

Provider Taxes Ensure Patient Access to Care

Hospitals treat every patient who walks through the door, and when those patients lack coverage, providers bear the cost. Provider taxes help offset unpaid costs of care for Medicaid services instead of increasing the burden on taxpayers. Congress must protect Medicaid funding, including provider taxes and state-directed payments, which ensures hardworking Americans and families have access to affordable health care.



Medicaid Ensures Critical Access to Health Care Coverage for the Most Vulnerable

- Half of all children under 19 have access to critical pediatric care through Medicaid and CHIP.¹
- Medicaid ensures more than 7 million seniors have access to care, including long-term or nursing home care, which is largely not covered by Medicare.²
- Medicaid is the largest payer of behavioral health and substance abuse treatment, and provider taxes play a critical role in ensuring patient access to providers including, primary care, hospital services, long-term care, and behavioral health care.³



Provider Taxes Allow States to Cover Medicaid Benefits by Taxing Providers, Not Families or Local Businesses

- States have used provider taxes to help finance Medicaid since the program's inception. Every single state, except Alaska, relies on one or more provider taxes to help finance their Medicaid program.⁴
- Provider taxes are developed through an open and transparent process, reviewed by CMS, passed by the state legislature, enacted into law by the governor, and with procedures for regulatory oversight and compliance.⁵
- CMS ensures that the taxes are broad-based, uniform, and do not guarantee that a provider will be repaid for all or a portion of a tax.

¹ ["Medicaid and CHIP Eligibility Operations and Enrollment Snapshot,"](#) (October 2024)

² ["Seniors & Medicare and Medicaid Enrollees,"](#) Medicaid.gov, accessed January 31, 2025

³ ["Characteristics of Mothers by Source of Payment for the Delivery,"](#) NCHS Data Brief (May 25, 2023)

⁴ ["Health Care-Related Taxes in Medicaid,"](#) MACPAC Issue Brief (May 2021)

⁵ Sections [202 & 203](#) of the Consolidated Appropriations Act of 2021



Provider Taxes Allow Hospitals to Stay Open and Provide Critical Care

- Medicaid makes up on average nearly 20% of a hospital's payer mix,⁶ with many providers treating a far greater proportion of Medicaid beneficiaries.
- However, Medicaid base rates inadequately cover the cost of providing care, and considerable research has shown that low Medicaid payments rates are a key reason why few providers accept Medicaid patients.⁷
- According to recent AHA analysis of 2023 data, the difference between the hospital's costs of serving Medicaid patients and the payment it receives was a shortfall of \$27.5 billion.⁸
- The number of Medicaid patients — and the costs for treating them — stay the same regardless of how Medicaid programs are financed. Reducing states' ability to use permissible provider taxes will end up shifting costs to providers, exacerbating recent trends in hospital and nursing facility closures.
- In contrast, reducing gaps in payment between Medicaid and other payers helps ensure that doctors can take Medicaid patients, nursing homes can provide care for low-income seniors, and hospitals can be adequately reimbursed for providing 24/7 care.



Provider Taxes and State-Directed Payments Protect Seniors' Long-Term Care

- Medicaid is the primary payer for over 60 percent of nursing home residents.⁹ When reimbursement is too low, providers will not participate in the Medicaid program, leading to long waiting times, delays, and foregone care for patients when nursing homes limit the number of Medicaid patients they will receive.
- A recent study in California showed Medicaid patients were 2.5 times more likely to experience discharge delays.¹⁰



Provider Taxes Are Critical for States to Balance Their Budgets, Especially in Economic Downturns

- In FY 2024 and 2025, states reported rising labor costs due to inflation and health care workforce shortages, increasing the financial strain on health care facilities, particularly those serving vulnerable seniors.¹¹
- Absent provider taxes, states would be faced with the difficult choice of limiting coverage or benefits or increasing individuals' tax burdens in the form of property, income, or sales taxes.

⁶ ["Breaking down U.S. hospital payer mixes,"](#) Definitive Healthcare (July 12, 2024)

⁷ ["Physician Acceptance of New Medicaid Patients,"](#) MACPAC (June 2021)

⁸ [AHA Medicaid Fact Sheet](#) (February 2025)

⁹ ["Access to Care Report,"](#) AHCA (August 2024)

¹⁰ ["Growing Discharge Delays Leading to Hospital Overcrowding, Other Problems,"](#) CHA (October 16, 2023)

¹¹ ["Results from an Annual Medicaid Budget Survey for State Fiscal Years 2024 and 2025,"](#) KFF (October 23, 2024)