



Undoing Progress:

How the Democratic CR Undermines Rural Healthcare and Taxpayer Safeguards

EXECUTIVE SUMMARY

The Working Family Tax Cuts (WFTC), enacted under Republican leadership and President Donald J. Trump's administration, implemented pivotal reforms to the Medicaid program to enhance accountability, ensure sustainability, and strengthen healthcare delivery in rural America.

The legislation also established the Rural Hospital Transformation Program, closed the Provider Tax loophole that enabled misuse of federal Medicaid funds, and imposed new limits on federal reimbursements for emergency medical services provided to non-citizens. Together, these reforms represent a comprehensive modernization of Medicaid designed to prioritize program integrity, fiscal responsibility, and access to care for America's most vulnerable citizens.

In contrast, the Democratic Continuing Resolution—a \$1.5 trillion proposal—seeks to repeal all of these reforms (Page 57, Section 2141, "Repeal of Health Subtitle Changes"). Reversing these provisions would dismantle safeguards against waste and abuse, eliminate critical rural health investments, and expose taxpayers to hundreds of billions in new costs.

INTRODUCTION

Since its creation in 1965, Medicaid has served as a vital safety net for low-income Americans. Yet, over time, the program's complexity and rapid expansion have created fiscal and administrative challenges.

The WFTC addressed these long-standing issues through reforms that realigned Medicaid with its original mission: to serve citizens in need while maintaining fiscal sustainability. By reinforcing

eligibility standards, enhancing accountability, and targeting investments to underserved communities, the WFTC strengthened Medicaid's foundation for the long term.

This white paper examines the key reforms enacted through the WFTC, the fiscal and operational benefits they provide, and the potential consequences of their repeal under the Democratic CR.

I. STRENGTHENING RURAL HEALTHCARE: THE RURAL HOSPITAL TRANSFORMATION PROGRAM

BACKGROUND

Rural hospitals across America face mounting financial pressure, with closures disproportionately affecting communities already experiencing limited access to care. To address this crisis, Section 71401 of the WFTC established the Rural Hospital Transformation Program, appropriating \$50 billion to the Centers for Medicare and Medicaid Services (CMS) for Fiscal Years 2028–2032.

OBJECTIVES

- Improve access to hospital and emergency services in rural and medically underserved areas.
- Enhance the financial sustainability and operational efficiency of rural hospitals.
- Identify key drivers of hospital closures and develop strategies to prevent them.

IMPACT

This targeted investment supports states in stabilizing critical healthcare infrastructure and ensures that rural Americans, often located far from major medical centers, can continue to access essential services.

PROPOSED REPEAL

The Democratic Continuing Resolution repeals this program in its entirety, eliminating a cornerstone investment in rural healthcare, placing at-risk hospitals in further financial jeopardy and heightening the likelihood of service reductions, facility closures, and broader fiscal instability across rural healthcare systems.

Additionally, the Rural Hospital Transformation Program requires states to articulate strategies for deploying funds toward innovation, technology adoption (including telehealth expansion), and workforce development. Repeal of the program would curtail these forward-looking investments, reducing opportunities for systemic transformation and modernization within rural healthcare delivery models.

II. RESTORING FISCAL INTEGRITY: CLOSING THE PROVIDER TAX (CALIFORNIA'S MEDI-CAL) LOOPHOLE

BACKGROUND

A number of states, including California, have used provider tax schemes to artificially inflate state Medicaid expenditures and draw down excess federal funds. These funds have, in some cases, been redirected to provide benefits to individuals not lawfully present in the United States.

WFTC REFORM (SECTION 71115)

The WFTC eliminated this financing loophole by prohibiting states from using inflated provider taxes to manipulate federal matching funds. This reform ensures that Medicaid dollars are directed exclusively toward eligible populations, consistent with federal law.

FISCAL IMPACT

According to projections, closing this loophole is expected to save taxpayers \$191 billion between 2025 and 2034.

PROPOSED REPEAL

The Democratic CR would repeal Section 71115, reinstating a system that allows states to divert federal Medicaid dollars toward unauthorized uses and increasing exposure to waste, fraud, and abuse within the program.

III. PROTECTING TAXPAYERS: LIMITING FEDERAL PAYMENTS FOR NON-CITIZEN MEDICAID CLAIMS

BACKGROUND

Under the Affordable Care Act (“Obamacare”), states that expanded Medicaid eligibility receive a 90% federal match for expansion populations. Some states have used this enhanced federal contribution to pay for emergency medical services for non-citizens, effectively passing 90% of those costs onto the federal government.

WFTC REFORM (SECTION 71110)

The WFTC addressed this by capping federal reimbursements for emergency medical services provided to non-citizens at the state’s standard Federal Medical Assistance Percentage (FMAP) rate, which ranges from 50% to 83%, rather than the enhanced 90%.

FISCAL IMPACT

The Congressional Budget Office (CBO) estimates that this measure will save \$28 billion between 2025 and 2034, while ensuring that federal funds are used in accordance with program intent and eligibility laws.

PROPOSED REPEAL

The Democratic CR would rescind these limits, restoring the previous reimbursement structure that allows the federal government to pay the majority share of emergency medical claims for non-citizens—at a significant cost to U.S. taxpayers.

IV. FISCAL AND POLICY IMPLICATIONS

PROJECTED SAVINGS FROM WFTC REFORMS

Provision	Estimated Savings (2025–2034)
Provider Tax Loophole Closure	\$191 billion
Non-Citizen Payment Cap	\$28 billion
Total Estimated Savings	\$219 billion

Repealing these provisions would eliminate more than \$219 billion in projected taxpayer savings and erode the fiscal discipline achieved through WFTC reforms.

CONCLUSION

The Working Family Tax Cuts (WFTC) advanced a vision of Medicaid that balances compassion with accountability, prioritizing care for the most vulnerable Americans while ensuring that federal resources are used responsibly. The legislation's reforms to rural hospital funding, Medicaid financing practices, and federal reimbursements for non-citizen medical care collectively strengthen the long-term sustainability of the program.

By contrast, the Democratic Continuing Resolution would dismantle these reforms, reversing progress toward a more efficient, transparent, and equitable Medicaid system. Such a repeal would undermine rural healthcare stability, reintroduce opportunities for funding misuse, and impose unnecessary costs on American taxpayers.

Preserving the WFTC Medicaid reforms is essential to maintaining a Medicaid program that is financially sound, legally compliant, and capable of serving those it was designed to help.

Prepared by the House Republican Conference. October 10, 2025