

HB232 INTRODUCED



1 HB232
2 TBRUW19-1
3 By Representatives Lee, Reynolds
4 RFD: Ways and Means General Fund
5 First Read: 14-Jan-26

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4 SYNOPSIS:

5 Currently, privately operated hospitals in this
6 state provide funding for the Medicaid Agency through a
7 provider privilege tax. This tax will end on September
8 30, 2028.9 This bill would remove the sunset clause and
10 make the hospital provider privilege tax permanent.

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13 A BILL

14 TO BE ENTITLED

15 AN ACT

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17 Relating to the hospital provider privilege tax; to
18 amend Sections 40-26B-71, 40-26B-73, 40-26B-77.1, 40-26B-79,
19 40-26B-80, 40-26B-81, 40-26B-82, 40-26B-84, and 40-26B-88,
20 Code of Alabama 1975, as last amended by Act 2025-371, 2025
21 Regular Session; to make the hospital provider privilege tax
22 permanent.

23 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

24 Section 1. Sections 40-26B-71, 40-26B-73, 40-26B-77.1,
25 40-26B-79, 40-26B-80, 40-26B-81, 40-26B-82, 40-26B-84, and
26 40-26B-88, Code of Alabama 1975, as last amended by Act
27 2025-371, 2025 Regular Session, are amended as follows:

28 "§40-26B-71



29 (a) ~~For state fiscal years 2026, 2027, and 2028, an~~

30 ~~assessment is imposed on each~~In order to extend the assessment

31 that is imposed on each privately operated hospital in the

32 amount of 6.00 percent of net patient revenue beginning with

33 ~~in~~ fiscal year 2023, which shall be reviewed and hospital cost

34 reports updated annually, subject to limitations in this

35 article on the use of funds in the Hospital Assessment

36 Account. The assessment is a cost of doing business as a

37 privately operated hospital in the State of Alabama. Annually,

38 the Medicaid Agency shall make a determination of whether

39 changes in federal law or regulation have adversely affected

40 hospital Medicaid reimbursement during the most recently

41 completed fiscal year, or a reduction in payment rates has

42 occurred. If the agency determines that adverse impact to

43 hospital Medicaid reimbursement has occurred, or will occur,

44 the agency shall report its findings to the Chair of the House

45 Ways and Means General Fund Committee who shall propose an

46 amendment to this article during any legislative session prior

47 to the start of the upcoming fiscal year from the year the

48 report was made, to address the adverse impact. The assessment

49 imposed on each private hospital under this section shall be

50 reduced pro rata, if the total disproportionate share

51 allotment for all hospitals is reduced before or during the

52 ~~2028~~current fiscal year, as a result of any action by the

53 Medicaid Agency or the Centers for Medicare and Medicaid

54 Services, and only to the extent that the Hospital Assessment

55 Account is more than necessary to fund some or all hospital

56 payments under this article.



57 (b) (1) For~~Beginning with~~ state fiscal ~~years~~~~2026, 2027,~~
58 ~~and 2028~~year 2026, net patient revenue shall be determined
59 using the data from each private hospital's ~~fiscal year ending~~
60 ~~2023, 2024, or 2025~~ Medicare Cost Report contained in the
61 Centers for Medicare and Medicaid Services' Healthcare Cost
62 Report Information System, beginning with the fiscal year
63 ending 2023, which shall be reviewed and the hospital cost
64 reports updated annually subject to limitations in this
65 article on the use of funds in the Hospital Assessment
66 Account. The Medicare Cost Report for ~~2023, 2024, and 2025~~ for
67 each private hospital, which shall be reviewed and updated
68 annually, shall be used for fiscal ~~years~~year 2026, ~~2027, and~~
69 ~~2028, respectively~~. If the Medicare Cost Report is not
70 available in the Centers for Medicare and Medicaid Services'
71 Healthcare Cost Report Information System, the hospital shall
72 submit a copy to the department to determine the hospital's
73 net patient revenue for the most recent fiscal year.

