



# CALIFORNIA MEDICAL ASSOCIATION

May 12, 2025

The Honorable Brett Guthrie  
Chairman  
Energy & Commerce Committee  
United States House of Representatives  
Washington, DC 20515

The Honorable Frank Pallone  
Ranking Member  
Energy & Commerce Committee  
United States House of Representatives  
Washington, DC 20515

The Honorable Buddy Carter  
Chairman  
Health Subcommittee  
Energy & Commerce Committee  
United States House of Representatives  
Washington, D.C. 20515

The Honorable Dianna DeGette  
Ranking Member  
Health Subcommittee  
Energy & Commerce Committee  
United States House of Representatives  
Washington, D.C. 20515

Dear Chairman Guthrie, Ranking Member Pallone, Chairman Carter, and Ranking Member DeGette:

On behalf of the more than 50,000 physicians and medical student members of the California Medical Association (CMA) and the millions of patients we serve, we are writing in strong opposition to the House Energy and Commerce Committee Health Care recommendations to Budget Reconciliation to be marked up on May 13, 2025. This legislation is an attack on our nation's health and economic security and represents a massive reversal in the progress we have made as a nation to address the health care needs of patients. It would impose at least \$715 billion in devastating health care cuts and cause an unprecedented 13.7 million or more Medicaid and Affordable Care Act (ACA) enrollees to lose their coverage. While the legislation does not impose the traditional per capita caps on Medicaid, it inflicts an equally devastating cut on longstanding state Medicaid financing methods.

The legislation represents a catastrophic reneging of the long-standing agreements between states and the federal government. It will sabotage state budgets, the viability of the entire health care system and our patients' health. Rural communities across California and the nation will be hardest hit. It will force rural hospitals and physician practices that have served their communities for decades to close which then causes a domino effect of reducing access to care for everyone, imposing substantial health care sector job losses, and driving-up costs for all taxpayers. We urge the Committee to oppose this draconian legislation as it will reduce the economic security and health of low-income working families. This legislation is bad medicine for our country.

**CMA's specific concerns are listed below.**

**CMA Opposes the Proposed Changes to Provider and Managed Care Organization (MCO) Taxes that will Eliminate Legitimate State Financing for Important Services to Medicaid's Most Vulnerable Patients.**

**Section 44134 Requirements Regarding Waiver of Uniform Tax Requirements for Medicaid Provider Tax.**

This provision would effectively eliminate multiple provider and managed care taxes in numerous states across the country and threatens the overall viability of the Medicaid program. It would have a devastating impact on Medicaid coverage for patients, state budgets, and providers. Because states will not be able to close the funding gap, they will be forced to cut services, benefits and coverage, as well as provider payments.

Currently, states with provider taxes have been allowed to construct taxes that meet federal requirements while also allowing states to minimize the effect on taxpayers more broadly. In prohibiting states from having differential tax rates between Medicaid and non-Medicaid health plans, hospitals, and nursing homes, states will be forced to either (a) forego hundreds of millions or billions in revenue that support their overall Medicaid program; or (b) increase taxes on existing taxpayers such as families and small businesses. The grandfathering provisions contained in this provision are illusory and will force states into an economic spiral since many of these taxes are approved on an annual or triennial basis. Therefore, we urge the Committee to reject this short-sighted proposal.

#### **CMA Opposes Section 44132 Moratorium on New or Increased Provider and MCO Taxes**

We are strongly opposed to the new draconian funding freeze on Provider and Managed Care Organization (MCO) taxes. This freeze is a cut that will ultimately reduce funding for safety net providers already on the brink of closure, especially in rural communities. One-third of all rural hospitals are at risk of closing nationwide. The moratorium will also discriminate against states that want to adopt an MCO or Provider tax in the future to ensure plan and provider participation, cover beneficiary caseload growth, or meet new public health challenges in their states. Moreover, these capped allocations will not keep pace with increasing costs and caseloads brought on by inflation, economic recession, public health emergencies and natural disasters. These cuts jeopardize our patients' health and the viability of the entire health care system.

As the independent CBO estimated last week, reduction in Provider and MCO Taxes would result in 8.6 million people losing Medicaid coverage. Over time, a funding freeze will have the same impact. States will not be able to close the funding gap and will ultimately be forced to cut coverage and benefits for Medicaid enrollees and make further cuts to providers that will force them to close. All of our most vulnerable Medicaid enrollees will get less care - veterans, seniors, people with disabilities, children, pregnant women and low-income working adults. Rural communities across the nation will suffer enormously from these disproportionate cuts. We urge the Committee to withdraw this short-sighted proposal.

#### **CMA Opposes Section 44133 Revising the Payment Limit for State Directed Payments**

We are opposed to the new Medicare payment limit on the State Directed Payments that would negatively impact our public hospital institutions and physicians who are so critically vital to every Medicaid patient and at-risk community in California and the nation. Many of these public institutions provide important specialty care for the critically ill. Without these providers, patients will not have access to care which is comparable to losing coverage. Like the Provider Tax Moratorium, over time, these provider payment limits will put pressure on states to make further cuts to other programs, benefits and even coverage.

