

Tweaked House Provider Tax Moratorium Floated By Hospitals In 13 States Gains Steam In Senate

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(Inside Health Policy)

A tweaked version of the House reconciliation bill's reforms to provider taxes and state directed payments quietly floated to Senate leaders last week by hospitals in 13 states that were critical to the GOP trifecta in November may be gaining steam, with Sen. Josh Hawley (R-MO), a key swing vote, reportedly pitching the idea to the White House this week after telling *Inside Health Policy* he could probably live with it since the hospital coalition would take it over the Senate bill's deeper cuts.

The coalition of hospital associations signaled their willingness to accept the moratorium and the change to future SDPs, as long as grandfathered plans were adequately protected, in a letter sent June 12, days before the Senate Finance Committee unveiled text that surprised Hawley and others by instead proposing deeper provider tax cuts.

The coalition told GOP leadership that it could live the provider tax and SDP reforms in the House bill, which placed a moratorium on states' ability to either create a new provider tax or increase an existing one, and also limited SDP to Medicare rates , or Medicare plus 10% in non-expansion states -- while maintaining rates.

According to the Congressional Budget Office, the provider tax freeze would save about \$89 billion and the SDP provision about \$71.8 billion over 10 years.

However, the coalition stressed in the letter that certain tweaks to the language were needed to fully garner their support. These changes, a source explains, were meant to clarify that the grandfathered rates will apply in perpetuity. Language should say the grandfathering-in applies to the total rates for the approved program, and the same or similar methodology used for the approved program must be replicated in subsequent years, the letter said.

The coalition also asked that Congress empower states to make some technical tweaks to the provider taxes.

The coalitions' acceptance of the House changes to the Medicaid financing methods, coming in the midst of a lobbying blitz against language by other stakeholders, is one reason Hawley and others were so surprised by the changes in the Senate.

A hospital source in Virginia says analyses indicate that hospitals in Republican-led districts serve more Medicaid patients than those in districts with Democratic lawmakers. If the draft Senate bill is enacted, Virginia hospitals expect to lose about \$2.2 billion a year once the policies are phased in. And because

the payments are sent to providers with the largest number of Medicaid patients, the policy will directly lead to service reductions -- and possibly to closures.

We are doing everything we can to go back to the House language, the source says.

Hawley told *Inside Health Policy* Wednesday (June 18) that if the Senate language is not changed, these technicalities could be costly for states.

"You put those two things together [and] what you have is states could lose whole bunches of their provider taxes and not be able to fix them," Hawley said. On Tuesday (June 17), Hawley told *IHP* he would "probably be fine" with the bill if the text were rewritten to adjust for the technical issues and to freeze rather than reduce provider taxes.

Hawley was expected to meet with President Donald Trump to discuss his concerns on Thursday.

Meanwhile, the hospital source says conversations with the senators are going well, and much of the outreach is to senators who are not as familiar with the Medicaid proposals and the potential impacts to their districts.

Hospitals' message is clearly being heard since some GOP senators are already looking to create a rural health fund that the source says is now rumored to be \$25 billion, up from an initial \$10 billion. But the hospital stakeholders say that solution would come with its own problems --including the definition of rural. Further, there are health systems in non-rural areas that support rural ancillaries that would still be at risk under that plan.

Setting up a fund or offering some type of exemption doesn't solve those basic financial strains, according to the source who points out that one Virginia hospital gets a third of net patient revenue from the SDPs. -

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