80 (c) This article does not authorize a unit of county or
81 local government to license for revenue or impose a tax or
82 assessment upon hospitals or a tax or assessment measured by
83 the income or earnings of a hospital."

84 "§40-26B-73



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85 (a) (1) There is created within the Health Care Trust
86 Fund referenced in Article 3 of Chapter 6 of Title 22 a
87 designated account known as the Hospital Assessment Account.

88 (2) The hospital assessments imposed under this article
89 shall be deposited into the Hospital Assessment Account.

90 (b) Monies in the Hospital Assessment Account shall
91 consist of:

92 (1) All monies collected or received by the department
93 from privately operated hospital assessments imposed under
94 this article;

95 (2) Any interest or penalties levied in conjunction
96 with the administration of this article; and

97 (3) Any appropriations, transfers, donations, gifts, or
98 monies from other sources, as applicable.

99 (c) The Hospital Assessment Account shall be separate
100 and distinct from the State General Fund and shall be
101 supplementary to the Health Care Trust Fund.

102 (d) Monies in the Hospital Assessment Account shall not
103 be used to replace other general revenues appropriated and
104 funded by the Legislature or other revenues used to support
105 Medicaid.

106 (e) The Hospital Assessment Account shall be exempt
107 from budgetary cuts, reductions, or eliminations caused by a
108 deficiency of State General Fund revenues to the extent
109 permissible under Section 213 of the Constitution of Alabama
110 of 2022.

111 (f) (1) Except as necessary to reimburse any funds
112 borrowed to supplement funds in the Hospital Assessment



113 Account, the monies in the Hospital Assessment Account shall
114 be used only as follows:

115 a. To make public, private, and state inpatient and
116 outpatient hospital payments.

117 b. To reimburse monies collected by the department from
118 hospitals through error or mistake or under this article.

119 (2)a. The Hospital Assessment Account shall retain
120 account balances remaining each fiscal year.

121 b. On September 30, 2014, and each year thereafter, any
122 positive balance remaining in the Hospital Assessment Account
123 which was not used by the Medicaid Agency to obtain federal
124 matching funds and paid out for hospital payments, shall be
125 factored into the calculation of any new assessment rate by
126 reducing the amount of hospital assessment funds that must be
127 generated during the next fiscal year. The Medicaid Agency may
128 carry over a balance of unspent assessment funds not
129 considered in the previous sentence and not to exceed
130 one-third of the total current year's assessment, ~~through~~
131 ~~fiscal year 2028~~ to account for future variations in hospital
132 expenses and federal match rates in the upcoming fiscal year.

133 If there is no new assessment ~~beginning October 1, 2028 on or~~
134 after October 1, 2027, the funds remaining shall be refunded
135 to the hospital that paid the assessment or made an
136 intergovernmental transfer in proportion to the amount
137 remaining.

138 (3) A privately operated hospital shall not be
139 guaranteed that its inpatient and outpatient hospital payments
140 will equal or exceed the amount of its hospital assessment."

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141 "§40-26B-77.1

142 (a) Beginning on October 1, 2016, ~~and ending on~~
143 ~~September 30, 2028~~, publicly owned and state-owned hospitals
144 shall begin making intergovernmental transfers to the Alabama
145 Medicaid Agency. Total IGTs for the total intergovernmental
146 transfers shall equal the amount of state funds necessary for
147 the agency to obtain only those federal matching funds
148 necessary to pay publicly owned and state-owned hospitals for
149 hospital payments.

150 (b) These intergovernmental transfers shall be made in
151 compliance with 42 U.S.C. § 1396b(w).

152 (c) If a publicly or state-owned hospital commences
153 operations after October 1, 2013, the hospital shall commence
154 making intergovernmental transfers to the Alabama Medicaid
155 Agency in the first full month of operation of the hospital
156 after October 1, 2013."

