

**SB145 ENROLLED**



1 SB145  
2 KHIM3UU-3  
3 By Senator Albritton  
4 RFD: Finance and Taxation General Fund  
5 First Read: 14-Jan-26



## SB145 Enrolled

1 Enrolled, An Act,

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4 Relating to the hospital provider privilege tax; to  
5 amend Sections 40-26B-71, 40-26B-73, 40-26B-77.1, 40-26B-79,  
6 40-26B-80, 40-26B-81, 40-26B-82, 40-26B-84, and 40-26B-88,  
7 Code of Alabama 1975, as last amended by Act 2025-371, 2025  
8 Regular Session; to make the hospital provider privilege tax  
9 permanent.

10 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

11 Section 1. Sections 40-26B-71, 40-26B-73, 40-26B-77.1,  
12 40-26B-79, 40-26B-80, 40-26B-81, 40-26B-82, 40-26B-84, and  
13 40-26B-88, Code of Alabama 1975, as last amended by Act  
14 2025-371, 2025 Regular Session, are amended as follows:

15 "§40-26B-71

16 (a) ~~For state fiscal years 2026, 2027, and 2028, an~~An  
17 assessment is imposed on each privately operated hospital in  
18 the amount of 6.00 percent of net patient revenue. For state  
19 fiscal year 2026, the determination of net patient revenue  
20 shall be based on the cost report for~~in~~ fiscal year 2023,  
21 ~~which shall be reviewed~~ and hospital cost reports shall be  
22 reviewed and updated annually, subject to limitations in this  
23 article on the use of funds in the Hospital Assessment  
24 Account. The assessment is a cost of doing business as a  
25 privately operated hospital in the State of Alabama. Annually,  
26 the Medicaid Agency shall make a determination of whether  
27 changes in federal law or regulation have adversely affected  
28 hospital Medicaid reimbursement during the most recently



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29 completed fiscal year, or a reduction in payment rates has  
30 occurred. If the agency determines that adverse impact to  
31 hospital Medicaid reimbursement has occurred, or will occur,  
32 the agency shall report its findings to the Chair of the House  
33 Ways and Means General Fund Committee who shall propose an  
34 amendment to this article during any legislative session prior  
35 to the start of the upcoming fiscal year from the year the  
36 report was made, to address the adverse impact. The assessment  
37 imposed on each private hospital under this section shall be  
38 reduced pro rata, if the total disproportionate share  
39 allotment for all hospitals is reduced before or during the  
40 ~~2028~~current fiscal year, as a result of any action by the  
41 Medicaid Agency or the Centers for Medicare and Medicaid  
42 Services, and only to the extent that the Hospital Assessment  
43 Account is more than necessary to fund some or all hospital  
44 payments under this article.

45 (b) (1) ~~For state fiscal years 2026, 2027, and 2028,~~  
46 ~~net~~Net patient revenue shall be determined using the data from  
47 each private hospital's ~~fiscal year ending 2023, 2024, or 2025~~  
48 Medicare Cost Report contained in the Centers for Medicare and  
49 Medicaid Services' Healthcare Cost Report Information System,  
50 which shall be reviewed and the hospital cost reports updated  
51 annually subject to limitations in this article on the use of  
52 funds in the Hospital Assessment Account. The Medicare Cost  
53 Report for 2023, 2024, and 2025 for each private hospital,  
54 ~~which shall be reviewed and updated annually,~~ shall be used  
55 for fiscal years 2026, 2027, and 2028, respectively, and this  
56 schedule shall be carried forward in like manner for future



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57 years. If the Medicare Cost Report is not available in the  
58 Centers for Medicare and Medicaid Services' Healthcare Cost  
59 Report Information System, the hospital shall submit a copy to  
60 the department to determine the hospital's net patient revenue  
61 for the most recent fiscal year.

62 (2) If a privately operated hospital commenced  
63 operations after the due date for a ~~2023~~ Medicare Cost Report  
64 as provided in subsection (b) (1), the hospital shall submit  
65 its most recent Medicare Cost Report to the department in  
66 order to allow the department to determine the hospital's net  
67 patient revenue.

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

72 "§40-26B-73

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

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

78 (b) Monies in the Hospital Assessment Account shall  
79 consist of:

80 (1) All monies collected or received by the department  
81 from privately operated hospital assessments imposed under  
82 this article;

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



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

87 (c) The Hospital Assessment Account shall be separate  
88 and distinct from the State General Fund and shall be  
89 supplementary to the Health Care Trust Fund.

90 (d) Monies in the Hospital Assessment Account shall not  
91 be used to replace other general revenues appropriated and  
92 funded by the Legislature or other revenues used to support  
93 Medicaid.

94 (e) The Hospital Assessment Account shall be exempt  
95 from budgetary cuts, reductions, or eliminations caused by a  
96 deficiency of State General Fund revenues to the extent  
97 permissible under Section 213 of the Constitution of Alabama  
98 of 2022.

