

AMERICA'S PHYSICIAN GROUPS

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Contact: Jenifer Callahan, Chief of Staff, APG

jcallahan@apg.org

Phone: (703) 282-3027

Without Changes, Proposed Federal Rule On State-Directed Payments In Medicaid Will Damage Value-Based Care And Harm Patients, Providers, And The Health Care System

Washington, DC, July 21, 2026 – In [comments](#) filed today, America's Physician Groups wrote that State-Directed Payments (SDPs) in Medicaid have been a vitally important mechanism to preserve beneficiaries' access to care by directing Medicaid managed care organizations (MCOs) to pay above-Medicaid rates – and even above-Medicare rates -- to specified types of health care providers. But it also warned that a [proposed rule](#) released by the Centers for Medicare & Medicaid Services (CMS) on SDPs constituted a “blunt-instrument approach” to limiting such payments that would have harmful effects. Without substantial changes, APG wrote, implementation of the rule could “ultimately cause more physicians and other clinicians to cease providing care to Medicaid patients and make it impossible for Medicaid managed care organizations to maintain adequate networks of providers to care for patients.”

“Implemented as currently proposed, the rule would also imperil the operating model of APG groups -- which depends on providing high quality and cost-effective care to insured patients, whose coverage is provided by entities with which provider groups can negotiate appropriate payment arrangements,” APG's President and Chief Executive Officer Susan Dentzer wrote in the comment letter. “Along with multiple other parties that have considered the proposed rule, APG also believes that, as currently written, its provisions would exceed Congressional direction in the underlying law; introduce significant operational uncertainty; harm beneficiaries' access to care, including high quality and cost-effective care; and thwart the ongoing progress within the health care system toward value-based care.”

The CMS proposed rule is aimed at implementing provisions of the 2025 reconciliation law regarding SDPs, but it goes substantially beyond the provisions of the law in multiple ways, as APG detailed in its comment letter. APG offered numerous suggestions for how CMS could revise the rule before it is finalized to mitigate the untoward effects on Medicaid beneficiaries, health care providers, and the health care system, including protecting SDPs that support value-based care and delivery system transformation, and working collaboratively with physician organizations, states, and Medicaid managed care plans to ensure that Medicaid payment policy “advances both fiscal integrity and access to high-quality care.” APG looks forward to continuing to work with the

agency and with the broad group of health care stakeholders that also seek revisions in the proposed regulation.

About America's Physician Groups

APG's more than 300 physician groups comprise roughly 260,000 physicians and other clinicians providing care to nearly 90 million patients, including an estimated 1 in 4 Americans and 1 in 3 Medicare Advantage enrollees. APG's motto, 'Taking Responsibility for America's Health,' represents our members' commitment to clinically integrated, coordinated, value-based health care in which physician groups are accountable for the costs and quality of patient care. Visit us at www.apg.org.

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