20510

Re: Protect Medicaid by Rejecting Cuts that will Destabilize the Health Care System & Result in Millions Losing Coverage

Dear Majority Leader Thune and Minority Leader Schumer,

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. **We urge you to protect Medicaid by rejecting major cuts in H.R. 1 and reject Senate proposals that would result in deeper cuts to Medicaid.**

It is important to acknowledge that Medicaid should not be immune from policy reforms to address waste, fraud and abuse and reduce inappropriate expenditures. However, H.R. 1 goes far beyond that threshold, targeting vital funding mechanisms that have been carefully negotiated by state and local communities over a period of many years, amounting to wholesale reductions in funding for serving Medicaid beneficiaries and destabilizing the system that serves them. Additionally, H.R. 1 creates an implementation timeline for work requirements that will create compliance challenges and exacerbate coverage losses. The Congressional Budget Office (CBO) estimates the totality of Medicaid cuts proposed in H.R. 1 amounts to \$864 billion. This savings figure relies on millions of Americans losing coverage. Specifically, 7.8 million individuals on Medicaid will lose access to critical health care services.

Despite these sobering numbers, the cuts currently under Senate consideration surpass those passed by the House, potentially crippling the medical safety net that all Americans depend on during health crises. These proposals would fundamentally undermine our capacity to provide care when people need it most, with consequences that extend far beyond Medicaid

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beneficiaries to affect emergency departments, rural hospitals, and the broader healthcare system that serves every community.

The stakes could not be higher—these changes would directly impact whether Americans can access lifesaving care in their most critical moments.

Specifically, we urge Congress to:

- 1) Preserve critical Medicaid financing for hospitals and other health care providers to ensure they can continue to serve Medicaid populations.** Provider taxes are essential to keeping hospitals, nursing homes, physicians, and other healthcare safety net providers stable. The CBO-estimated \$200 billion in provider tax cuts will create substantial funding gaps in state budgets and force states into an impossible choice: raise state and local taxes to fill the gap, cut provider payments, or cut Medicaid eligibility, benefits, and access to care as provider participation declines. These cuts will disproportionately harm rural states and communities that have heavily relied on such resources.

Should the Senate consider restricting Medicaid provider taxes even further, the impact will be even more severe on Medicaid providers, patients, and local communities. There are currently 45 states with a hospital provider tax, 20 states with a managed care organization tax, and most states also have provider taxes for skilled nursing facilities and intermediate care facilities. Provider taxes are a core part of how states are supporting Medicaid programs across the nation.

Further restrictions on state directed payments (SDPs) could destabilize critical hospitals and safety net providers. H.R. 1 caps new SDPs at no higher than Medicare rates. This cap will have a disproportionate impact on rural hospitals, safety net hospitals, and public hospitals. Proposals to further limit SDPs could prove fatal for the many rural and critical access hospitals that are already financially strained. If a hospital is forced to close, every member of the community loses access to hospital care not just Medicaid beneficiaries.

The Senate must not exacerbate the harmful impacts of H.R. 1 by including more restrictions to Medicaid financing. Instead, we urge the Senate to mitigate the impact of H.R. 1 by including mandatory transition periods of at least three years for the provider tax provisions so that states do not face a funding cliff that will harm patients, providers, and communities.

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- 2) Provide sufficient time for states to implement Medicaid work requirements to preserve coverage for hardworking adults, families, and caretakers who will otherwise lose coverage due to lack of state readiness and procedural issues.**

Consideration of state readiness assessments and incorporation of new technology to create efficiencies must be coupled with a delayed implementation date to effectively mitigate the losses in coverage for hardworking beneficiaries who rely on Medicaid for their healthcare. In most states, there are not currently systems or infrastructure to support implementation of H.R. 1's work requirements. It is simply not feasible to implement these requirements in 2026. **Therefore, we urge the Senate to protect working adults, families, and caretakers by providing additional time for States to implement work requirements.**

Americans across the political spectrum recognize Medicaid as vital to our communities, working families, healthcare system, and economy.

As Congress considers changes to Medicaid, I urge you to proceed thoughtfully. Any modifications should be carefully designed to avoid harming the millions of Americans who depend on this program for their health and economic stability. Our communities' well-being depends on ensuring that Medicaid reforms do not undermine the families and local economies that rely on this essential support.

Sincerely,

A handwritten signature in blue ink, appearing to read "LHPC", is positioned above the typed name of the Chief Executive Officer.

Chief Executive Officer
Local Health Plans of California

Cc: Senate Finance Committee