

Congress of the United States
House of Representatives
Washington, DC 20515–3302

June 25, 2025

The Honorable John Thune
Majority Leader
United States Senate
Washington, DC 20515

Dear Majority Leader Thune:

We write regarding the Medicaid provisions included in the Senate version of the reconciliation bill. These draconian cuts and destructive structural changes will inflict catastrophic harm on North Carolinians, particularly people in our rural communities. We feel compelled to highlight the existential threat that this legislation poses to our state's health care infrastructure, especially our rural hospitals, in the hope that significant revisions will be made before your chamber votes on final passage.

Specifically, language in the bill imposing a 3.5 percent cap on provider taxes will make funding Medicaid in our state extraordinarily challenging. In North Carolina, every single percentage point reduction below the current 6% cap translates to a loss of approximately \$1.15 billion in federal Medicaid funding. This cap, coupled with overall reductions in federal support, will severely undermine our state's capacity to sustain its Medicaid program. Without alternative revenue sources, North Carolina faces a set of impossible choices: gut benefits, slash provider rates, or dramatically restrict eligibility.

For our rural hospitals, these provisions could strike a deadly blow. The Senate bill would effectively eliminate the state's Hospital Access and Stabilization Program (HASP), a lifeline for rural and underserved communities that was implemented alongside Medicaid expansion. HASP's termination would immediately cut hospital reimbursement rates by 40% under Medicaid managed care.¹

Even more devastating is the significant phase-down of hospital payments, which are arbitrarily tied to Medicare levels. Rural hospitals already operate at a loss on Medicare, which covers just 82 percent of actual costs according to the American Hospital Association. Forcing Medicaid rates down to 100 percent of Medicare will compound this deficit, slashing another estimated 18-30 percent from critical revenue streams.²

Medicaid already underpays rural providers. Locking rates to Medicare ignores the basic economic reality that rural hospitals often lack the economies of scale, payer mix, or population density of non-rural communities to offset underpayments. Ultimately, this double blow – HASP elimination combined with Medicare-rate imposition – will bankrupt rural hospitals in our state.

¹ North Carolina Department of Health and Human Services: "Impact of Federal Proposal to Limit Medicaid Provider Taxes on North Carolina" April 25, 2025

² American Hospital Association: "America's Hospitals and Health Systems Continue to Face Escalating Operational Costs and Economic Pressures as They Care for Patients and Communities" May 2024

To be clear, while these cuts are truly devastating for our rural communities, they will lead to inferior coverage and care for all North Carolinians. The state will be forced to cut critical services, including home- and community-based services (HCBS), postpartum coverage, and skilled nursing care.

The latter is especially alarming: a 3 percent cut to Skilled Nursing Facilities (SNFs), compounded by the loss of \$55 million in federal funding per percentage point of the nursing tax cap, will shutter nursing homes across the state, 100 of which are already operating in a deficit.³

These provisions do not "reform" Medicaid; they dismantle it. Collectively, they shift costs to states, punish providers, and abandon vulnerable populations – all to finance tax cuts for Americans in the highest income brackets. These changes are contrary to our values and will leave tens of thousands of North Carolinians without preventive care until emergencies demand costlier interventions.

Again, rural North Carolinians will bear the brunt of closed hospitals, lost jobs, and eroded community health. When rural hospitals close, patient mortality rates rise by 6 percent, low birthweight infant deliveries increase by 10.4 percent, and maternal mortality rates materially worsen.⁴ ⁵In North Carolina, this means more mothers dying in childbirth, more working families bankrupted by health care costs, and more communities deprived of their largest employers.

Both the viability of our state's health care system and the long-term health of millions of North Carolinians hangs in the balance. Again, we strongly urge you to strip out the Medicaid-related provisions included in the Senate budget reconciliation bill.

Sincerely,



Deborah K. Ross
Member of Congress



Alma S. Adams, Ph.D.
Member of Congress



Donald G. Davis
Member of Congress



Valerie P. Foushee
Member of Congress

³ North Carolina Department of Health and Human Services: "Impact of Federal Proposal to Limit Medicaid Provider Taxes on North Carolina" April 25, 2025

⁴ National Bureau of Economic Research: "Impact of Rural and Urban Hospital Closures on Inpatient Mortality" June 2020

⁵ Durrance C, Guldi M, Schulkind L. "The effect of rural hospital closures on maternal and infant health." Health Serv Res. 2024 Apr;59(2):e14248. doi: 10.1111/1475-6773.14248. Epub 2023 Oct 15. PMID: 37840011; PMCID: PMC10915477.