

Ohio's MCO Tax is Vital to Maintaining Medicaid Benefits for Seniors and People with Disabilities

Ohio's MCO tax

- Ohio's current managed care organization (MCO) tax began in 2016. The state changed its previous tax system to comply with then-new federal rules. CMS approved the tax without incident, granting a waiver of regulatory requirements that provider taxes be broad-based and uniform.
- Ohio has not changed the structure of its MCO tax in the past 9 years. It is a stable, responsible program, unlike other states that the Biden Administration recently – but reluctantly - approved for much more aggressive tax structures.
- Including federal match on taxes paid by the MCOs, Ohio's Medicaid program will receive *\$2.5 billion per year* from the MCO tax in the biennium beginning July 1, 2025.
- This revenue supports Medicaid benefits: services delivered by Medicaid providers to beneficiaries, including care for Ohio's seniors and people with disabilities provided by our members. The MCO tax revenue is a key part of the overall Medicaid budget.
- Without the revenue from the MCO tax, Ohio would have to reduce provider payment rates or limit coverage or both to make up the deficit. Any of those options reduce Medicaid benefits.

MCO taxes under One Big Beautiful Bill Act (HR 1)

- HR 1 would terminate all provider taxes that CMS approved under rule waivers, which were perfectly legal at the time and still are. CMS also proposed to change its rules to eliminate the waivers.
- HR 1, but not the proposed rule, allows a phase-out period of up to 3 years for longer-standing waivers like Ohio's, but it is at the discretion of the HHS Secretary.
- States like Ohio that have operated under a waiver lawfully and conservatively and relied upon approved MCO taxes to build their Medicaid budgets should be grandfathered in, much like the grandfather clause in the provider tax rate section of HR 1.
- At the very least, these states should be guaranteed three years to find and put in place an alternate revenue stream to make up for loss of the MCO tax. They are in a materially different position than states that only recently received approval. Their fate should not be at the discretion of the Secretary.

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