

# Alaska State Legislature

Representative Ben Carpenter, Chair  
Session: Capitol Room 24  
Juneau, AK 99801  
(907) 465-3779



Representative Cathy Tilton  
Representative Jamie Allard  
Representative Kevin McCabe  
Representative Tom McKay  
Representative Cliff Groh  
Representative Andrew Gray

## House Ways and Means

### House Bill 381 HEALTH CARE PROVIDER TAX

#### Sponsor Statement

HB 381 will allow Alaska to take advantage of additional federal funding for its Medicaid program in the manner that every other state in the country has.

Alaska is the only state that does not have at least one healthcare provider tax to help pay the high costs of its state Medicaid program. Provider taxes are an integral source of states' financing, comprising approximately 17% of the nonfederal share of total Medicaid payments, according to the Government Accountability Office.

Medicaid is jointly financed by states and the federal government. Provider taxes are an integral source of Medicaid financing governed by long-standing regulations. Under current regulations, states may use provider tax revenues for the state share of Medicaid spending only if the tax meets three requirements: must be broad-based, uniformly imposed, and cannot directly hold providers harmless from the burden of the tax.

Provider taxes are imposed by states on health care services where the burden of the tax falls mostly on providers, such as a tax on inpatient hospital services or nursing facility beds. Provider taxes have become an integral source of financing for Medicaid. All but one state (Alaska) reported having at least one Medicaid provider tax and two-thirds of states reported three or more provider taxes.

To receive Medicaid funding, states must match federal funds to pay for a portion of the cost. Alaska pays 50% of the cost. In the late 1980's, states realized they could leverage provider taxes to increase the federal funding they received for the program and to decrease state general funds as a portion of the state required match. The increased income from provider taxes resulted in an increase in state funding for the program, which in turn drew down federal dollars that were then passed back to providers through increased rates and supplemental payments above what the providers had paid in taxes.

There are 19 classes of health care providers that fall under the federal requirements: Inpatient hospital services, outpatient hospital services, nursing facility services, intermediate care facility services, physician services, home health care services, outpatient prescription drugs, HMO's & PPO's, ambulatory surgical services, dental services, podiatric services, chiropractic services, optometric/optician services,

psychological services, therapist services, nursing services, laboratory and x-ray services, emergency ambulance services.

States use the additional revenue collected by provider taxes to support Medicaid programs. For example, provider taxes help to support provider rate increases or to help mitigate provider rate cuts. States also have used funds collected from provider taxes to support Medicaid expansion.

Alaskans have been paying for increased state services, such as the 2018 Medicaid expansion, out of their PFD checks. The legislature should do everything in its power to allow Alaskans to keep their share of the resource abundance in our state.