July 14, 2025

Administrator Mehmet Oz
Centers for Medicare & Medicaid Services
7500 Security Boulevard
Baltimore, MD 21244

Submitted via www.regulations.gov

Dear Administrator Oz:

A well-functioning Medicaid program is good for America's economy and supports the Administration's goals of making America healthy. Appropriate funding is key to an efficient program. Abrupt changes to Medicaid financing can reduce state flexibility and hinder the ability to streamline coverage. States need guidance and ample transition time to ensure that the funding modifications proposed in the Preserving Medicaid Funding for Vulnerable Populations rule and included in the recently passed One Big Beautiful Bill Act (OBBB) bolster Medicaid's statutory charge to support Americans to achieve independence and self-care.

The Alliance of Community Health Plans (ACHP) welcomes the opportunity to comment on this proposed rule and appreciates the Administration's ongoing commitment to strengthening and streamlining the Medicaid program for eligible Americans. With your leadership, ACHP looks forward to creating a new era for Medicaid that unleashes innovative approaches for improving the health of all Americans. This will require a thoughtful approach best served by a revised proposed rule.

ACHP is the only national organization advancing a unique payer-provider aligned model of health care that fosters true competition, delivering both high-quality coverage and care. As local insurers, ACHP member companies provide affordable coverage options to tens of millions of Americans in nearly 40 states and D.C. The sustainability of regional health plans is of paramount importance to an innovative and competitive insurance industry, ensuring consumers have robust choices for health coverage. ACHP's member companies serve all lines of business, including Medicaid, where they collectively cover more than 4 million consumers across 21 states.

Provider taxes play an important role in ensuring adequate funding for an effective Medicaid program. Today, 49 states use provider taxes to fund essential health care services for eligible American families, including pregnancy, emergency care and psychiatric supports. Like other taxing authorities available to states, provider taxes are a legal mechanism states use to help finance Medicaid. Provider taxes are enacted by state legislatures and must comport with extensive federal regulatory requirements.

The rule proposes to immediately restrict the use of certain provider taxes and offer a one-year transition period for others. We have serious concerns about this implementation timeline, especially given that states have generally completed their budgeting process for the upcoming plan year.

With the passage of the reconciliation bill, both states and CMS face unprecedented administrative burden to implement ambitious Medicaid changes. These include broader changes to provider taxes that will not take effect for several years. States will need detailed guidance and technical assistance from CMS to navigate interactions between this rule and the recent legislation. For example, the proposed rule allows states to modify provider taxes to remain compliant. However, it is not clear whether the legislative moratorium on provider taxes would prevent states from amending their existing provider taxes to comply with this proposed regulatory change.

Without a sufficient transition period, the changes proposed in this rule will create undue pressure for states and the Administration. This could lead to less stable and reliable funding, increasing the deficit between what Medicaid services cost and how much providers are paid.

The effects are clear: states could be forced to cut programs and reduce services and for eligible Americans. Physicians, hospitals and nursing homes, particularly in rural areas, could be forced to shutter their doors. This would reduce access to care not only for patients enrolled in Medicaid but for all Americans by reducing network adequacy across the country. It would also mean higher rates of uncompensated care, leading to hospital closures and higher premiums and taxes for everyday Americans.

ACHP urges CMS to ensure that this change leads to the least amount of disruption to Medicaid programs and the patients they serve. States need ample time and technical support to adjust their financing approaches and, with the passage of OBBB, to align with the sweeping administrative changes facing Medicaid programs. **We recommend that CMS withdraw this proposed rule and issue a new proposed rule that more closely aligns with the provision included in the OBBB. We also recommend that CMS use the flexibility afforded through the OBBB to provide all states, regardless of when their provider tax waiver was approved, a three-year transition period.**

We look forward to working with the Administration to ensure that eligible Medicaid enrollees receive high-quality affordable coverage. Please contact Michael Bagel, Vice President of Public Policy, ACHP (mbagel@achp.org) with any questions.

Regards,

Ceci Connolly

Ceci Connolly
President and CEO
ACHP