



July 14, 2025

Submitted via <http://www.regulations.gov>

Administrator Mehmet Oz
Centers for Medicare & Medicaid Services
Department of Health and Human Services
Attention: CMS-2448-P
P.O. Box 8016
Baltimore, MD 21244-8016

Re: Medicaid Program; Preserving Medicaid Funding for Vulnerable Populations-Closing a Health Care-Related Tax Loophole Proposed Rule- file code CMS-2448-P

Dear Administrator Oz:

On behalf of the Medicaid Health Plans of America (MHPA), we thank you for the opportunity to provide input on the Medicaid Program; Preserving Medicaid Funding for Vulnerable Populations-Closing a Health Care-Related Tax Loophole Proposed Rule (CMS-2434-P). While we recognize that CMS is statutorily required to implement policies in this proposed rule with the passage of the One Big Beautiful Bill Act, we write to provide our perspective on these concepts.

We strongly support efforts to promote the sustainability of Medicaid as a critical program for our nation's most vulnerable populations. However, MHPA has concerns that the proposed rule could negatively impact the ability for states to administer their Medicaid programs which would jeopardize access to care for Medicaid beneficiaries.

MHPA is the only national trade association with a sole focus on Medicaid, representing more than 160 managed care organizations (MCOs) serving nearly 48 million Medicaid beneficiaries in 40 states, the District of Columbia and Puerto Rico. MHPA's members include both for-profit and non-profit, national, regional, as well as single-state health plans that compete in the Medicaid market. Nearly three-quarters of all Medicaid beneficiaries receive health care through MCOs, and the Association provides research and advocacy services that support policy solutions to enhance the delivery and coordination of comprehensive, cost-effective, and quality health care for Medicaid beneficiaries.

Medicaid provides access to health coverage to millions of Americans, including some low-income individuals, families and children, pregnant women, the elderly, and people with disabilities. Medicaid is a joint federal-state program, with the federal government's share of a state's Medicaid costs determined by the Federal Medical Assistance Percentage (FMAP) which varies by state and is primarily based on per capita income.

States finance their share of Medicaid costs through varied funding sources. In FY 2024, state general funds, primarily from income and sales taxes, accounted for about 70% of state Medicaid

spending. The remaining approximately 30% came from alternative sources, such as contributions from local governments and health care-related taxes that can include taxes on MCOs.

We support CMS's commitment to ensuring a sustainable Medicaid program that delivers on its core mission of providing access to care for low-income and vulnerable individuals. We also encourage efforts to ensure the long-term health and fiscal stability of the Medicaid program.

However, we have concerns with the proposed rule's policy changes that would curtail the use of health-care related taxes as a mechanism for state Medicaid financing. We believe that state flexibility in determining the best approach for financing their share of Medicaid costs allows states to address their unique needs, particularly when it comes to ensuring adequate provider reimbursement and maintaining beneficiary access to care.

The proposed revisions to the B1/B2 statistical test that evaluates whether a non-uniform tax is "generally redistributive" effectively eliminates a valuable state option for Medicaid financing and does so on an accelerated timeline without sufficient analysis. We believe this could seriously undermine the financial stability of state Medicaid programs and disrupt care for the people who rely on them.

Our specific concerns with the proposed rule are as follows:

Financial Sustainability

MHPA believes the proposed policy changes threaten the financial sustainability of the Medicaid program, putting access to care at risk for Medicaid beneficiaries in the impacted states.

As previously noted, the Medicaid program is structured as a unique federal-state partnership with financing as a statutorily shared responsibility. The Medicaid statute permits states to generate their share of Medicaid expenditures through multiple sources, including state general revenue, contributions from local governments, and specialized revenue sources such as health care-related taxes.

The policies to be promulgated through this proposed rule threaten to disrupt a critical funding stream that states have long relied on to finance their share of the Medicaid program and that have been put in place precisely because the Medicaid program is often fiscally constrained. These changes would most likely exacerbate these budgetary challenges and reduce the total amount of Medicaid funding. This puts the Medicaid program at financial risk that will certainly lead to a reduction or elimination of services for Medicaid beneficiaries and dramatically reduce access to care.

Data-Driven Impact Assessment

The scope and implications of these policy changes have not been adequately evaluated. The preamble notes that the "effects on the Federal budget (as well as the costs to States and taxpaying entities) are highly dependent on how States would respond to these proposed changes" (90 FR

20596). The proposed rule references generally, but does not analyze nor consider the specific impact on each state's Medicaid program, and, most notably, does not consider what these changes mean for access to care for a state's Medicaid beneficiaries.

We recommend CMS delay finalizing this proposed rule until CMS has collected additional data and conducted a thorough, transparent analysis of how different states use health-care related taxes to finance their share of the Medicaid program and the potential consequences of eliminating this option. This analysis should involve meaningful stakeholder engagement and incorporate real-world fiscal and operational data. We believe this approach would allow for a more well-informed view of the potential negative impact of the proposed changes.

Timeline

The proposed implementation timeline is unrealistic and could have a negative effect on stability within the Medicaid program as well as having unintended consequences for State budgets. Some states are given no transition period while others are given only one year. We believe this timeline does not provide sufficient time for states to assess, debate, and enact new Medicaid financing strategies. Alternative financing strategies that require state legislative action, such as updating waivers with CMS, would also lack sufficient time for consideration and implementation. Additionally, should a state choose to raise taxes on commercial products, health plans offering those products need to know what the new taxes will be for a plan year before seeking rate approval from regulators. As such, we recommend granting states a three-year transition period if CMS finalizes these changes.

Technical Assistance

Should CMS move forward with the provisions as currently written, we believe it will be important for CMS to provide states with the necessary support to help states manage the loss of this funding stream. We recommend that CMS estimate the reduction in federal match and total Medicaid funds due to the removal of this mechanism for all States and provide guidance on alternative financing strategies. CMS should also consider providing transitional funding support to minimize disruption during the policy change. Further, the agency will need to monitor access to services to avoid unintended consequences for care delivery. The agency could also consider dashboards and tools to assess outcomes for Medicaid beneficiaries.

Thank you for the opportunity to comment on this significant proposed change to how states may finance their share of the Medicaid program. Please feel free to reach out to me directly at sattanasio@mhcpa.org with any questions or should you need any additional information.

Sincerely,

/s/

Shannon Attanasio
Senior Vice President, Government Relations, Policy and Advocacy