99 (f) (1) Except as necessary to reimburse any funds  
100 borrowed to supplement funds in the Hospital Assessment  
101 Account, the monies in the Hospital Assessment Account shall  
102 be used only as follows:

103 a. To make public, private, and state inpatient and  
104 outpatient hospital payments.

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

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

109 b. On September 30, 2014, and each year thereafter, any  
110 positive balance remaining in the Hospital Assessment Account  
111 which was not used by the Medicaid Agency to obtain federal  
112 matching funds and paid out for hospital payments, shall be



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113 factored into the calculation of any new assessment rate by  
114 reducing the amount of hospital assessment funds that must be  
115 generated during the next fiscal year. The Medicaid Agency may  
116 carry over a balance of unspent assessment funds not  
117 considered in the previous sentence and not to exceed  
118 one-third of the total current year's assessment, ~~through~~  
119 ~~fiscal year 2028~~ to account for future variations in hospital  
120 expenses and federal match rates in the upcoming fiscal year.  
121 If there is no ~~new~~ assessment ~~beginning October 1, 2028~~, the  
122 funds remaining shall be refunded to the hospital that paid  
123 the assessment or made an intergovernmental transfer in  
124 proportion to the amount remaining.

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

128 "§40-26B-77.1

129 (a) ~~Beginning on October 1, 2016, and ending on~~  
130 ~~September 30, 2028, publicly~~Publicly owned and state-owned  
131 hospitals shall ~~begin making~~make intergovernmental transfers  
132 to the Alabama Medicaid Agency. Total IGTs for the total  
133 intergovernmental transfers shall equal the amount of state  
134 funds necessary for the agency to obtain only those federal  
135 matching funds necessary to pay publicly owned and state-owned  
136 hospitals for hospital payments.

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

139 (c) If a publicly or state-owned hospital commences  
140 operations after October 1, 2013, the hospital shall commence



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141 making intergovernmental transfers to the Alabama Medicaid  
142 Agency in the first full month of operation of the hospital  
143 after October 1, 2013."

144 "§40-26B-79

145 The agency shall pay hospitals, as a base amount ~~for~~  
146 ~~fiscal years 2026, 2027, and 2028~~, the greater of a hospital's  
147 current per diem as published for fiscal year 2022 or 68  
148 percent of total inpatient payments made by the agency during  
149 state fiscal year 2019, divided by the total patient days paid  
150 in state fiscal year 2019, multiplied by patient days paid  
151 during the current fiscal year ~~fiscal years 2026, 2027, and~~  
152 ~~2028~~. A hospital may request to have their per diem reviewed  
153 and revised at the sole discretion of the Medicaid Agency.  
154 This payment to be paid using the agency's published check  
155 write table is in addition to any hospital access payments the  
156 agency may elect to pay hospitals as inpatient payments other  
157 than per diems and access payments, if the agency does not  
158 make payments pursuant to Article 9 of Chapter 6 of Title 22  
159 in fiscal year 2019, or ~~fiscal years 2026, 2027, and 2028~~ and  
160 thereafter, only if the Hospital Services and Reimbursement  
161 Panel approves the change in hospital payments."

162 "§40-26B-80

163 If the Alabama Medicaid Agency implements OPSS, the  
164 total amount budgeted (total base rate) for OPSS shall not be  
165 less than the total outpatient UPL.

166 The agency shall pay hospitals as a base amount ~~for~~  
167 ~~fiscal years 2026, 2027, and 2028~~ for outpatient services,  
168 based upon an outpatient fee schedule in existence on



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169 September 30, 2018. Medicaid may update the outpatient fee  
170 schedule with approval of the Hospital Services and  
171 Reimbursement Panel. Hospital outpatient base payments shall  
172 be in addition to any hospital access payments or other  
173 payments described in this article."

174 "§40-26B-81

175 (a) The agency shall consider the published inpatient  
176 and outpatient rates as defined in Sections 40-26B-79 and  
177 40-26B-80 as the minimum payment allowed.

178 (b) The aggregate hospital access payment amount is an  
179 amount equal to the upper payment limit, less total hospital  
180 base payments determined under this article. All publicly,  
181 state-owned, and privately operated hospitals shall be  
182 eligible for inpatient and outpatient hospital access payments  
183 ~~for fiscal years 2026, 2027, and 2028,~~ as set forth in this  
184 article.

185 (1) In addition to any other funds paid to hospitals  
186 for inpatient hospital services to Medicaid patients, each  
187 eligible hospital shall receive inpatient hospital access  
188 payments each state fiscal year. Publicly and state-owned  
189 hospitals shall receive total payments, including hospital  
190 base payments, that, in the aggregate, equal the upper payment  
191 limit for publicly and state-owned hospitals, until the  
192 Hospital Assessment Account is exhausted. Privately operated  
193 hospitals shall receive total payments, including hospital  
194 base payments that, in the aggregate, equal the upper payment  
195 limit for privately operated hospitals, until the Hospital  
196 Assessment Account is exhausted. Any intergovernmental



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197 transfers and hospital provider taxes shall be used only as  
198 monies paid to hospitals.

