

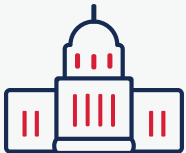
# 4 Things You Should Know About Medicaid Provider Taxes and Payments



- #1** Provider taxes are a **longstanding vital funding source for state Medicaid programs** for which the Centers for Medicare & Medicaid Services provides oversight.



- #2** States and providers rely on provider taxes to fund essential services and provide care for Medicaid beneficiaries. States use these funds to **support Medicaid coverage, children's behavioral health services, maternal care, rehabilitative services, and to offset low Medicaid payment rates.**
- In 2023, hospitals experienced a **-42% Medicaid margin for inpatient obstetrics care** and a **-44.9% Medicaid margin for outpatient obstetrics care**. These low payments are compounded by the fact that Medicaid pays for over 40% of births nationwide.



- #3** Federal law already limits the legitimate use of provider taxes. Efforts to further restrict this use **would be an enormous strain on state budgets** and could put at risk critical hospital and nursing home services for Medicaid beneficiaries and their communities.



- #4** Even with hospital and health system participation in provider taxes and supplemental payments, there continues to be a significant gap between reimbursement and the cost of serving Medicaid patients. **In 2023 alone, Medicaid underpaid hospitals and health systems by \$27.5 billion.**
- Medicaid has historically chronically underfunded payments for services. Without supplemental payments, Medicaid fee-for-services payments paid **less than 58 cents for every dollar that hospitals spent** caring for Medicaid patients in 2023, and Medicaid managed care organizations paid **less than 65 cents** over the same period.

*Industry benchmark data provided by Strata Decision Technology.*

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