

Medicaid Provider Taxes Protect Californians' Access to Care

Medicaid provider taxes are a cornerstone of the Medicaid financing structure.

Without federal revenue generated from these taxes, reimbursement for care provided to patients covered by Medicaid would be woefully insufficient and health care access would be at grave risk. For many hospitals, losing this revenue would mean closure of service lines; for others, it would threaten their viability altogether.

Cutting Medicaid means millions of Americans — regardless of what type of insurance they have — would lose access to their health care providers.

Medicaid and California's hospital tax

- In California, Medicaid pays 80 cents for each dollar spent on care; without the additional payments from the hospital tax, reimbursement would drop to just 70 cents on the dollar.
- The **federal Medicaid statute expressly authorizes provider taxes** as permissible sources of funding the nonfederal share of program expenditures, in recognition of finite state revenue sources.
- State Medicaid agencies work closely with CMS to ensure provider taxes comply with all federal requirements and CMS must approve every program year after year. California's hospital tax program has been approved for more than 10 years.
- Forty-five states rely on a form of a hospital tax. California's hospital tax program is broadly similar to states such as Indiana, Tennessee, West Virginia, Georgia, and Nebraska.
- Approximately one-third of Californians are covered by Medicaid — nearly 15 million people. Without the hospital field's ability to self-finance additional payments via the hospital tax, some 150 hospitals in California would lose money — greatly increasing the risk of service line and facility closures.
- Hospitals pay provider taxes to the state before receiving any federal funds to care for patients. This is increasingly difficult to do with more than half of hospitals in California currently losing money.

FAST FACTS ABOUT MEDICAID PROVIDER TAXES

- They are part of 49 state Medicaid programs.
- They are rigorously reviewed by the Centers for Medicare & Medicaid Services (CMS).
- They are vital to ensuring access to health care services.
- They are a financial pillar for urban and rural safety net providers.