

# RECONCILIATION ASKS



Protect Medicaid by preserving provider taxes and supplemental payment programs. These key sources of Medicaid funding and provider payments help ensure that over 70 million Americans have access to quality healthcare. If reduced or cut, people across the country will face an increase in property or sales taxes as an offset, effectively shifting the burden onto homeowners and small businesses.

## **ASK:** Maintain existing provider tax requirements and protect supplemental payment programs.

### WHAT IS A PROVIDER TAX?

- Federal Medicaid statute and regulation permit states to generate their share of Medicaid funding through a variety of sources, including provider taxes.
- Provider taxes must comply with three federal requirements: they must be uniform and broad-based and cannot hold providers paying the tax harmless. Currently, the hold harmless requirement can be satisfied under a longstanding safe harbor if the tax does not exceed 6 percent of patient revenues (the “safe harbor”).
- Currently all states except Alaska have implemented at least one provider tax.
- Many states rely on provider tax proceeds to fund the non-federal share of supplemental payment programs.

### WHAT ARE THE CONSEQUENCES OF CUTTING THE PROVIDER TAX SAFE HARBOR?

- States would face significant gaps in Medicaid funding, forcing states to (1) limit Medicaid eligibility, cut Medicaid services and reduce provider reimbursement, including supplemental payments; and/or (2) shift the burden to local taxpayers through increases in sales, property and/or income taxes to offset the loss in provider tax proceeds.

### WHAT ARE MEDICAID SUPPLEMENTAL PAYMENTS?

- Payments in addition to providers' base payments that reimburse providers for uncompensated costs associated with services already provided to Medicaid and uninsured patients.
- Supplemental payments include UPL payments, DSH, waiver payments and state-directed payments.

### WHY DO SUPPLEMENTAL PAYMENTS MATTER?

- Supplemental payments are critical for hospitals, particularly rural hospitals, to continue serving their communities. Nearly 50% of all rural hospitals operate at a loss, with states like Arkansas, Mississippi, and Kansas having the highest percentages of rural hospitals at risk of closure.

### WHAT ARE THE MISCONCEPTIONS AROUND PROVIDER TAXES AND SUPPLEMENTAL PAYMENT PROGRAMS?

- Critics labeling Medicaid supplemental payments and state-directed payments as a “slush fund,” and provider taxes as “money laundering,” are spreading dangerous misconceptions. Providers taxes and supplemental payments are essential for maintaining healthcare infrastructure, especially in fiscally conservative and rural states.
- Supplemental payments are not superfluous; they are vital for ensuring access to care for vulnerable populations and maintaining the overall health care system's stability.
- Efforts to reduce fraud, waste, and abuse in Medicaid should focus on areas like managed care organization (MCO) taxes, which have been identified as potential sources of inefficiency.



**Proposals to reduce or eliminate Medicaid provider taxes and supplemental payments threaten the financial viability of hospitals, particularly in conservative and rural states, and jeopardize access to care for millions of Americans.**