

PROVIDER TAXES

Overview

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What are Provider Taxes?



- Health care-related taxes (referred to as “Provider taxes”) are state assessments on health care providers (see *Provider Tax Classes* Slide)
- Medicaid is financed through a federal-state partnership. Provider taxes can be used to help generate revenues to fund the States share of Medicaid expenditures (see FMAP slide)
- Provider taxes must comply with Federal Law (see *Federal Parameters* slide).

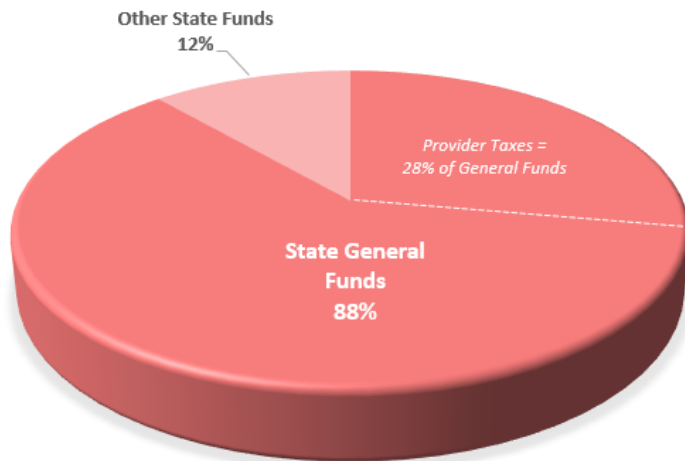
Provider Taxes

Context



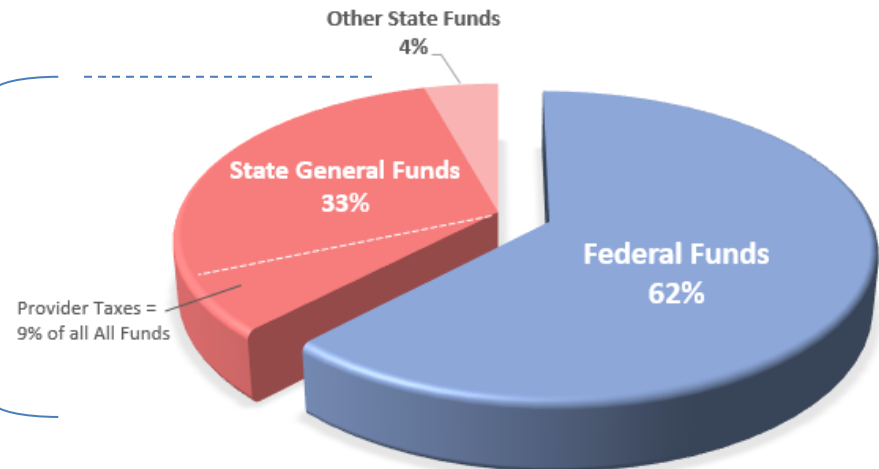
- Provider taxes are deposited into the **General Fund (GF)**.
- In FY'25, GF accounted for approx.:
 - 88% of the **STATE FUNDS** used to fund Vermont's Medicaid Program (including funds used to draw federal match) – PIE CHART 1
- 1/3 of **ALL FUNDS** used to fund the Medicaid Program (including federal \$)
 - PIE CHART 2
- Revenues from Provider Taxes are equivalent to 28% of the **STATE FUNDS** and 9% of all **ALL FUNDS** spent for Vermont's Medicaid program
 - *Federal Match Rates can be found on the next slide (FMAP)*

MEDICAID STATE FUNDS ONLY



PIE CHART 1

MEDICAID ALL FUNDS



PIE CHART 2

Federal Medical Assistance Percentage (FMAP)

SFY 2026 RATES (current fiscal year)

Federal Medical Assistance Percentage (FMAP)

- 58.81% Federal / 41.20% State
- Applied to the majority Medicaid expenditures

STATE SHARE

\$1.00



=

GROSS

\$2.43



Enhanced FMAPs

Children's Health Insurance Program (CHIP)

- 71.17% Federal / 28.84% State
- Applied to Medicaid expenditures for approx. 4,400 low-income children

\$1.00



=

\$3.47



\$1.00



=

\$10.00



Childless New Adults

- 90% Federal / 10% State
- Applied to the Medicaid expenditures for approx. 41,000 childless adults
- Enacted as part of the Affordable Care Act

* The State fiscal year is different than the federal fiscal year. As such, the state uses a blended match rate to calculate SFY FMAP rates.

