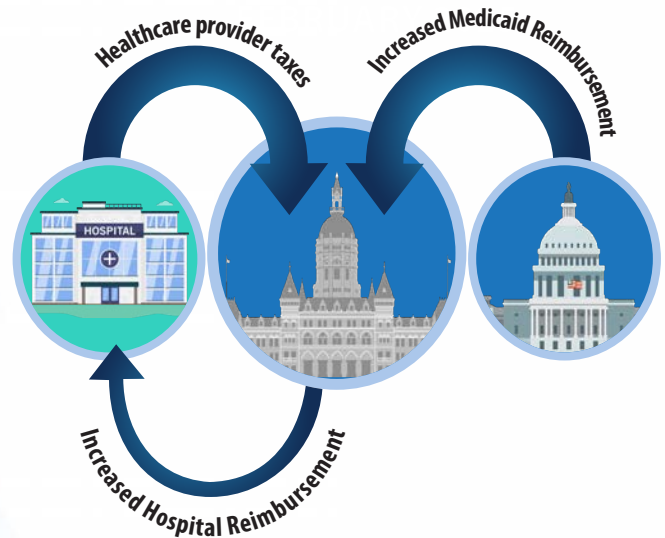


# WHAT IS THE HOSPITAL TAX?

- A **hospital tax** is a type of *provider tax* — a fee that states collect from hospitals and other healthcare facilities
- The tax is collected on a percentage of a hospital's **net patient revenue**

## In Connecticut

- The hospital tax is a **major source of revenue** for the state
- When the state taxes hospitals, money generated from the tax helps to free up General Fund revenue in the state budget for other spending



► **Hospitals today are one of Connecticut's largest taxpayers.**

## State and Federal Partnership

Medicaid is a state and federal partnership, which means the state and federal government each pay a share of the cost of the program.

Every state dollar spent on Medicaid services is matched by at least one federal dollar, often more. **States can use hospital tax dollars as the state share**, allowing them to access federal matching dollars to pay for Medicaid services.

Most states use hospital taxes to strengthen and protect hospitals — taxes are used to increase hospital reimbursement over time to keep up with the rising cost of care.

Using tax dollars in this way is good for hospitals but also good for patients. It helps ensure that hospitals can provide access to essential services for all who need them **and** it helps with affordability by reducing pressure on commercial prices.

## State Issues:

- Disputes over the state filling budget holes with hospital tax revenue, rather than using it to benefit hospitals and their patients, resulted in a historic settlement between the state and Connecticut hospitals in 2019. The **settlement expires in June 2026**
- During the 2025 Legislative Session, the state budget included provisions to **increase the hospital tax** but with no additional assistance to address the current \$1.46 billion annual Medicaid underpayment. Lawmakers shared their intent to address this imbalance to ensure hospitals and patients are not harmed by higher taxes adding to financial strain that impacts care delivery

► **44** **How Many States Have a Hospital Tax**

According to a KFF (Kaiser Family Foundation) report on fiscal year (FY) 2024

► **24** **Who Pays the Hospital Tax in Connecticut**

Short-term general acute care hospitals, excluding UConn John Demsey Hospital and Connecticut Children's

In 2025, the state budget bill **increased the hospital tax**

by \$375 million to  
**\$1.195 billion**  
beginning in FY 2027.