

THE ISSUE

Medicaid Provider Assessments

The Medicaid provider assessments program has allowed state governments to expand coverage, fill budget gaps and maintain patient access to health services by avoiding additional provider payment cuts. Some policymakers have called for restricting states' ability to use this program. The president's fiscal year (FY) 2013 budget proposed to phase down, but not eliminate, Medicaid provider assessments beginning in 2015. The administration estimated this would save \$21.8 billion over 10 years.

The House approved its FY 2013 budget reconciliation package with cuts to Medicaid provider assessments of \$11.2 billion over 10 years. The Simpson-Bowles deficit commission also recommended restricting, and eventually eliminating, states' ability to finance a portion of their Medicaid spending by imposing assessments on health care providers who are paid by the Medicaid program. This proposal to eventually eliminate provider assessments would result in estimated reductions of \$44 billion in the Medicaid program by 2020.

AHA POSITION

Reject options that restrict states' ability to partially fund Medicaid programs using provider assessments.

WHY?

- Provider assessment cuts are just another name for Medicaid cuts and harm the millions of children, poor and disabled Americans who rely upon this vital program.
- Further cuts to hospital funding would put enormous pressure on already stretched state budgets and could jeopardize this critical health care safety-net program.
- Hospitals already experience payment shortfalls when treating Medicaid patients. Medicaid, on average, covers only 89 cents of every dollar spent treating Medicaid patients. Changes to the provider assessment program would further exacerbate this problem.
- Currently, 58 million low-income Americans rely on the Medicaid program to provide access to health care. With the implementation of the *Patient Protection and Affordable Care Act* (ACA), up to 11 million more people may be enrolled in Medicaid beginning in 2014 (based on July 2012 Congressional Budget Office estimates). Any reduction or elimination of Medicaid provider assessments would be on top of Medicaid cuts scheduled to take effect.

KEY FACTS

Over its 46-year history, Medicaid has become the nation's health care safety net, serving as a buffer to the perils of an uncertain economy by providing access to health services to those who cannot afford private insurance. This role has never been more critical than it is in today's struggling economy. Medicaid is the safety net for millions of Americans, and its coverage role is expanding under the ACA.

Nearly all states employ some form of provider assessments – on hospitals, intermediate care facilities, nursing homes, managed care organizations or

pharmaceuticals – as a means to obtain funds for their Medicaid programs.

A provider assessment, which also may be referred to as a fee or tax, is a mandatory payment imposed on providers by a state. Under federal law, these assessments cannot exceed 25 percent of the state share of Medicaid expenditures. Such an assessment must: be "broad based" (must cover at least all non-federal, non-public providers in a class – not just those who receive Medicaid payments); be applied uniformly to all providers in a class; and be without a "hold harmless"

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provision that would guarantee a provider an offset for any portion of the cost of the assessment.

According to the Kaiser Family Foundation, Medicaid covers:

- 1 in 3 children
- 1 in 3 births
- 8 million people with disabilities
- Nearly 9 million low-income Medicare beneficiaries
- 1 in 4 poor non-elderly adults

Medicaid is the major payer for long-term care services for low- and middle-income elderly. Medicaid pays for

seven out of 10 people living in nursing homes. More than a quarter of all mental health funding is from Medicaid. And according to the Kaiser Family Foundation, during the recession from 2007 to 2009, 6 million people were covered by Medicaid who would have otherwise gone without health care coverage.

The provider assessment program is a critical component to funding Medicaid programs across the country. The program deserves a thoughtful, deliberate reform process that ensures the nation meets its obligation to care for the neediest of our society.