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## Proposed Physician Tax Impact to FQHCs and Rural Health Clinics

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### PHYSICIAN SERVICES TAX UNDERMINES VERMONT'S PRIMARY CARE INFRASTRUCTURE

- \$2+ million dollar loss to Vermont FQHCs and RHCs
- Impact to health centers ranges from ~\$75,000 at the smallest health centers to ~\$450,000 at larger centers
- FQHCs and RHCs are clear losers because they are not eligible for the revenue streams for which the tax is proposed
- Millions **less** revenue to primary care when responsible transformation would invest **more** in primary care

### COMPROMISES ABILITY TO ATTRACT PRIMARY CARE PRACTITIONERS

- Only one other state imposes a tax on physician services (Minnesota)
- A physician tax will deter physicians from wanting to practice in Vermont
- Vermont's low levels of loan repayment already challenge our ability to attract physicians

### QUESTION ABOUT APPLICABILITY TO FQHCs

- The 2012 Pacific Health Policy Group report on health care related taxes refers to federal guidance that states "FQHCs are defined distinctly from physician services [in the Social Security Act] and cannot be redefined by a state as a physician service"

### FQHC PAYMENT FACTS

- FQHC Medicaid encounter payment is set prospectively; it is different from other primary care but it is not based on costs and does not – anymore -- cover costs
- FQHCs are not able to cost shift because they cannot
  - o Limit the number of Medicaid patients -- part of the FQHC pact is taking all patients regardless of payer or severity of illness
  - o Negotiate with commercial payers. FQHCs/RHCs get the same community fee schedule as other practices who cannot negotiate with commercial payers

### FQHC/RHC IMPACT IN VERMONT

- FQHCs/RHCs provide care in every county of the state at over 70 sites
- Vermont FQHC/RHC practice payer mix is as high as 50% Medicaid; pediatric even higher
- FQHCs/RHCs see nearly one in three Vermonters
- All FQHCs are 501(c)(3) non-profit organizations

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