

101 NORTH CARSON STREET  
CARSON CITY, NEVADA 89701-3713  
OFFICE: (775) 684-5670  
FAX NO.: (775) 684-5685



1 STATE OF NEVADA WAY  
LAS VEGAS, NEVADA 89119-4339  
OFFICE: (702) 486-2500  
FAX NO.: (702) 486-2505

# Office of the Governor

February 26, 2025

The Honorable Brett Guthrie  
Committee on Energy and Commerce  
2125 Rayburn House Office Building  
Washington, DC 20515

The Honorable Mike Crapo  
Senate Finance Committee  
219 Dirksen Senate Office Building  
Washington, DC 20510

Dear Chairmen Crapo and Guthrie:

I'm writing to address the potential impact of proposed changes to Medicaid funding on the State of Nevada. As the largest payer of health care in our state, Medicaid plays a critical role in both our budget and the well-being of our residents. This essential safety net program provides coverage for low-income individuals, children, seniors, and people with disabilities, ensuring access to necessary care. Its stability is vital not only for the health of Nevadans but also for preventing additional strain on an already burdened health care system, including providers and emergency rooms.

While reducing federal spending and taxes is essential to the nation's economic stability, critical programs like Medicaid require thoughtful consideration and a longer transition period for states to assess impacts and collaborate with the federal government. Medicaid not only provides care for the most vulnerable Nevadans but also drives significant economic activity within the state's health care sector. Sudden funding reductions would disrupt this balance, making it difficult for Nevada to responsibly plan for and manage these changes. While ultimate funding decisions rest with the Administration and Congress, it is imperative that federal policymakers fully consider the consequences for states if these proposals move forward.

Of the various proposals being contemplated at the federal level, the following would be most detrimental for Nevada.

Rolling Back Critical Expansion Population Funding: In the 2013 session of the Legislature, Nevada expanded Medicaid to help close the coverage gap for hundreds of thousands of Nevadans who could not afford the cost of private health insurance. This expansion has resulted in significant gains for Nevada's health care system, including reducing the state's uninsured rate, which, at that time, was the fifth highest in the nation.

If Congress rolls back enhanced federal funding for this expansion population, it will have serious consequences for Nevada's budget. This change alone could result in a \$1.85 billion loss in federal funds over the next two years, putting at risk the state's capacity to maintain coverage for approximately 300,000 Nevadans. Nevada could not absorb a federal funding loss of this magnitude without major cuts to Medicaid and other state programs.

Limiting Federal Funding with a Per Capita Cap Model: Although the specifics of the proposal have not yet been formally released, an initial state analysis estimates that federal funding losses sourced to a per capita model could range from \$590.2 million to \$3.15 billion over the 2025-2027 biennium. This range depends on factors such as the base year and trend rate used to calculate federal spending. If this proposal is coupled with a reduction in enhanced federal funding for the expansion population, the projected losses would be significantly higher, ranging from \$1.5 billion to \$5.3 billion over the same two-year period.

Nevada has demonstrated that federal investment in the state's Medicaid program has improved both health outcomes and productivity, yet challenges remain. By leveraging federal funding, the state has expanded access to school health services, lowered the uninsured rate, and made significant progress in enhancing behavioral health care for both children and adults. As one of the fastest-growing states in the nation, Nevada must retain the flexibility to adapt to demographic and population shifts, and limitations on Medicaid funding would clearly hinder that ability.

Lowering the Safe Harbor for Provider Taxes for Hospitals: Hospitals across Nevada, especially in rural areas, are struggling with rising patient volumes and uncompensated care. A proposed reduction in the federal safe harbor for provider taxes from 6% to 4% would place a significant financial strain on more than 43 hospitals statewide. This change would directly limit the hospital tax revenues Nevada can leverage to supplement Medicaid payments through the state's hospital tax and payment program, resulting in a projected \$693 million reduction in supplemental payments for Nevada hospitals during the 2025-2027 biennium.

Moreover, this change would diminish Nevada's capacity to comply with its recently signed settlement agreement with the U.S. Department of Justice for children with behavioral health disabilities. Currently, state law allows for a portion of hospital provider tax revenues to be used to finance new home and community-based services for this child population through Medicaid. An initial estimate indicate that this proposal would reduce tax revenues available for children's behavioral health care by approximately \$30 million, which, when matched with available federal Medicaid funds, would result in a loss of \$80 million in Medicaid coverage.

Beyond its role in providing care to vulnerable populations, Medicaid funding has also contributed to the growth and stability of Nevada's health care economy. Hospitals, clinics, and providers across the state depend on Medicaid reimbursements to sustain operations, maintain staffing levels, and invest in critical services. An abrupt reduction in federal funding would not only disrupt care for those who rely on Medicaid but would also destabilize public and private health care providers, leading to workforce reductions, service limitations, and financial strain on already overburdened hospitals. I would respectfully submit that any changes to Medicaid's funding structure must account for these broader economic implications to ensure continuity of care and the financial viability of Nevada's health care system.

As federal proposals to reform Medicaid continue to take shape, my office intends to remain actively engaged in discussions at both the state and federal levels. If enacted, these proposals would fundamentally alter Medicaid financing, leaving states – like Nevada – without the time or budget necessary to plan for responsible implementation. While I support a comprehensive review of federal spending and efforts to reduce reliance on government, I urge federal policymakers to take a measured and responsible approach to any changes in Medicaid funding. This includes implementing a phased-in timeline to minimize disruptions to state budgets, health care systems, and the vulnerable Nevadans who rely on Medicaid.

Nevada remains committed to being a constructive partner in efforts to ensure fiscal responsibility at the federal level, but funding cuts alone will not resolve the root causes of Washington’s budgetary challenges or the rising cost of health care. The proposed reductions would put lives at risk in Nevada, and the state would be unable to absorb the impact without significant disruption. Rather than indiscriminate cuts, states need better tools and federal support to control costs, reduce waste, and enhance program quality. This includes advancing solutions to curb the escalating cost of prescription drugs, strengthen efforts to prevent fraud, waste, and abuse in Medicaid, and eliminating burdensome federal regulations that drive up costs for technology and vendor services. I welcome the opportunity to continue this dialogue as Congress considers policies to improve Medicaid’s long-term sustainability.

If you have any questions or concerns about the items discussed in this letter, please do not hesitate to reach out to Chief of Staff, Ryan Cherry, at (775) 684 – 5670.

Sincerely,



Governor Joe Lombardo  
State of Nevada

Cc: The Honorable Catherine Cortez Masto  
The Honorable Jacky Rosen  
The Honorable Mark Amodei  
The Honorable Dina Titus  
The Honorable Susie Lee  
The Honorable Steven Horsford