



May 6, 2025

The Honorable Mike Johnson  
Speaker of the House  
U.S. House of Representatives  
Washington, DC 20515

The Honorable John Thune  
Senate Majority Leader  
United States Senate  
Washington, DC 20510

Dear Speaker Johnson and Leader Thune,

As representatives of rural hospitals and the communities we serve, the National Rural Health Association writes to urge you to protect Medicaid supplemental payments and the use of provider taxes in the tax reconciliation package. Cuts to these critical lifelines would have devastating consequences for rural health systems and the patients who rely on them.

NRHA is a non-profit membership organization with more than 21,000 members nationwide that provides leadership on rural health issues. Our membership includes nearly every component of rural America's health care, including rural community hospitals, critical access hospitals, doctors, nurses, and patients. We work to improve rural America's health needs through government advocacy, communications, education, and research.

This is not just an issue that impacts Medicaid and uninsured populations, and the consequences are not theoretical. Supplemental payments and state-directed payments are essential for keeping hospitals open, especially in rural areas like the ones we serve. Over the last year, 25 rural hospitals closed or converted to an operating model that excludes inpatient care, bringing the total to 189 facilities since 2010, with the South and the Midwest having seen the greatest losses. According to a recent analysis, 46% of rural hospitals are operating in the red, and 432 are vulnerable to closure.

Rural communities already carry a higher chronic disease burden and have significantly higher premature death rates. Removing or reducing the supplemental payments and provider tax frameworks that help sustain rural hospitals and providers would accelerate this public health crisis. Unfortunately, some critics are falsely attacking the legitimacy of provider tax-funded supplemental payments. Far from being a budgetary loophole, these mechanisms help rural providers stretch every dollar while serving communities, and they do so without raising local and state taxes on their constituents.

Provider taxes are long-standing, legal, and heavily regulated tools under Section 1903(w)(3) of the Social Security Act. They've been widely used since the 1980s and are governed by rigorous federal and state-level standards. Forty-nine states and the District of Columbia rely on at least one provider tax. Suggesting that these mechanisms are somehow inappropriate is a distortion of fact and law. The narrative that provider tax-funded supplemental payments result in excessive Medicaid spending is also patently false. In fact, the data show the opposite. Non-Medicaid

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expansion states—such as Texas, Florida, Georgia, and others—rely on these tools and spend significantly less per capita on Medicaid. Cutting supplemental payments would unfairly penalize these states. This outcome would punish fiscal responsibility while weakening care for rural and underserved populations.

We respectfully urge you to reject any effort to reduce Medicaid supplemental payments or restrict provider tax authority in the tax reconciliation package. Doing so would hasten rural hospital closures and punish states that have demonstrated how to do more with less. Instead, we hope you will stand with rural America and protect the tools that help us serve those who need care the most.

Thank you for your consideration and for your continued support of health care in rural America. If you have any questions or would like to discuss further, please contact NRHA's Chief Policy Officer Carrie Cochran-McClain at [ccochran@ruralhealth.us](mailto:ccochran@ruralhealth.us).

Sincerely,

A handwritten signature in black ink, appearing to read "Alan Morgan", is written over a light blue horizontal line.

Alan Morgan  
Chief Executive Officer  
National Rural Health Association