

## The Truth about Provider Taxes in Medicaid

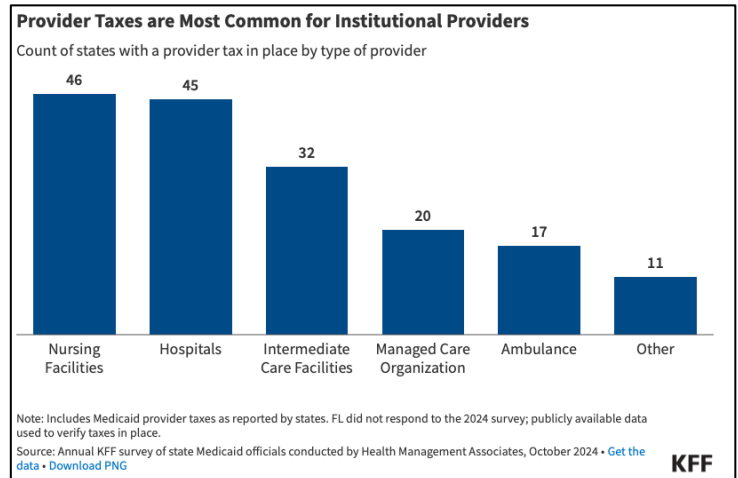
### Provider taxes fund services

Medicaid is jointly financed by states and the federal government, and states must raise revenue to finance their share. States do this in a variety of ways, including through general fund revenue and taxes on health care providers. Restricting states' uses of provider taxes will cause major strain on state budgets and will put access to care at risk for millions of people who rely on Medicaid, including children, seniors, and people with disabilities.

### Provider taxes are legal and widely used

Provider taxes are health care-related fees, assessments, or other mandatory payments states place on health care providers to help finance the state's share of Medicaid expenditures.

Provider taxes are outlined in law (PL 102-234) and regulated and approved by the Centers for Medicare and Medicaid Services (CMS). They must be broad-based and apply to all health care providers in a certain category.



All states except Alaska have at least one health care related tax to raise the non-federal share of their Medicaid spending. According to the Government Accountability Office, 17% of overall state Medicaid funds come from provider taxes.<sup>1</sup>

### Further limiting provider taxes means cuts to services

If limits are placed on provider taxes, states would face significant financing gaps and would need to consider cuts to their Medicaid program, including to cuts to benefits and services. This would also include cuts to rates that directly impact access to care for Medicaid enrollees. Proposals to further limit provider taxes only create estimated savings because of the resulting cuts to benefits, eligibility, or providers' payment rates.

States would be unable to replace these revenues with other taxes, leading to cuts in Medicaid or cuts in other areas of the state budget, like education. Pressure on state budgets creates the greatest risks for optional programs, like prescription drugs, or the services that people with disabilities and older adults use to stay in their homes and communities, in addition to rates to providers who provide access to care for Medicaid enrollees, including 37 million children.

The Partnership for Medicaid stands ready to work with policymakers to identify sustainable strategies to strengthen Medicaid and improve on its promise of providing high quality coverage and access to care for populations in need.

<sup>1</sup> <https://www.gao.gov/products/gao-21-98>, pg. 17