157 "§40-26B-79

158 The agency shall pay hospitals, ~~as a base amount for~~
159 ~~fiscal years 2026, 2027, and 2028~~, the greater of a hospital's
160 current per diem as published for fiscal year 2022 or 68
161 percent of total inpatient payments made by the agency during
162 state fiscal year 2019, divided by the total patient days paid
163 in state fiscal year 2019, multiplied by patient days paid
164 during the current fiscal year~~fiscal years 2026, 2027, and~~
165 ~~2028~~. A hospital may request to have their per diem reviewed
166 and revised at the sole discretion of the Medicaid Agency.
167 This payment to be paid using the agency's published check
168 write table is in addition to any hospital access payments the

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169 agency may elect to pay hospitals as inpatient payments other
170 than per diems and access payments, if the agency does not
171 make payments pursuant to Article 9 of Chapter 6 of Title 22
172 in fiscal year 2019, or fiscal years ~~2026, 2027, and 2028 and~~
173 thereafter, only if the Hospital Services and Reimbursement
174 Panel approves the change in hospital payments."

175 "§40-26B-80

176 If the Alabama Medicaid Agency implements OPPS, the
177 total amount budgeted (total base rate) for OPPS shall not be
178 less than the total outpatient UPL.

179 The agency shall pay hospitals as a base amount ~~for~~
180 ~~fiscal years 2026, 2027, and 2028~~ for outpatient services,
181 based upon an outpatient fee schedule in existence on
182 September 30, 2018. Medicaid may update the outpatient fee
183 schedule with approval of the Hospital Services and
184 Reimbursement Panel. Hospital outpatient base payments shall
185 be in addition to any hospital access payments or other
186 payments described in this article."

187 "§40-26B-81

188 (a) The agency shall consider the published inpatient
189 and outpatient rates as defined in Sections 40-26B-79 and
190 40-26B-80 as the minimum payment allowed.

191 (b) The aggregate hospital access payment amount is an
192 amount equal to the upper payment limit, less total hospital
193 base payments determined under this article. All publicly,
194 state-owned, and privately operated hospitals shall be
195 eligible for inpatient and outpatient hospital access payments
196 ~~for fiscal years 2026, 2027, and 2028~~, as set forth in this



197 article.

198 (1) In addition to any other funds paid to hospitals
199 for inpatient hospital services to Medicaid patients, each
200 eligible hospital shall receive inpatient hospital access
201 payments each state fiscal year. Publicly and state-owned
202 hospitals shall receive total payments, including hospital
203 base payments, that, in the aggregate, equal the upper payment
204 limit for publicly and state-owned hospitals, until the
205 Hospital Assessment Account is exhausted. Privately operated
206 hospitals shall receive total payments, including hospital
207 base payments that, in the aggregate, equal the upper payment
208 limit for privately operated hospitals, until the Hospital
209 Assessment Account is exhausted. Any intergovernmental
210 transfers and hospital provider taxes shall be used only as
211 monies paid to hospitals.

212 (2) Inpatient hospital access payments shall be made on
213 a quarterly basis.

214 (3) In addition to any other funds paid to hospitals
215 for outpatient hospital services to Medicaid patients, each
216 eligible hospital shall receive outpatient hospital access
217 payments each state fiscal year. Publicly and state-owned
218 hospitals shall receive payments, including hospital base
219 payments, that, in the aggregate, equal the upper payment
220 limit for publicly and state-owned hospitals, until the
221 Hospital Assessment Account is exhausted. Privately operated
222 hospitals shall receive payments, including hospital base
223 payments, that, in the aggregate, equal the upper payment
224 limit for privately operated hospitals, until the Hospital



225 Assessment Account is exhausted.

226 (4) Outpatient hospital access payments shall be made
227 on a quarterly basis.

228 (c) A hospital access payment shall not be used to
229 offset any other payment by the Medicaid Agency for hospital
230 inpatient or outpatient services to Medicaid beneficiaries,
231 including, without limitation, any fee-for-service, per diem,
232 private or public hospital inpatient adjustment, or hospital
233 cost settlement payment.

