Policy Matters Ohio

PRESS RELEASE

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Federal provider tax restrictions

Without state action, billions in Medicaid funding are on the line

New Medicaid finance restrictions from last summer's federal budget bill (H.R. 1) could result in as much as **a $7.33 billion Ohio Medicaid funding shortfall** during the state's next budget cycle. However, if the Ohio legislature acts quickly, the state can avoid this loss, according to Policy Matters Ohio's new report on H.R. 1's costly restrictions on provider taxes.

Provider taxes are taxes that states charge healthcare providers. They are widely used to help finance Medicaid and to draw down federal matching funds for state Medicaid programs. H.R. 1 enacted several new provider tax restrictions. The one impacting Ohio's tax on managed care organizations (MCOs) is poised to cost the most.

"H.R. 1's changes to provider taxes are begging for attention from the Ohio legislature," said Madelaine Matej MacQueen, Policy Matters Ohio's Budget Researcher and the report's author. "Ohio has the ability to avoid a Medicaid shortfall of up to $7.33 billion, but only if our state legislators act to bring our MCO provider tax into compliance — and fast."

Ohio's MCO provider tax puts us among 7 states dealing with looming funding losses because it is what's known as a "non-uniform" provider tax. Simply put, a non-uniform tax has received a waiver to tax Medicaid plans and non-Medicaid plans at different rates.

The Policy Matters report tracks what other states are doing to bring non-uniform taxes into compliance, or to bring in replacement revenue. It outlines several options Ohio could pursue before the July 1, 2027 compliance deadline for such taxes.

"Many Ohioans already face the possibility of losing their Medicaid coverage due to H.R. 1 eligibility restrictions, including new work requirements that go into effect at the beginning of next year. Between steep Medicaid coverage and funding losses, it's a critical time for our state legislators to step up," said Matej MacQueen. "Protecting billions in Ohio Medicaid funds by dealing with provider tax compliance would be a powerful step in the right direction — one that shields Ohio's providers, patients, and our budget from even greater losses due to H.R. 1."

Policy Matters Ohio is a nonprofit, nonpartisan state policy research institute with offices in Cleveland and Columbus.