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Medicaid Provider Taxes

HHS ASPE Presentation

October 20, 2026

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Michael Greve: “Cartel Federalism”

“Promotes the growth of government at all levels, creates impenetrable intergovernmental bureaucracies and a torrent of transfer payments, and destroys political accountability.”

Michael Greve | On the federal–state Medicaid relationship

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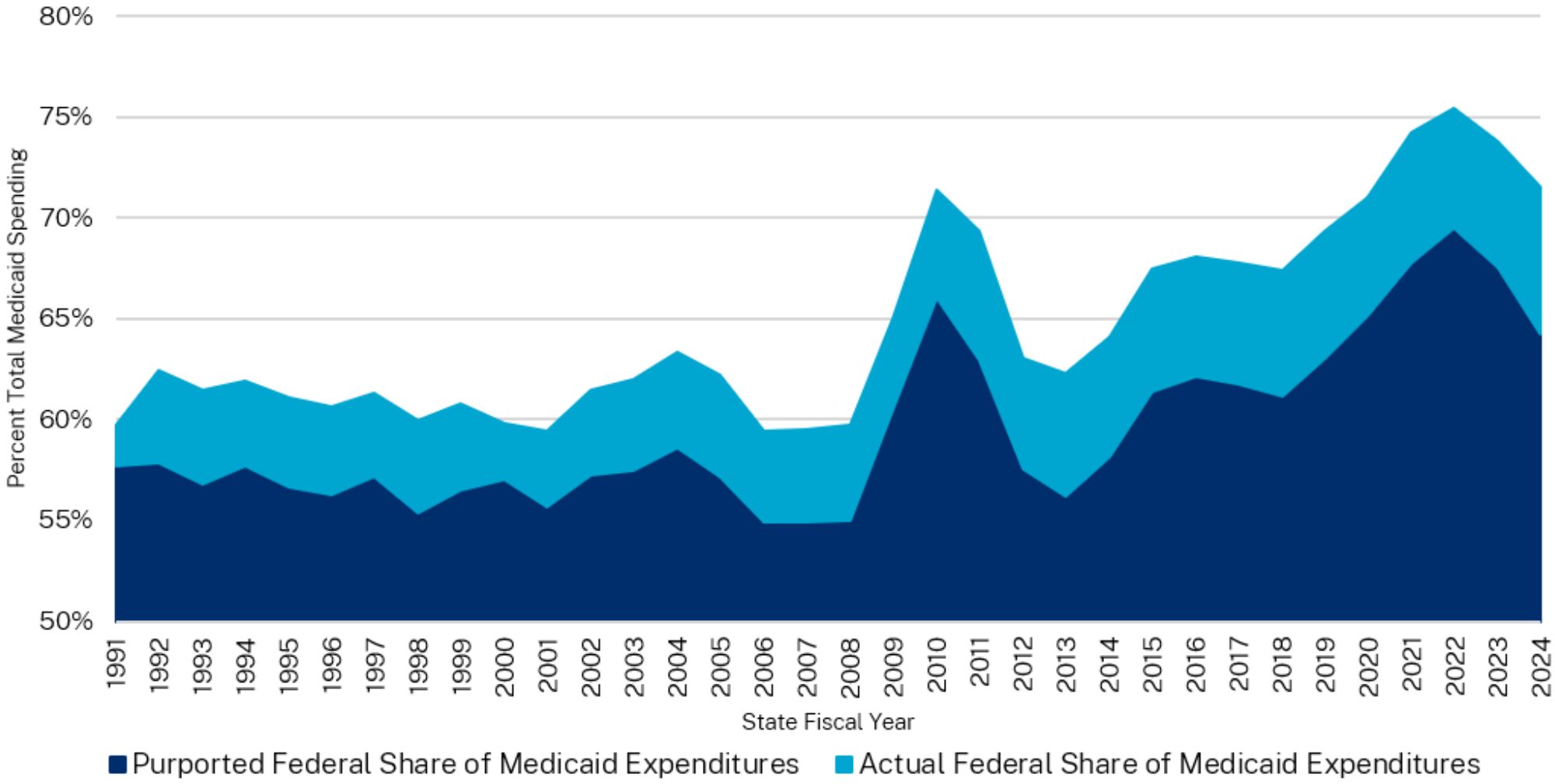
Significant Increase in Both the Purported and Actual Federal Share of Medicaid Over Time



