

## Provider Taxes

**What's In the Bill:** The Senate reconciliation text would lower the maximum allowable rate of provider taxes **from 6% to 3.5%** for all facilities other than nursing homes and intermediate care facilities in Medicaid expansion states. Both the Senate and House bills would prohibit all states from raising revenues to finance Medicaid through new or increased provider taxes. Both bills would also prohibit certain existing provider tax arrangements, substantially reducing funding to certain states for their Medicaid programs.

**Impact:** Imposing additional restrictions on states' ability to tax health care providers would create funding shortfalls for state budgets. Many states would struggle to compensate for the loss in revenue, leaving them with few options other than narrowing Medicaid eligibility and further reducing already low provider payment rates.

State Medicaid agencies may also respond to financial shortfalls which might otherwise be funded through provider taxes by reducing or eliminating optional benefits. This could lead to elimination of non-mandatory services for Medicaid enrollees, including certain mental health and substance use services, which are sometimes categorized as “optional” by State plans. This lack of coverage could result in individuals and families who cannot afford to pay out-of-pocket, forcing them to go without essential care or driving them into more costly forms of treatment like emergency rooms or jails.

**Bottom Line:** These changes could lead to community behavioral health organizations, hospitals and other providers being unable to offer the full continuum of mental health and substance use treatment services.

**Our Ask:** Congress should remove the restrictions on provider taxes from the reconciliation bills under consideration and allow states to retain discretion in using this critical tool to help states fund essential mental health and substance use services for those who need them most.

### **Talking Points:**

- Restrictions on provider taxes would shrink state Medicaid budgets, which will lead to reduced availability of mental health and substance use services.
- Community-based mental health and substance use treatment organizations often operate on thin margins and rely on Medicaid as a crucial funding source.
- Reducing Medicaid funding for states means program closures, staff layoffs, or service reductions, especially in rural and underserved areas.