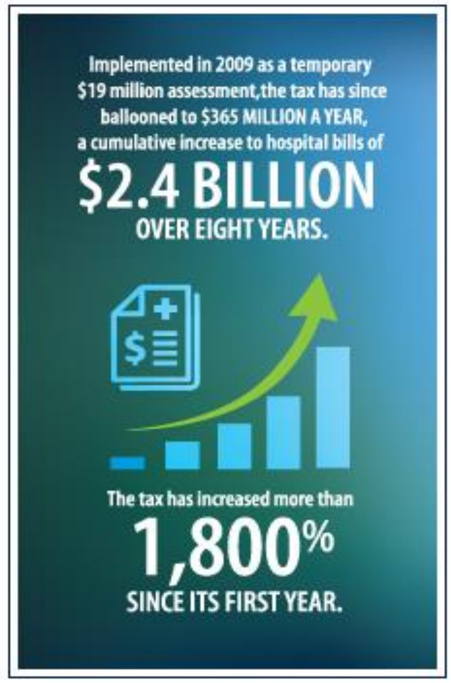
MARYLAND'S "SICK TAX" THREATENS
$2 BILLION IN ANNUAL FEDERAL FUNDING
ELIMINATION OF TAX MUST BE STATE'S HIGHEST FINANCIAL PRIORITY



- A hidden tax added by the state to every hospital bill in Maryland threatens to shut off a $2 billion annual flow of additional federal funds into the state. Passed in 2009 as a temporary measure to shore up a deficit in the state's Medicaid program, the tax was $19 million that first year. It has ballooned to $365 million, a more than 1,800 percent increase.
- The tax is paid by every patient who receives inpatient or outpatient care and is a "pass-through," 100 percent of which hospitals turn over to the state. But, by artificially inflating the state's total spending tab for hospital services, the tax is a serious threat to Maryland's All-Payer hospital payment model – an agreement with the federal government that brings into the state an additional $2 billion in federal dollars annually but that goes away if spending limits are not met.
- The weight of Maryland's "sick tax" is especially egregious now, as state and federal officials are negotiating the next phase of the All-Payer Model. The state will be required to further limit growth in spending on health care services, but the added tax makes Maryland's spending on hospital care appear higher, thus hindering hospitals' ability to meet the requirements of a new All-Payer Model and putting state negotiators in a weak position because federal negotiators see the state's spending on hospital care as being higher than it really is.
- The top financial priority of the state's elected and regulatory leaders therefore must be to eliminate the tax over the next five years (2019-2023). Removing this $365 million barrier to keeping health care costs low under the All-Payer Model is an investment in maintaining the $2 billion in additional federal funds that must continue to flow into the state. The chart below shows how the state can expedite the elimination of this onerous tax, and partner with Maryland's health care providers on the success of our All-Payer Model.
- In addition to protecting the All-Payer Model and the incoming federal dollars, eliminating the tax actually saves the state Medicaid program $74 million because it would no longer pay the higher tax-added hospital rates.

"SICK TAX" SPENDOWN PROPOSAL – IMPACT

Fiscal Year	Current State Law	Proposed Tax Elimination	Impact on State Funds Compared with Current State Law
2017	$25M	$25M	—
2018	—	—	—
2019	$35M	$100M	($65M)
2020	$35M	$85M	($50M)
2021	$25M	$85M	($60M)
2022	$25M	$50M	($25M)
2023	$25M	$45M	($20M)
TOTAL	**$145M**	**$365M**	**($220M)**
2024 - 2032	$220M	$0M	$220M
TOTAL	**$365M**	**$365M**	**$0M**