



Medicaid Expansion in Your State: Provider Assessments

Prepared by: Corey Davis
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NHeLP has outlined 50 reasons for expanding Medicaid, including as reason No. 5:¹

The Medicaid Expansion will enable states to continue using health care provider assessments as part of their state matching funds. Although federal Medicaid funding to states is open-ended (i.e. a state entitlement), it is limited by a states' ability to raise its matching share. States have taken advantage of federal provisions that place assessments on hospitals and other health care providers that are then used to match (and draw down additional) federal dollars. Without the Medicaid Expansion, hospitals and other providers may be unwilling or unable to pay these assessments, resulting in the loss of federal funds and a negative impact on state and local governments.

Medicaid is the largest single source of federal revenue to the states, which derive a substantial part of that federal revenue by levying assessments on providers.² The funds generated by these assessments are used to pay for Medicaid services that receive federal funding, increasing the state's federal match.³ When states increase Medicaid provider rates to offset the assessment, states and beneficiaries gain with no adverse effect on providers.

States that expand Medicaid as required under the ACA stand to gain millions of dollars through these assessments – a win-win situation in which providers receive Medicaid dollars for services that are currently uncompensated and states receive more of the federal funds to which they are entitled. If a state fails to expand Medicaid, hospitals will be left providing similar amounts of uncompensated care even as they experience significant reductions in disproportionate share funding.⁴ This may leave them unwilling or unable to pay the assessment, leading to a vicious circle that hurts patients, providers, and the state.

States with Provider Assessments⁵

Hospital	Nursing Home
AL, AR, CA, CO, FL, GA, ID, IL, KS, KY, MA, MD, ME, MI, MN, MO, MS, MT, NH, NJ, NM, NY, OH, OR, PA, RI, SC, TN, UT, VT, WA, WI, WV	AL, AR, CA, CO, CT, DC, FL, GA, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME, MI, MS, MN, MO, MT, NC, NH, NJ, NY, NV, OH, OK, OR, PA, RI, TN, UT, VT, WA, WI, WV

¹ Jane Perkins, NHeLP, *50 Reasons Medicaid Expansion is Good for Your State* (2012), available at www.healthlaw.org.

² Gordon Bonnyman, Tenn. Justice Ctr., *Optimizing Federal Medicaid Revenues in Hard Times: A Primer* (2011), available at www.healthlaw.org.

³ See 42 U.S.C. § 1396b(w); 42 C.F.R. § 433.68; Cong. Research Serv., *Medicaid Provider Taxes* (2012).

⁴ Corey Davis, NHeLP, *Disproportionate Share Hospitals and the ACA*, at www.healthlaw.org.

⁵ Nat'l Conference of State Legislatures, *Health Care Provider and Industry Taxes/Fees*, at www.ncsl.org.