VERMONT LEGISLATIVE
Joint Fiscal Office
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Fast Facts
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Provider Taxes

Overview

Provider taxes are health care-related fees, assessments, or other mandatory payments by health care providers to states to help fund the state share of Medicaid program costs. Federal requirements allow states to impose provider taxes on 19 classes of health care providers. Every state, except for Alaska, has at least one type of provider tax while 41 states (and the District of Columbia) have at least three or more.[1] Vermont currently taxes five types of providers: hospitals, nursing homes, emergency ambulance services, intermediate care facilities for people with developmental disabilities, and pharmacies. In fiscal year 2025, Vermont providers paid $229 million in provider taxes to the State, 93% of which was paid by hospitals. Revenues from provider taxes are deposited into the General Fund.

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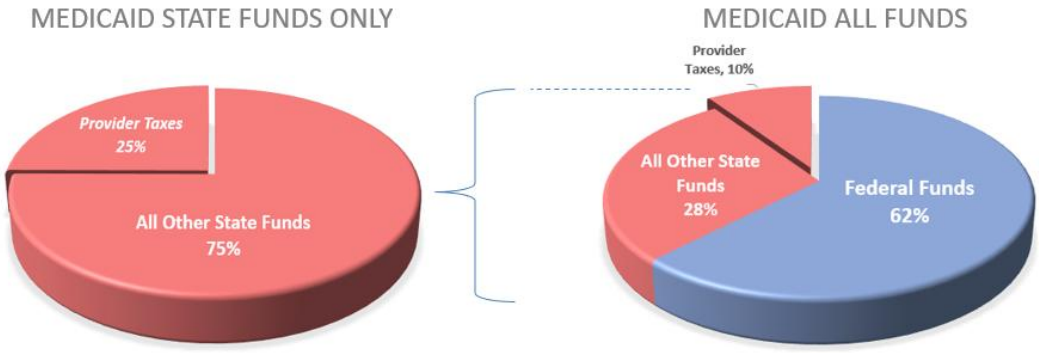
Class of Provider	Rate	FY25 Actual ($ in millions)	FY26 Actual ($ in millions)
Hospitals	6% of net patient revenue	$212.3	$219.4
Nursing Homes	$4,919.53 per bed[2]	$14.4	$14.4
Ambulance	3.3% of net patient revenue	$1.4	$1.5
Intermediate Care Facilities[3]	5.9% of net patient revenue	-----	-----
Pharmacy	$0.10/script	$0.9	$0.9
TOTAL PROVIDER TAX REVENUE		**$229.0**	**$236.2**

Medicaid is financed through a state-federal partnership. The federal government matches allowable state expenditures according to a formula known as the Federal Medical Assistance Percentage (FMAP). FMAP rates vary by state. States also receive enhanced FMAP rates for various programs, but the majority of federal financial participation is from the standard FMAP rate. For Vermont, for fiscal year 2026 the federal share was 58.81% and the state share was 41.19% .[4]Most (not all) of the federal funds for the State's Medicaid program are from FMAP.

[1] *5 Key Facts about Medicaid and Provider Taxes*, KFF, December 1, 2025.
[2] Nursing home rate is intended to equal roughly 6% of net patient revenues.
[3] While a provider tax on intermediate care facilities is still in statute, there are currently no facilities operating in Vermont. The last facility (Westview Court) closed in October 2020.
[4] For more information on FMAP see *A Brief Guide to Vermont FMAP*.

Context

In fiscal year 2025, Medicaid and Medicaid-related expenditures in Vermont were $2.45 billion. State funds accounted for 38% of all Medicaid funds. Provider taxes accounted for 25% of all State funds and 10% of all funds used to support Vermont's Medicaid program.[5]



Provider Tax Parameters

Under current federal regulations (42 CFR § 433.68), provider taxes, when used as the state share of Medicaid expenses, must meet the following requirements:

- **Broad based**. The tax must be imposed on all providers within a specified class of providers. For example, the tax cannot apply to certain hospitals and not others.
- **Uniform**. The tax must be the same for all providers within a specified class. For instance, states cannot tax one hospital at 6% and another at 5.5%.
- **Does not hold providers harmless**. States cannot guarantee that providers will be repaid directly or indirectly for the amount of tax they contribute. Under current federal law, states are presumed not to be holding providers harmless if their provider taxes are 6% or less of net patient revenue.

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

Under the Federal Reconciliation Act of 2025 (H.R.1), beginning in fiscal year 2028, the maximum provider tax rate for the hold harmless presumption will incrementally decrease 0.5% per year from the current 6% to 3.5% by federal fiscal year 2032. In Vermont, while the hospital provider tax rate is the only provider tax that will be affected, preliminary estimates show that State revenues could be reduced by approximately $16 million in fiscal year 2028 and by as much as $113 million annually by fiscal year 2033. H.R.1 also prohibits states from imposing provider taxes on new classes of providers or increasing any existing provider tax rates.

Where to Learn More

- *A Brief Guide to Vermont FMAP*. Vermont Legislative Joint Fiscal Office (January 2026). https://ljfo.vermont.gov/assets/Subjects/Medicaid-Finance/FMAP-2026-update.pdf
- *5 Facts about Medicaid and Provider Taxes*. KFF (December 1, 2025). https://www.kff.org/medicaid/5-key-facts-about-medicaid-and-provider-taxes/
- Medicaid Provider Taxes. Congressional Research Service (Updated December 30, 2024). https://www.congress.gov/crs-product/RS22843#fn15
- Health Care-Related Taxes in Medicaid. Medicaid and CHIP Payment and Access Commission – MACPAC (May 2021). https://www.macpac.gov/wp-content/uploads/2020/01/Health-Care-Related-Taxes-in-Medicaid.pdf

[5] Other State funds include the General Fund (excluding provider taxes), State Health Care Resources Fund, Tobacco Litigation Settlement Fund, Health Information Technology Fund, Success Beyond Six, and certified local match.