SOURCE: NASBO State Expenditure Reports, 1991-2024.
NOTES: The purported federal share of Medicaid expenditures is the percentage of federal funds relative to total Medicaid spending. The actual federal share is the percentage of federal funding relative to total Medicaid spending, less provider taxes and intergovernmental transfers (which represent money-laundering funds). Based on a report from the GAO, we assume 87.5 percent of "other funds" reported by NASBO are from provider taxes and IGTs. We use the following formulas to calculate the purported and actual federal shares: Purported Federal Share = (Total Federal Medicaid Spending) / (Total Medicaid Spending) *100%. Actual Federal Share = (Total Federal Medicaid Spending) / [Total Medicaid Spending - (Other State Spending * 0.875)] *100%.

Oregon Legislator: A “Dream Tax” for States

“We collect the tax from the hospitals, we put it up as a match for federal money, and then we give it back to the hospitals.”

Mitch Greenlick (2015) | Oregon state representative

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Widespread Criticism of Medicaid Provider Taxes

"Increased federal spending takes place with limited or no state contribution."

This "is contrary to a basic tenet of Medicaid: That is, it is a program in which the federal government and states or localities share the financial burden."

Teresa Coughlin and Stephen Zuckerman, 2002 | Urban Institute

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Urban Institute Expert Calls Provider Taxes: "A National Disgrace"

"Egregious" … "a national disgrace [that] is not as understood as well as it should be" … "needs to be dealt with."

John Holahan (2015) | Urban Institute senior research fellow

WATCH SOURCE VIDEO ↗

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Bowles–Simpson: Eliminate the Medicaid Tax Gimmick

According to the commission's plan, "Many states finance a portion of their Medicaid spending by imposing taxes on the very same health care providers who are paid by the Medicaid program, increasing payments to those providers by the same amount and then using that additional 'spending' to increase their federal match.

We recommend restricting and eventually eliminating this practice."

National Commission on Fiscal Responsibility and Reform (2010)

