



July 15, 2025

Legislative Update: Senator Hawley Introduces Legislation to Repeal Portion of H.R. 1 Medicaid Cuts

Today, Senator Josh Hawley (R-MO) introduced legislation that would roll-back some of the impending cuts to federal Medicaid funding as mandated by [H.R. 1](#). The bill, titled the [Protect Medicaid and Rural Hospitals Act](#), would:

- **Repeal Cuts to Medicaid Provider Taxes:** The proposed bill would specifically strike Section 71115 of H.R. 1, reverting state Medicaid provider tax rates back to their pre-Big Beautiful Bill levels, which ranged from 3.5% to 6% nationwide.
 - Current statute requires Medicaid expansion states to reduce their provider tax rates by 0.5% annually until the hold harmless threshold reaches 3.5% in 2031. Non-expansion states may not increase their provider tax rates for two years.
- **Repeal Changes to Medicaid State Directed Payments:** Senator Hawley's proposed legislation would also repeal Section 71116 of H.R. 1, reverting state-directed payments to their pre-Big Beautiful Bill limit. The proposed legislation would also claw back the \$7 million appropriated annually from FY 2026 to FY 2033 for the purposes of implementing Section 71116.
 - Under current statute, Section 71116 establishes a new state-directed payment limit for non-Medicaid expansion states at 110% of the current Medicare rate, while reducing the state-directed payment limit to 100% of the Medicare rate for expansion states
- **Appropriate additional funding for the Rural Health Transformation program:** Senator Hawley's proposal would amend the existing Rural Health Transformation Fund by appropriating an additional \$50 billion to the program, to be disbursed annually in \$10 billion increments for FY 2031 to FY 2035. The proposal would double the total investment in the program to \$100 billion, while extending its duration from five to ten years.
 - Current statute appropriates \$50 billion for the Rural Health Transformation program, which CMS will disburse annually among the states with approved transformation plans for FY 2026 through FY 2030.