234 (d) The specific hospital payments for publicly,
235 state-owned, and privately operated hospitals shall be
236 described in the state plan amendment to be submitted to and
237 approved by the Centers for Medicare and Medicaid Services."

238 "§40-26B-82

239 (a) The assessment imposed under this article shall not
240 take effect or shall cease to be imposed and any monies
241 remaining in the Hospital Assessment Account in the Alabama
242 Medicaid Program Trust Fund shall be refunded to hospitals in
243 proportion to the amounts paid by them if any of the following
244 occur:

245 (1) Expenditures for hospital inpatient and outpatient
246 services paid for by the Alabama Medicaid Program ~~for fiscal~~
247 ~~years 2026, 2027, and 2028~~ for the current fiscal year are
248 less than the amount paid during fiscal year 2017 or
249 reimbursement rates under this article ~~for fiscal years 2026,~~
250 ~~2027, and 2028~~ are less than the rates approved by CMS in
251 Sections 40-26B-79 and 40-26B-80.

252 (2) The Alabama Medicaid Agency makes changes in rules



253 that reduce hospital inpatient payment rates, outpatient
254 payment rates, or adjustment payments, including any cost
255 settlement protocol, which were in effect ~~on September 30,~~
256 ~~2025~~during the current fiscal year.

257 (3) The inpatient or outpatient hospital access
258 payments required under this article are changed or the
259 assessments imposed or certified public expenditures or
260 intergovernmental transfers recognized under this article are
261 not eligible for federal matching funds under Title XIX of the
262 Social Security Act, 42 U.S.C. § 1396 et seq., or 42 U.S.C. §
263 1397aa et seq.

264 (4) The Alabama Medicaid Agency contracts with an
265 alternate care provider in a Medicaid region under any terms
266 other than the following:

267 a. The agency may contract with an alternate care
268 provider only if, in the judgment of the agency, care of
269 Medicaid enrollees would be better, more efficient, and less
270 costly than under the then existing care delivery system. The
271 agency may contract with more than one alternate care provider
272 in a Medicaid region.

273 b. If the agency were to contract with an alternate
274 care provider under the terms of this subdivision, that
275 provider would have to pay reimbursements for hospital
276 inpatient or outpatient care at rates at least equal to the
277 most recent published rates pursuant to Sections 40-26B-79 and
278 40-26B-80.

279 c. If more than a year had elapsed since the agency
280 directly paid reimbursements to hospitals, the minimum

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281 reimbursement rates paid by the alternate care provider would
282 have to be changed to reflect any percentage increase in the
283 national medical consumer price index minus 100 basis points.

284 (b) (1) The assessment imposed under this article shall
285 not take effect or shall cease to be imposed if the assessment
286 is determined to be an impermissible tax under Title XIX of
287 the Social Security Act, 42 U.S.C. § 1396 et seq.

288 (2) Monies in the Hospital Assessment Account in the
289 Alabama Medicaid Program Trust Fund derived from assessments
290 imposed before the determination described in subdivision (1)
291 shall be disbursed under this article to the extent federal
292 matching is not reduced due to the impermissibility of the
293 assessments, and any remaining monies shall be refunded to
294 hospitals in proportion to the amounts paid by them."

295 "§40-26B-84

296 This article shall be of no effect if federal financial
297 participation under Title XIX of the Social Security Act is
298 not available to the Medicaid Agency at the approved federal
299 medical assistance percentage, established under Section 1905
300 of the Social Security Act, now appearing as U.S.C. § 1369d-
301 ~~for the state fiscal years 2026, 2027, and 2028.~~"

302 Section 2. Section 40-26B-88, Code of Alabama 1975,
303 relating to the termination of the Hospital Provider Privilege
304 Tax, is repealed.

305 Section 3. This act shall become effective on October
306 1, 2026.