199 (2) Inpatient hospital access payments shall be made on  
200 a quarterly basis.

201 (3) In addition to any other funds paid to hospitals  
202 for outpatient hospital services to Medicaid patients, each  
203 eligible hospital shall receive outpatient hospital access  
204 payments each state fiscal year. Publicly and state-owned  
205 hospitals shall receive payments, including hospital base  
206 payments, that, in the aggregate, equal the upper payment  
207 limit for publicly and state-owned hospitals, until the  
208 Hospital Assessment Account is exhausted. Privately operated  
209 hospitals shall receive payments, including hospital base  
210 payments, that, in the aggregate, equal the upper payment  
211 limit for privately operated hospitals, until the Hospital  
212 Assessment Account is exhausted.

213 (4) Outpatient hospital access payments shall be made  
214 on a quarterly basis.

215 (c) A hospital access payment shall not be used to  
216 offset any other payment by the Medicaid Agency for hospital  
217 inpatient or outpatient services to Medicaid beneficiaries,  
218 including, without limitation, any fee-for-service, per diem,  
219 private or public hospital inpatient adjustment, or hospital  
220 cost settlement payment.

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



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225 "§40-26B-82

226 (a) The assessment imposed under this article shall not  
227 take effect or shall cease to be imposed and any monies  
228 remaining in the Hospital Assessment Account in the Alabama  
229 Medicaid Program Trust Fund shall be refunded to hospitals in  
230 proportion to the amounts paid by them if any of the following  
231 occur:

232 (1) Expenditures for hospital inpatient and outpatient  
233 services paid for by the Alabama Medicaid Program ~~for fiscal~~  
234 ~~years 2026, 2027, and 2028~~ for the current fiscal year are  
235 less than the amount paid during fiscal year 2017 or  
236 reimbursement rates under this article ~~for fiscal years 2026,~~  
237 ~~2027, and 2028~~ are less than the rates approved by CMS in  
238 Sections 40-26B-79 and 40-26B-80.

239 (2) The Alabama Medicaid Agency makes changes in rules  
240 that reduce hospital inpatient payment rates, outpatient  
241 payment rates, or adjustment payments, including any cost  
242 settlement protocol, ~~which were in effect on September 30,~~  
243 ~~2025.~~

244 (3) The inpatient or outpatient hospital access  
245 payments required under this article are changed or the  
246 assessments imposed or certified public expenditures or  
247 intergovernmental transfers recognized under this article are  
248 not eligible for federal matching funds under Title XIX of the  
249 Social Security Act, 42 U.S.C. § 1396 et seq., or 42 U.S.C. §  
250 1397aa et seq.

251 (4) The Alabama Medicaid Agency contracts with an  
252 alternate care provider in a Medicaid region under any terms



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253 other than the following:

254 a. The agency may contract with an alternate care  
255 provider only if, in the judgment of the agency, care of  
256 Medicaid enrollees would be better, more efficient, and less  
257 costly than under the then existing care delivery system. The  
258 agency may contract with more than one alternate care provider  
259 in a Medicaid region.

260 b. If the agency were to contract with an alternate  
261 care provider under the terms of this subdivision, that  
262 provider would have to pay reimbursements for hospital  
263 inpatient or outpatient care at rates at least equal to the  
264 most recent published rates pursuant to Sections 40-26B-79 and  
265 40-26B-80.

266 c. If more than a year had elapsed since the agency  
267 directly paid reimbursements to hospitals, the minimum  
268 reimbursement rates paid by the alternate care provider would  
269 have to be changed to reflect any percentage increase in the  
270 national medical consumer price index minus 100 basis points.

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

275 (2) Monies in the Hospital Assessment Account in the  
276 Alabama Medicaid Program Trust Fund derived from assessments  
277 imposed before the determination described in subdivision (1)  
278 shall be disbursed under this article to the extent federal  
279 matching is not reduced due to the impermissibility of the  
280 assessments, and any remaining monies shall be refunded to



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281 hospitals in proportion to the amounts paid by them."

282 "§40-26B-84

283 This article shall be of no effect if federal financial  
284 participation under Title XIX of the Social Security Act is  
285 not available to the Medicaid Agency at the approved federal  
286 medical assistance percentage, established under Section 1905  
287 of the Social Security Act, now appearing as 42 U.S.C. §  
288 1369d, ~~for the state fiscal years 2026, 2027, and 2028.~~"

289 Section 2. Section 40-26B-88, Code of Alabama 1975,  
290 relating to the termination of the Hospital Provider Privilege  
291 Tax, is repealed.

292 Section 3. This act shall become effective on October  
293 1, 2026.



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President and Presiding Officer of the Senate

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Speaker of the House of Representatives

SB145

Senate 11-Mar-26

I hereby certify that the within Act originated in and passed the Senate, as amended.

Patrick Harris,  
Secretary.

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House of Representatives

Passed: 01-Apr-26

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By: Senator Albritton