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# **House Ways & Means Provider Tax Testimony**

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**HealthFirst**

# HealthFirst Overview

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HealthFirst is Vermont's Independent Practice Association representing health care practitioners working at physician-owned practices throughout the state.

Key stats:

- 72 Member Practices
- 34 Primary Care Sites
- 86 Primary Care and 73 Specialist Physicians
- Over 250 Practitioners, including 159 MDs/DOs, NPs, PAs and RNs
- Located across 10 counties: Addison, Bennington, Chittenden, Franklin, Lamoille, Orange, Rutland, Washington, Windham and Windsor

Many HealthFirst physicians participate in ACO Shared Savings and patient-centered medical home programs. Participation in such programs is not a requirement of joining HealthFirst.

# HealthFirst Physicians Deliver the Highest Quality Care

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- In 2014, patients of HealthFirst doctors had 20% fewer emergency department visits and 20% more visits with primary care doctors than expected given their risk profile. Patients of Hospital-employed practices had as many ED and office visits as expected.
- HealthFirst's 2014 ACO quality score was 89%, scoring close to or above the national 75<sup>th</sup> percentile on all measures. The hospital-based ACO score was 67%.

Source: GMCB [Commercial ACO Shared Savings Program Quality Results: Year 1 \(2014\)](#)

# **Independent Physicians Are Paid less than Hospitals for providing the same service**

- Independent physicians get paid less than hospitals by Medicare, Medicaid, and Private Insurers for delivering the exact same outpatient medical office services
- This is true across the country, but worse in Vermont, where the dominant commercial insurer will not contract with our network of independent physicians\*
- As a result, independent physicians have not seen a total revenue increase in over 7 years
- Hospital budgets have increased approx. 5.1% per year over the same period

\* See accompanying presentation from 01/06/2015 - Physician Practices Reimbursement Report



# The Provider Tax Would Push More Physicians to Close their Businesses

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- Independent primary care physicians from HealthFirst have testified to potential losses of \$10-\$20K per physician
- Independent specialists would face more tax without increased Medicaid rates
- Vermont's small independent practices are in a fragile financial position already
- Over the past 7 years at least 25 practices and 60 doctors have closed their practices, left the state, or become Hospital-Employed

# A Provider Tax Would Negatively Impact Retention and Recruitment

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- Vermont competes with other states to maintain and replace its physician work force
- No other state taxes independent physicians (except for MN, which does not tax Medicare revenue and whose tax is set to sunset)
- Independent physicians receive multiple calls per week from out-of-state recruiters
- Even physicians who come to work for hospitals may like to have the option of private practice at some point in their careers

# Independent Practices pay many forms of Taxes that Hospitals are Exempt From

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- Income Taxes
  - Retained earnings in physician practices flow to owners and are taxed at ordinary income rates before they can be reinvested in the business
  - Hospitals maintain millions of dollars in tax-exempt retained earning balances
- Property Taxes
  - Paid by independent practices to support Vermont counties, cities, and schools
  - Hospital-owned buildings are exempt
- Sales & Use Taxes

# What's happening around the country?

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- Medicare evening the playing field between payments to Hospital-employed and Independent doctors to save billions
  - Under the deal, beginning in 2017 Medicare will no longer pay certain hospital-owned physician practices higher rates than independently owned practices.
- 16 states and DC continued paying primary care enhanced rates in 2015 *without* a Provider Tax on independent physicians\*

\* [http://healthaffairs.org/healthpolicybriefs/brief\\_pdfs/healthpolicybrief\\_137.pdf](http://healthaffairs.org/healthpolicybriefs/brief_pdfs/healthpolicybrief_137.pdf)



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# Questions?