

Vol. 70, Issue 29

Thursday, July 23, 2026

CMS Releases Proposed Provider Tax Rule

Proposed rule consistent with Wisconsin's approved DPP

On July 21, CMS finally unveiled its long-awaited proposed rule implementing the provider tax changes associated with HR 1 (i.e. the One Big Beautiful Bill Act (OBBBA)), along with a summary fact sheet of the proposed rule.

WHA has been actively following CMS activity on this proposed rule, after working closely with Republicans and Democrats in the State Legislature and Governor Evers to enact a historic expansion of Wisconsin's state directed payment program and provider tax in last summer's state budget. The expansion was designed to help reduce the chronic Medicaid underfunding of hospital services in Wisconsin. Through the program, Wisconsin hospitals are expected to receive approximately \$740 million annually in new Medicaid reimbursements. This will roughly cut in half the \$1.3 billion hospitals lost in 2024 providing care to Medicaid patients. However, starting in 2028, the overall amount of funding will be reduced by 10% annually until directed Medicaid payments reach a rate that CMS determines is 110% of Medicare rates, per the requirements of the OBBBA.

As reported in a recent edition of *The Valued Voice*, on May 15, CMS approved Wisconsin's application (or "preprint") for its calendar year 2026 state directed payment program with this increase in Medicaid funding. After CMS approved Wisconsin's 2026 Medicaid hospital preprint, federal officials also notified the state's Medicaid leadership that Wisconsin's directed payment program and provider tax would be grandfathered pursuant to the OBBBA.

While WHA will be evaluating this rule in full, it appears to be consistent with Wisconsin's prior approval. Specifically, it includes important changes to the problematic November 14, 2025 preliminary guidance from CMS specifically related to the definitions of "enacted" and "imposes." These changes clarify that a provider tax will be considered enacted so long as the legislative process was completed as of July 4, 2025 (which Wisconsin's provider tax was), and so long as a state has imposed the tax as of July 4, 2025 (which Wisconsin did also).

Crucially, the rule also clarifies that if a state needed approval of a broad-based tax waiver, as Wisconsin did, the provider tax would still be considered eligible for grandfathering if an approved waiver has an effective date of July 4, 2025, or earlier. Wisconsin's approved broad-based tax waiver meets this requirement as it was effective July 1, 2025.

"Congressman Steil and the Evers Administration played leading roles in advocating for CMS approval of Wisconsin's state directed payment program," said WHA President & CEO Kyle O'Brien. "We are very grateful for their leadership and the bipartisan support of Wisconsin's congressional delegation and state legislative leaders throughout this process. While hospitals still face significant Medicaid losses in Wisconsin—even after the new state directed payment program is in place—CMS' action ensures that we are not disadvantaged compared to other states by approving significantly increased federal Medicaid funding to Wisconsin hospitals," added O'Brien.

WHA is continuing to evaluate the rule and is in contact with Wisconsin's Medicaid program leaders as they review the proposed rule as well to ensure we fully understand its provisions. WHA anticipates providing comments by the September 21 deadline.

IN THIS ISSUE

- President's Column: Don't Be Fooled by Headlines on Hospital Transparency
- House E&C and Senate HELP Committees Advance Price Transparency Proposals
- CMS Releases Proposed Provider Tax Rule
- Wisconsin Hospitals State PAC & Conduit Campaign Continues Strong Momentum
- WHA Submits Comments on CMS' State Directed Payment Rule
- Board of Nursing Allows Expanded Role for 4-Year RNs as Clinical Faculty
- Grant Opportunities and Slippery Slopes

- [Relieve Workforce Burden – Register Today for Part 2 of the WHA WI Health Care Workforce Webinar Series](#)
- [WHA to Convene Inaugural Caring for Wisconsin’s Caregivers: Workforce Well-being Summit](#)

EDUCATION EVENTS

Jul. 27, 2026

[EMTALA Regulatory Series: Part Three](#)

Aug. 4, 2026

[Seeing the Real Market: Using Claims Enhanced Intelligence to Make Better Strategy, Access, and Growth Decisions](#)

Aug. 18, 2026

[Culture College – Breakthrough Strategies for Creating and Sustaining a Magnetic Culture](#)