



May 9, 2025

The Honorable Mike Johnson
Speaker
United States House of Representatives
Washington, DC 20515

The Honorable Hakeem Jeffries
Minority Leader
United States House of Representatives
Washington, DC 20515

The Honorable Brett Guthrie
Chairman
Energy & Commerce Committee
United States House of Representatives
Washington, DC 20515

The Honorable Frank Pallone
Ranking Member
Energy & Commerce Committee
United States House of Representatives
Washington, DC 20515

RE: CALIFORNIA HEALTH CARE LEADERS' RESPONSE TO FREEDOM CAUCUS RECOMMENDATIONS TO CUT MEDICAID

Dear Speaker Johnson, Minority Leader Jeffries, Chairman Guthrie, and Ranking Member Pallone,

On behalf of the undersigned health care organizations and the 15 million Californians covered by Medicaid whom we serve, we are writing in response to the Freedom Caucus letter to House Colleagues dated May 1, 2025. The letter urges devastating cuts to the Medicaid program that would hurt every American, threaten the viability of our nation's health care system, and drive up costs for all. The proposed Medicaid cuts threaten care for millions of children, seniors, veterans, people with disabilities, and low-income working adults with chronic conditions. Not to mention the severe harm cuts would inflict on the economic well-being of every rural community.

The letter contains multiple inaccuracies, mischaracterizations, and false assumptions that must be corrected:

- **The letter states that California's managed care organization (MCO) tax allows federal**

funds to be utilized inappropriately. The truth is that California’s MCO tax law, under Proposition 35, is explicit in that all MCO tax revenue must be dedicated to Medicaid services, and the state cannot supplant existing state Medicaid funding with federal dollars. California’s MCO tax increases rates for providers to improve access to cost-effective primary and specialty care and shore up front-line emergency departments and rural hospitals. It also invests in clinical training to address health care professional shortages in rural areas, so patients have better access to preventative care and services to manage chronic conditions.

- **The letter calls for cuts to Medicaid for people who entered the program through expansion, by claiming federal support should be stripped for “able-bodied, working-age adults.”** The truth is that Medicaid expansion enables low-income working adults who do not have access to employer-sponsored insurance to continue to be gainfully employed. The majority of Medicaid expansion adults make less than \$21,000 per year and are not able to get coverage through their employers, so Medicaid is the insurer of last resort. In addition, nearly 70% of disabled adults enrolled in Medicaid did so via expansion. Expansion allows these adults to gain access to treatment and medications so they can work.
- **The letter calls on Congress to address “money laundering” by limiting provider and MCO taxes.** The truth is that provider and/or MCO taxes have been used for decades in 49 states, and only with regular approval by the federal government via a rigorous review process that complies with federal law.
- **The letter suggests that MCO taxes are wasteful and unnecessary.** The truth is that these resources have strengthened our nation, helping it through pandemics, economic recessions, natural disasters, and more. California’s MCO tax keeps hospitals open, nurses employed, doctors in practice, rural communities whole, and saves people’s lives. That is the opposite of wasteful.
- **The letter states that Texans are paying for California Medicaid patients.** The truth is that California taxpayers pay nearly \$85 billion more each year in federal taxes than they receive in federal funding. California plays a significant role in financing the nation’s Medicaid program and other services.

Beyond these facts, the direct impact of Medicaid cuts would be severe.

Medicaid Cuts Harm Everyone

As people lose coverage and become sick, they delay cost-effective primary and preventive health care services and are forced to eventually seek treatment in hospital emergency departments, the most expensive care setting. As more uninsured people get care in emergency departments, physician and hospital provider viability is threatened and insurance

premiums increase for everyone. Many rural hospitals, clinics, and doctors are already operating on thin or negative margins and will be forced to close, further reducing access to health care for all Americans.

Medicaid Cuts Mean Massive Job Losses

Medicaid cuts will result in hundreds of thousands of jobs being lost, bringing economic instability to communities across the nation. An estimated 477,000 health care jobs and another 411,000 related jobs are at risk due to the current proposals. State economies are estimated to lose \$95 billion in GDP in 2026 alone, a blow not only to local communities but the national economy as well. The loss of provider and MCO taxes alone would pull \$630 billion from the national health care system.

Medicaid provides care that has helped low-income adults work and care for their families. It has reduced health care costs by helping those with chronic conditions manage their illnesses. It has improved health outcomes and saved lives. We urge Congress to protect and support the hospitals, doctors, clinics, nursing homes, employers, the nation's taxpayers, and most importantly, those for whom Medicaid is a lifeline.

We applaud Congress' goals to strengthen the economy, as doing so will ensure that fewer people need the Medicaid safety net. We also support efforts to curb true waste, fraud, and abuse in the Medicaid program and are happy to discuss ways to help. We stand ready to work with you on these important goals, but we urge you to protect Medicaid.

Protect Our Health Care Coalition

Cc: House Republican Leadership

California Congressional Delegation