Congress Must Retain State Flexibility in Funding Medicaid

Managing State Medicaid Programs

States use provider assessments, also called provider taxes, to help fund Medicaid programs. Currently, 49 states and the District of Columbia use provider assessments in some form to help pay for the non-federal share of Medicaid. Provider assessments enable states to maintain a stable, functioning Medicaid program.

Even though they are being taxed, providers generally support these assessments because they benefit from their state’s maintenance of a strong Medicaid program.

Federal Medicaid law requires that provider assessments be broad-based and uniformly imposed. Further, federal laws and regulations guard against misuse of provider assessments by states that seek to receive higher federal matching rates than statutorily allowed.

Shifting Costs onto States

Cuts to provider assessments do not increase efficiency or performance—they simply shift costs onto states as they continue to face fiscal struggles.

Without this revenue stream, states would be forced to find revenue from other sources, such as increased income, property, or sales taxes. States also could be forced to dramatically scale back Medicaid, which would shift the high costs of indigent care onto local governments, providers, and beneficiaries.

Impact to Beneficiaries

Cutting provider assessments hurts patients. When states cut back on Medicaid, local governments and essential hospitals—those that serve a safety net role in their communities and deliver large volumes of uncompensated care—bear the brunt of the cost burden.

The cost shift trail ultimately reduces the care available for Medicaid beneficiaries, which means vulnerable populations may be denied coverage and benefits at a time when they need them the most.

Our Ask

Essential hospitals urge Congress to oppose reductions to or elimination of provider assessments.

We ask that Congress protect Medicaid patients’ access to care.

America’s Essential Hospitals and its members urge Congress to recognize that cutting provider assessments shifts costs onto states, which eventually trickles down to providers and, ultimately, to millions of people who rely on Medicaid for their health care.

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