Federal Medical Assistance Percentage (FMAP)

SFY 2027 RATES

Federal Medical Assistance Percentage (FMAP)

- 58.07% Federal / 41.93% State
- Applied to the majority Medicaid expenditures

STATE SHARE

\$1.00



=

GROSS

\$2.38



Enhanced FMAPs

Children's Health Insurance Program (CHIP)

- 70.65% Federal / 29.35% State
- Applied to Medicaid expenditures for approx. 4,400 low-income children

\$1.00



=

\$3.41



Childless New Adults

- 90% Federal / 10% State
- Applied to the Medicaid expenditures for approx. 41,000 childless adults
- Enacted as part of the Affordable Care Act

\$1.00



=

\$10.00



NOTE: FY 2027 reduction in FMAP = roughly  less for every state  spent.

* The State fiscal year is different than the federal fiscal year. As such, the state uses a blended match rate to calculate SFY FMAP rates.

Provider Taxes: Federal Parameters



- Provider taxes:
 - Must be **broad based** – must apply across class of health care items/services/providers
 - Must be **uniformly applied** – e.g., same licensing fee across class, same per-bed licensing fee across class, same assessment rate on gross or net receipts
 - Must **not hold providers harmless** – cannot guarantee, directly or indirectly, that tax paid will be returned to providers to make them whole
 - Safe harbor: presumption that this requirement is met if tax is $\leq 6\%$ of net patient revenue
 - ***This provision will change beginning FY 2028 as a result of the 2025 Federal Reconciliation Act (as passed on July 4, 2025) – See Slide 11***

Provider Tax Classes

19 Federal Classes of Health Care Services

Inpatient hospital services*	Services of managed care organizations	Therapist services
Outpatient hospital services*	Ambulatory service centers	Nursing services
Nursing facility services*	Dental services	Laboratory and x-ray services
Services of intermediate care facilities**	Podiatric services	Emergency ambulance services*
Physicians' services	Chiropractic services	Other health care items or services for which the state has enacted a licensing or certification fee
Home health care services	Optometric services	
Outpatient prescription drugs*	Psychological services	

* Class currently assessed in Vermont

** While this provider tax still exists in Vermont statute, there are no more of these facilities operating in Vermont.

Current Vermont Provider Tax



Vermont Provider Taxes

Class of Provider	Rate (% of Net Patient Revenue)	FY'25 Actual (x million)	FY'26 Forecast (x million)
Hospitals	6%	\$212.3	\$225.1
Nursing Homes ¹	\$4,919.53 per bed ¹	\$14.4	\$14.4
Ambulance	3.30%	\$1.4	\$1.4
Intermediate Care Facilities ²	5.90%	-----	-----
Pharmacy	\$0.10/script	\$0.9	\$0.9
Home Health	Sunset in 2023		
TOTAL PROVIDER TAX REVENUE		\$229.0	\$241.8

¹ Nursing Home rate intended to equal roughly 6% of net patient revenues.

² The last facility (Westview Court) closed October 2020. Assessment still in statute.

- Hospital provider taxes accounted for 93% of all provider tax revenues collected in FY 2025.

Provider Taxes

Context

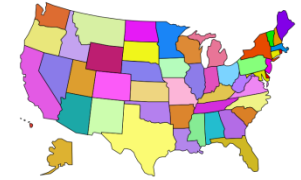


Provider Taxes have long been associated with funding for State Medicaid programs

According to KFF:*

- 2004: 35 states had at least one provider tax
- 2024: 49 states and the DC had at least one health care provider tax
- The most common type of provider tax used by states (2024):
 - Nursing Homes (46 states)
 - Hospitals (45 states)
 - Approx. 13 states, including VT, had a provider tax rate >5.5%
 - Approx. 20 states had a provider tax rate \leq 3.5%
 - Intermediate Care Facilities (32 states)

Impacts of the 2025 Federal Reconciliation Act (H.R.1)



- Phase down of the provider tax rate that expansion states can charge from 6% to 3.5% by 2032
 - **In Vermont, this only impacts the Hospital Provider Tax**
 - Nursing Home and intermediate care facilities provider taxes are excluded from phase down
 - Vermont’s Ambulance and Pharmacy provider tax rates are already below 3.5%

