FACTSHEET

Medicaid Provider Assessments

THE ISSUE

The Medicaid provider assessment program has allowed state governments to expand coverage, fill budget gaps and maintain patient access to health services to avoid additional provider payment cuts by helping states finance their portion of the joint federal/state program. Some policymakers have called for restricting states' ability to use assessments as a financing tool. 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 FY 2013 budget reconciliation package contained 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 use assessments on health care providers to finance a portion of their Medicaid spending. This proposal to eventually eliminate provider assessments would result in estimated reductions of $44 billion in the Medicaid program by 2020. The House Energy & Commerce Committee passed legislation earlier this year that would reduce the use of provider taxes by $4.6 billion starting Jan. 1.

Following a congressional request, the Government Accountability Office in July 2014 released a report on states' use of various sources of funds to finance the nonfederal share of Medicaid, such as provider assessments. This report found an increased reliance on providers and local governments and the need for more transparency around state financing methods and payments to providers. In addition, the Centers for Medicare & Medicaid Services (CMS) issued guidance on permissible health-related taxes in response to a May 2014 Department of Health and Human Services Office of Inspector General report on the taxing of Medicaid managed care plans.

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 that 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 90 cents of every dollar spent treating Medicaid patients. Changes to the provider assessment program would further exacerbate this problem.
- **More than 72 million low-income Americans rely on the Medicaid program to provide access to health care. With implementation of the Affordable Care Act (ACA), more than 15 million people are newly enrolled in Medicaid (based on May 2016 CMS estimates).** Any reduction or elimination of Medicaid provider assessments would be on top of Medicaid cuts made at the state level.

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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 for those who cannot afford private insurance. 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 pharmaceutical companies – 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); applied uniformly to all providers in a class; and without a "hold harmless" 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;
- More than 9 million low-income Medicare beneficiaries; and
- 1 in 4 poor non-elderly adults.

Medicaid also 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 examination to design reforms that ensure the nation meets its obligation to care for the neediest of our society.