Bipartisan commission established by President Obama

Source: The Moment of Truth (2010); Blase, Mercatus (2016), notes 11, 91–94

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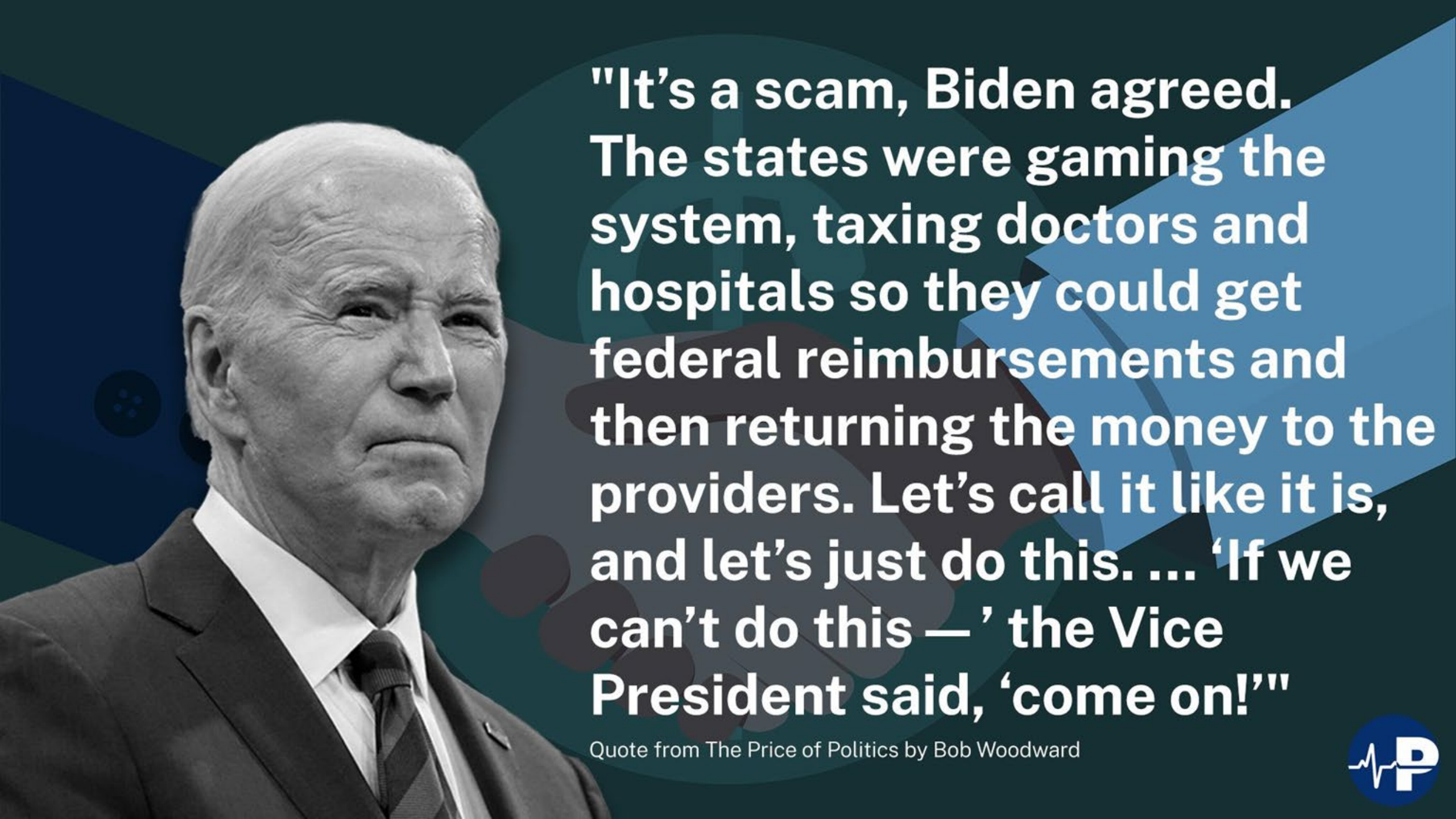
"It's a scam, Biden agreed. The states were gaming the system, taxing doctors and hospitals so they could get federal reimbursements and then returning the money to the providers. Let's call it like it is, and let's just do this. ... 'If we can't do this —' the Vice President said, 'come on!'"
Quote from The Price of Politics by Bob Woodward

President Obama Proposed Cutting Provider Taxes

Proposal: Reduce the provider tax safe harbor from 6.0% to 3.5%.

$48 billion in estimated federal savings over a decade (CBO).

President Obama's FY 2013 budget proposal

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‘A Much-Needed Medicaid Reform’ (2012)


The Washington Post

Opinion
Editorial Board

A much-needed Medicaid reform

November 29, 2012

“‘**A bit of a charade,’** as Senate Majority Whip Richard J. Durbin (D-Ill.) described [Provider Tax Schemes] Tuesday. As Mr. Durbin’s remark suggests, **reform is a bipartisan idea. President Obama’s last budget would have reduced the maximum permissible provider tax to 3.5 percent**, saving $21.8 billion over 10 years.”

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EXPOSING CALIFORNIA'S MEDICAID TAX SCAM

California is gaming the system -
"Laundering" federal money to cover illegal immigrants through Medicaid.

FOLLOW THE MONEY

California dramatically **RAISES TAXES** on Medicaid Insurers.

This generates **$16.7 BILLION IN REVENUE** for the California General Fund.

THIS IS WHERE THE SHELL GAME BEGINS

California is *required* to pay Medicaid Providers the **SAME AMOUNT** as the tax raised.

$16.7B raised in tax revenue = $16.7B in higher payments to Medicaid Insurers.

The federal government **MATCHES payments** California made to Medicaid, *so*:

California **INVOICES the federal government** for $16.7 billion.

The federal government pays a 60% match.
California **RECEIVES $9.5 BILLION**.

California then spends:

$5.6 billion on expanded state programs.

and

$3.9 BILLION TO PUT ILLEGAL IMMIGRANTS ON MEDICAID.

**The above numbers represent tax revenue raised between July 2023 - June 2025. The spending on illegal immigrants is from January 2024 until June 2025.*

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