

Provider Taxes Are Essential for State Budgets, Patients' Access to Care

Medicaid provides vital health care services to over 70 million Americans, including children, seniors and hardworking families.¹ As a joint federal-state program, states rely on taxes to help finance their share of Medicaid funding. By establishing a provider tax structure across hospitals, nursing homes and other providers, states can maintain stable and sustainable funding for Medicaid coverage and benefits without having to increase taxes on consumers through increased property, sales or income taxes. As a result, states have a consistent and stable source of Medicaid funding that can be independent from federal funding to the program.²

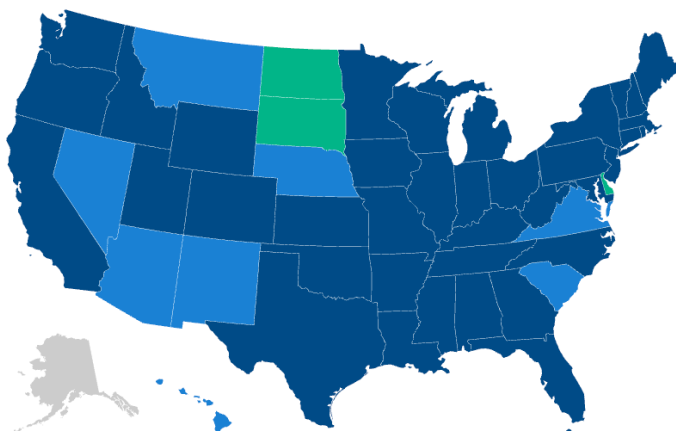
Congress must maintain stable Medicaid funding for the millions of Americans, including seniors, veterans, and children who rely on the program. Maintaining a consistent approach to provider taxes, which have been supported on a bipartisan basis, will ensure hardworking Americans and families have access to the health care they need.

Key Facts on Provider Taxes

Provider taxes give states critical financial flexibility to maintain Medicaid while also mitigating direct costs to taxpayers.

- Provider taxes have been used by states to help finance Medicaid since the inception of the program. These taxes support a wide range of essential health care services covered by Medicaid, including psychiatric support to emergency care to pregnancy and postpartum services.³
- 49 states and the District of Columbia utilize at least one provider tax to help fund their Medicaid program (see Figure 1).
 - States can tax providers, such as hospitals, nursing homes and other care specialists, up to 6% of net patient revenues. 37 states and the District of Columbia have at least one provider tax over 5.5% (see Figure 2). These taxes have been implemented on a bipartisan basis in both Democrat- and Republican-led states.

Figure 1: Number of Provider Taxes Per State (All states but Alaska Had at Least One in SFY 2024)⁴



3+ Provider Taxes/Fees (39 states including DC)
 2 Provider Taxes/Fees (8 states)
 1 Provider Tax/Fee (3 states)
 No Provider Taxes/Fees (1 state)

Note: SFY = state fiscal year. Includes Medicaid provider taxes as reported by states; refer to source for additional information about types of provider taxes in place. FL did not respond to the 2024 survey; publicly available data used to verify taxes in place.

Source: Annual KFF survey of state Medicaid officials conducted by Health Management Associates, October 2024

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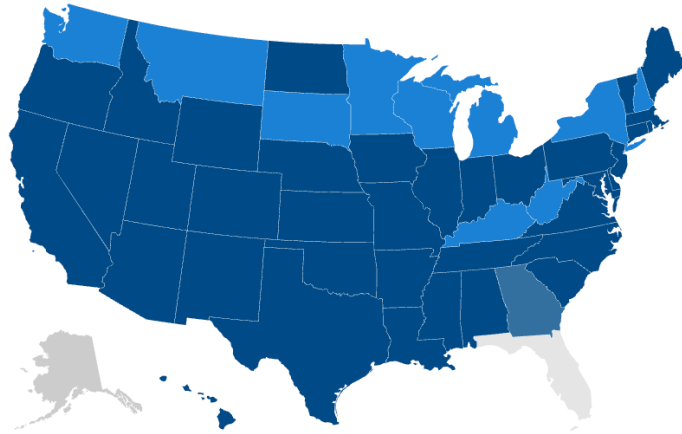
¹ ["October 2024 Medicaid & CHIP Enrollment Data Highlights"](#), Medicaid.gov (October 2024)

² ["Provider Taxes Ensure Patient Access to Care"](#), Federation of American Hospitals (March 2025)

³ ["Medicaid Provider Taxes: A Critical Source of Medicaid Funding for States"](#), Georgetown Center for Children and Families (February 2025)

⁴ ["Medicaid Financing: The Basics"](#), KFF (January 2025)

Figure 2: Percentage Level of Provider Tax Per State (Majority Have at Least One Over 5.5%, Close to Cap of 6%)⁵



At Least 1 Provider Tax/Fee Over 5.5% (38 states including DC)
At Least 1 Provider Tax/Fee Over 3.5% But None Over 5.5% (10 states)
(48 states including DC with at least 1 provider tax/fee over 3.5%)
No Provider Taxes/Fees Over 3.5% (1 state)
No Provider Taxes/Fees (1 state)
No Response (1 state)

Note: SFY = state fiscal year. Includes Medicaid provider taxes as reported by states; refer to source for additional information about types of provider taxes in place. FL did not respond to the 2024 survey; publicly available data used to verify taxes in place.

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Provider taxes are subject to rigorous oversight and regulation.

- The federal government uses an open and transparent process for developing provider taxes that involves the Centers for Medicare and Medicaid Services (CMS), state legislatures and governors.⁶
- Federal legislation also subjects provider taxes to extensive regulations and reporting requirements, requiring the tax to be broad-based and uniform across providers. Additionally, these taxes cannot hold providers who are paying the tax harmless, preventing any direct kickback measures.⁷

Reducing or cutting provider taxes entirely would be especially harmful to patients, including seniors, parents and children.

- Medicaid is the primary payor for over 60% of nursing home residents and covers half of all births in the U.S.^{8,9} In the absence of provider taxes, fewer providers will likely be able to participate in the Medicaid program, creating an access crisis across multiple states and rural communities on our most pressing health care issues.
- Eliminating or reducing provider taxes would create significant financial gaps for states, ultimately leading to destabilized budgets, reductions in provider services and loss of coverage for patients.¹⁰

Congress must block any potential changes to provider taxes to safeguard the stability of states' health care infrastructure and access to care for millions of patients.

⁵ Ibid.

⁶ Sections 202 & 203 of the Consolidated Appropriations Act of 2021

⁷ "Medicaid Provider Taxes: A Critical Source of Medicaid Funding for States," Georgetown Center for Children and Families (February 2025)

⁸ "Access to Care Report," AHCA (August 2024)

⁹ "Characteristics of Mothers by Source of Payment for the Delivery," NCHS Data Brief (May 25, 2023)

¹⁰ "Provider Taxes Ensure Patient Access to Care," Federation of American Hospitals (March 2025)