Current Vermont Provider Taxes

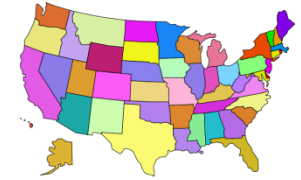
Class of Provider	Current Rate (% of Net Patient Revenue)	H.R.1 Impact	
		Yes	Rate will decrease from 6% to 3.5%
Hospitals	6%	Yes	Rate will decrease from 6% to 3.5%
Nursing Homes ¹	\$4,919.53 per bed ¹	No	Excluded in Federal Reconciliation Act
Ambulance	3.30%	No	Current rate lower than 3.5%
Intermediate Care Facilities ²	5.90%	No	Excluded in Federal Reconciliation Act
Pharmacy	\$0.10/script	No	Current rate lower than 3.5%

¹ Nursing Home rate intended to equal roughly 6% of net patient revenues.

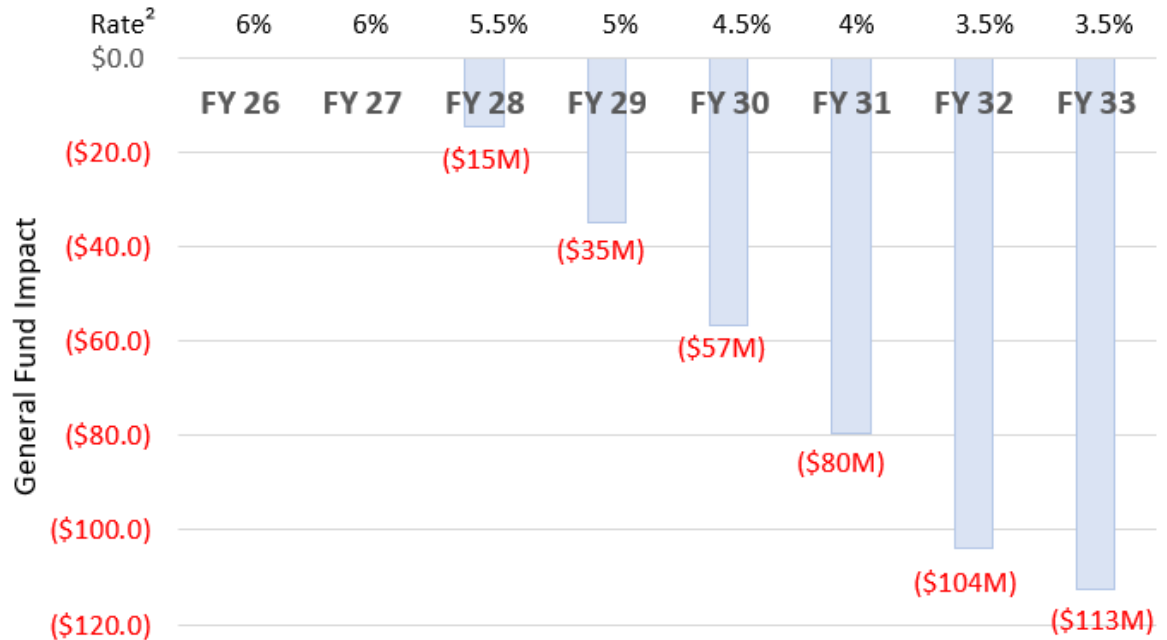
² The last facility (Westview Court) closed October 2020. Assessment still in statute.

- Begins 10/1/27 (fiscal year 2028)
- Law also prohibits states from enacting any new provider taxes

Impacts of the 2025 Federal Reconciliation Act (H.R.1)



PRELIMINARY JFO ESTIMATES: PROVIDER TAX RATE CHANGE AS OUTLINED IN THE 2025 FEDERAL RECONCILIATION ACT, State Fiscal Years 2026 to 2032¹



¹ Estimates are preliminary and subject to change.

² Rate is based on Federal Fiscal Year. General Fund Impacts are based on State Fiscal Year.

Preliminary JFO Estimate: \$15 million (FY 2028) to \$113 million (FY 2033) reduction in General Fund revenues

- Reductions will depend on the FMAP rates and any state budget and/or policy decisions