GOP Senators Warn Mega-bill’s New Medicaid Cuts Will Hurt Rural Hospitals

Senators cite “all kinds of concerns” about effects of cutting states’ Medicaid provider tax rate.

June 27, 2025 By Stateline

U.S. Senate Republican leaders expressed confidence Tuesday they’ll be able to tamp down opposition to various elements of the party’s “big, beautiful bill” in time to approve the measure before the Fourth of July, though they acknowledged there’s considerable work left to do.

GOP senators from across the political spectrum have debated the broad strokes of the tax and spending cut legislation for weeks, but raised fresh concerns after the influential Finance Committee released its portion of the package, which addresses taxes and Medicaid. Some GOP senators objected to a change in Medicaid policy they said could harm rural hospitals.

Senate Majority Leader John Thune, R-S.D., said during a press conference that reducing the Medicaid provider tax rate that states can charge from the current 6% to 3.5% by 2031 represented “important reforms.”

“We think they rebalance the program in a way that provides the right incentives to cover the people who are supposed to be covered by Medicaid,” Thune said. “But we continue to hear from our members specifically on components or pieces of the bill that they would like to see modified or changed or have concerns about. And we’re working through that.”

While the complex provision is deep in the weeds of Medicaid policy, several GOP senators expressed concern during interviews Tuesday that changing the provider tax rate in states that expanded Medicaid coverage under the Affordable Care Act would be a problem for rural hospitals.

Missouri Sen. Josh Hawley said he opposes that provision and wants to see GOP leaders put back in the House language that would freeze the Medicaid provider tax rate at 6%.

“We have to do something,” Hawley said. “If we pass this as it is, there’s going to be a lot of rural hospitals in Missouri that close. So that’s a big problem.”

West Virginia Sen. Jim Justice said he had “all kinds of concerns” about provisions in the Finance Committee’s portion of the “big, beautiful bill,” which the panel released Monday.

"The House side on the provider tax and everything said, freeze it," Justice said. "Now there's a whole lot (of) different gyrations going on with that and everything. And there's other things that we just need to — just give us some time. We need to work our way through it."

Justice said he didn't plan to be a "rubber stamp" on anything and appeared to discourage GOP leaders from bringing the package to the floor next week ahead of their self-imposed Fourth of July deadline.

"I would love to get it done, like the president wants to get it done, by the Fourth of July. I would love for us to be able to do that and everything," Justice said. "But I think, way more importantly than anything, we got to get it right."

Other Medicaid issues

Alaska Sen. Lisa Murkowski declined to weigh in on the changes to the Medicaid provider tax rate since her state doesn't use it the way many others do.

"I don't have a dog in that fight, because we don't have provider taxes in Alaska," Murkowski said. "We're the only state that's actually maybe playing by the rules."

But Murkowski told reporters she does have issues with other ways the legislation would change Medicaid, the state-federal health program for lower income people, and expects the bill will undergo revisions before a final floor vote.

"I don't think it's going to stay in this form, let's just put it that way," Murkowski said.

Wisconsin Sen. Ron Johnson said he'd vote against the package if leaders bring it to the floor next week as planned and said he expects that if they rush floor consideration, the entire bill will fail to pass.

"I hope not because my guess is it'll fail and I don't want to see it fail. I want this thing to succeed," Johnson said. "Again, the ball has been in the Senate court for two weeks — two weeks. But now we're seeing language. Now we're finally seriously considering some of these ideas, let's have time to seriously consider it and hopefully get them incorporated in the bill."

The House voted mostly along party lines to approve its version of the package in late May, but Senate Republicans have been reworking the bill in the weeks since.

Among the changes in the Senate, Republicans plan to raise the country's debt limit by $5 trillion, a full $1 trillion more than House GOP lawmakers proposed in their version.

Possible recess delay

Arkansas Sen. John Boozman said that if the Senate doesn't vote to approve the package the week of June 23, they'll likely stay in town the following week to debate the bill, instead of heading home for the Fourth of July week break.

But he cautioned that "the longer it hangs out, the more difficult it is" to pass.

Iowa Sen. Chuck Grassley declined to answer questions about whether he supports or wants to change his chamber's newly unveiled Medicaid provisions.

"Ask me that question in a couple days because there's still discussion going on about it," he said.

Sen. James Lankford praised aspects of the bill, including, "long-term tax policy that's actually permanent," which he said is "important for individuals and for small businesses."

"We're doing the full expensing, making that permanent — that doesn't change a dollar as far as the income coming into the Treasury, but very significant for our economy," the Oklahoma Republican said.

Lankford said he also likes "the R&D tax credit piece to make sure we're competing with China on it," "modernization of the air traffic control system," as well as "some dollars that are going to border security, which has been very important to me, which they have been asking for for a long time and trying to get into structural things to the border that are needed there."

This story was published by Stateline on June 19, 2025. It is republished with permission.
