



CMS' Preliminary Provider Tax Guidance Is More Restrictive than H.R. 1 - What Advocates Should Know, and What They Can Do

What advocates should know: The “One Big Beautiful Bill Act” (OBBA or H.R. 1) imposes new restrictions on provider taxes, which provide critical funding sources for most state Medicaid programs. H.R. 1 drastically reduces federal Medicaid funding, potentially creating state budget gaps that jeopardize access to and quality of care. **Recent, preliminary CMS Guidance goes even further than H.R. 1 language itself – for example, by invalidating new or increased provider taxes implemented just before H.R. 1 was enacted.** If CMS formalizes this preliminary interpretation through rulemaking, some states risk losing even more Medicaid funding on an accelerated timeline.

What advocates can do: Provider tax advocacy is health advocacy! Advocates do *not* need to be tax experts to engage on this issue.

- **WHEN:** Engage with Medicaid officials and state and federal lawmakers early in 2026, before CMS issues formal rules on provider taxes.
- **KEY MESSAGE:** Provider taxes are crucial to funding many state Medicaid programs. Recent CMS guidance goes even further than H.R. 1 to limit how states can pay for Medicaid. If this interpretation is finalized, it could accelerate and amplify the impact of federal cuts on state budgets, placing beneficiaries and providers at risk.
- **WHO TO CONTACT:** Engage officials and lawmakers who are positioned to carry this message to federal decisionmakers at CMS and in Congress:
 - **State Medicaid Officials:** Raise the alarm that the CMS guidance is more restrictive than H.R. 1 and could soon be incorporated into formal rules. Ask how the guidance affects your state’s Medicaid program, including any timeline for budget and program changes, and how changes would impact Medicaid beneficiaries and providers.
 - **State Lawmakers:** Alert legislators and the governor’s office to the CMS guidance and pending rulemaking. Ask them how larger, more rapid provider tax cuts would affect the state budget. Encourage them to raise concerns about the CMS guidance interpretation with state officials including the Medicaid Director and leaders of relevant health agencies, the state’s congressional delegation, and CMS.
 - **Federal Legislators:** Urge your congressional delegation to discourage CMS from formalizing their restrictive guidance, which could undermine efforts elsewhere in OBBA to protect providers, hospitals, and vulnerable Medicaid enrollees.



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Additional Resources:

- For more about the guidance and how it goes beyond H.R. 1: [CMS Issues Preliminary Guidance on Provider Tax Grandfathering and Non-Uniform Tax Transition Periods](#)
- For more background on provider taxes and H.R. 1 implications: [Provider Taxes Cuts in H.R.1: What Do They Mean for State Medicaid Programs, and How Can States Make Up for Lost Federal Funds? What](#)