Moreover, Medicare physician payment is already inadequate and should not be relied on for state directed Medicaid payments. The Medicare physician fee schedule payments have decreased 33% over the last two decades when adjusted for inflation. MedPAC and the Medicare Trustees have recently warned Congress that Medicare physician payment needs to be increased to address the serious access to care problems in Medicare. The Medicare physician fee schedule is not appropriately compensating providers for their actual costs to provide care and therefore, imposing a Medicare payment limit in Medicaid would be harmful to patient's future access to care. We urge the Committee to remove this provision.

**Regarding the three proposals that cap or eliminate Provider/MCO Taxes and State Directed Payments, it is extremely difficult for providers to absorb capped payments or payment reductions when the legislation does not**

**address any other factors that influence provider costs, such as prescription drug costs, labor costs, rent increases, inflationary pressures, or recession. We would urge a larger discussion about these issues.**

**CMA Opposes Defunding Planned Parenthood.** We strongly oppose the defunding of Planned Parenthood and other non-profits that provide family planning and reproductive health care. Planned Parenthood has provided over 2 million patients a year with essential preventive and reproductive health care services, such as birth control, cancer screenings, wellness exams, STI testing, and treatment in California and across our nation. To punish a single provider type that contributes to the reproductive health of patients is both short-sighted and will lead to poor birth outcomes.

**CMA Opposes Reducing Federal Matching Funds to the Fourteen States that Cover Undocumented Immigrants with State-Only Funding.** We oppose the federal matching rate cut to the Medicaid expansion program in the 14 states that cover undocumented immigrants with state-only funding. The undocumented live and work in our communities and as physicians we care for them. This state-only program helps to reduce the uncompensated care burden on providers so we can remain open to all residents of California.

**CMA Opposes the Cost-Sharing Requirements on the very low-income vulnerable Medicaid Expansion Adults** Medicaid enrollees already have difficulty accessing care, and the addition of new cost-sharing requirements on those who cannot afford these costs will decrease access to medical necessary health care. While we understand that cost-sharing can sometimes reduce unnecessary over utilization of services, many of the adults on the Medicaid expansion are disabled or chronically ill and need access to ongoing treatment and medications to manage their diseases and disabilities. Therefore, we are concerned that the \$35/visit and 5% of patient income cost-sharing requirements on individuals making \$15,600 annually are inappropriate and will discourage timely care, harm the success of future treatment, and drive-up costs when patients must be hospitalized. Moreover, physicians are rarely able to collect such payments from patients and therefore, this mandate is a payment reduction on all providers.

**CMA Opposes the Administrative Barriers that Keep Legitimately Eligible Medicaid Enrollees from Receiving Coverage.** CMA is concerned that many eligible Medicaid enrollees will be dropped from coverage because they cannot navigate the burdensome paperwork to demonstrate employment status or eligibility redeterminations. We urge the Committee to give states flexibility to ensure that legitimately eligible patients are not kicked off the program just because of administrative burdens.

### **The Medicaid Cuts in this Legislation Will Harm Everyone**

If Medicaid recipients lose coverage and become sick, they delay care and are forced to eventually seek treatment in emergency departments which compromise access for everyone seeking emergency care, drive up health care costs, and medical debt. Medicaid provides health and economic security for low-income families. When patients have coverage, they are more likely to have access to less costly preventive care and on-going treatment for chronic conditions. As emergency departments, physicians and hospitals take on more uncompensated care, provider financial viability is threatened. Commercial insurance premiums increase for everyone. Many safety-net rural hospitals, nursing homes, and physicians are already operating on thin margins and will be forced to close, and health care jobs will be lost. Such closures reduce access for everyone and drive-up costs.

**Studies show significant job losses resulting from Medicaid Cuts.** A recent Commonwealth Fund study estimates that the proposed Medicaid cuts could result in the loss of 477,000 health care jobs and an additional 411,000 jobs in other industries. The average reduction in state GDP for 2026 would be \$1.9 billion and the federal budget will suffer as well. Such substantial losses would harm families and destabilize communities throughout the nation.

**CMA Opposes Congress Allowing the Affordable Care Act Premium Tax Credits to Expire** because it will cause 5.1 million individuals and families to lose health care coverage. The ACA's enhanced tax credits have made health insurance more affordable and accessible for American families across the country. By lowering premiums, reducing out-of-pocket costs, increasing enrollment, narrowing racial disparities, and stabilizing the marketplaces, the enhanced tax credits have expanded health coverage to a record number of people, particularly in rural areas. CMA urges the Committee to extend the premium tax credits to ensure there are affordable coverage options for low-income working families.

**CMA urges the Committee to reject the devastating cuts in this legislation. Instead, we urge you to protect and strengthen Medicaid and the ACA.** Medicaid provides a cost-effective safety net for all Americans when they need it. These deep cuts harm all Americans.

Thank you for your support of physicians and the patients we serve.

Sincerely,



Shannon Udovic-Constant, MD  
President



Dustin Corcoran  
CEO

