



To: Members of the Senate Appropriations Committee, Senate Finance Committee,
House Appropriations Committee, House Ways and Means Committee

Cc: Home Care Agencies

From: Larry Goetschius, Executive Director, Addison County Home Health and Hospice

Date: November 15, 2015

Subject: Opposition to Home Health Agency Provider Tax Study Decision (H.490, Sec.E.306.1)

Dear Committee Members,

I have been the Executive Director of Addison County Home Health and Hospice (ACHHH) for the past 15 years. I am writing to make clear why I feel the decision made by VNAs of Vermont not to change the Medicaid Enhancement Tax supports an outdated policy that does not serve the interests of Vermont’s Medicaid recipients.

The tax was originally created to generate funds from the federal match allowing the State to give home care agencies fair reimbursement increases. With the great recession and resulting loss of general tax revenues, the State chose to use the funds generated by the home care tax to fill budget gaps in other State programs. As a result, for the past 7 years home care agencies have been charged a 19.3% tax on Medicaid revenue with no corresponding reimbursement increases. **Taxing just Medicaid revenue has created an unintended financial dis-incentive to serve Medicaid patients.**

The tax was initially designed as an incentive for home care agencies to grow Medicaid services such as Choices for Care. Choices for Care benefits patients, the State of Vermont and home care providers. Patients can remain in the community vs. being in a nursing home; the state avoids nursing home costs of \$39,628 (FY15) per person/per year and home care agencies made enough money to cover costs and expand the program. Today, with a 19.3% tax on Medicaid there is a dis-incentive for agencies to grow Choices for Care potentially costing the State hundreds of thousands of dollars in unnecessary nursing home payments. (See Attachment #1)

A second unintended consequence is home care agencies serving large Medicaid populations pay a disproportionately high Medicaid tax. For example, ACHHH works with local providers to ensure patients who qualify for Choices for Care receive services at home. Addison County has the highest percentage of Medicaid nursing home eligible patients living at home. As a result, the State of Vermont benefits by avoiding the higher costs of nursing home care (\$39,628 savings per year) but for ACHHH it means paying a higher tax with no compensating reimbursement.

The data below shows one example of the disparity in tax payments between agencies. ACHHH has total revenues 48% lower than “Agency A” and yet pays 14.5% more in tax because of a disproportionately large Choices for Care program. (Attachment #2 shows agencies with high Medicaid revenue pay a disproportionately high Medicaid tax.)

<u>Agency</u>	<u>Total Revenue</u>	<u>Medicaid Revenue</u>	<u>Medicaid % of Total Revenue</u>	<u>Tax Paid</u>	<u>Tax as a % of Total Revenue</u>
ACHHH	10,289,186	3,606,409	35.1%	543,984	5.29%
Agency A	19,713,810	2,868,213	14.6%	465,396	2.36%

Before reimbursement increases dried up, having a large Medicaid (Choices for Care) population was relatively positive financially. Prior to the great recession, ACHHH would have received adequate reimbursement to compensate for higher tax payments. ACHHH and some other agencies have continued to serve large Medicaid populations at a significant financial loss. This loss is unsustainable.

In the VNAs of Vermont report it states, “Six agencies of the 10 VNA members, however, felt that the current formula is the best of the several options discussed and that the problem is poor payments from Medicaid rather than a problem with the formula.” Expecting Medicaid reimbursement increases to solve a problem 7 years in the making is unrealistic in today’s environment. While the State’s budget challenges continue, the dis-incentive to serve Medicaid patients becomes more acute every year and agencies serving large Medicaid populations continue to be penalized by the tax. The report also supports putting a cap of 5% on the amount any agency would pay in tax. Under this proposal the tax would remain at 19.3% which does nothing to remove the dis-incentive to serve Medicaid patients and costs the State an estimated \$312,404.

The difference between what Medicaid pays (after the tax) vs. Medicare and commercial insurance is significant:

	<u>Medicaid</u>	<u>Medicare</u>	<u>Commercial Insurance</u>
Nurse Visit	\$87.49	126.77	168.61
Choices for Care Hourly Rate	\$22.35	N/A	N/A

(See attachment #3 for all services)

Vermont hospitals are taxed on their total revenue. When total revenue is taxed there is no dis-incentive to serve Medicaid patients as all payers are taxed at the same rate. The estimated tax rate on all payers would be 3.9% instead of 19.3% for just Medicaid. Taxing total revenue would equally distribute the tax burden and eliminate the dis-incentive to serve Medicaid patients. **Taxing total revenue would be budget neutral to the State.**

Taxing total revenue at 3.9% makes a significant difference in net Medicaid reimbursement.

	<u>Medicaid</u>	<u>Medicare</u>	<u>Commercial Insurance</u>
Nurse Visit	\$104.19	122.37	162.75
Choices for Care Hourly Rate	\$26.62	N/A	N/A

(See attachment #4 for all services)

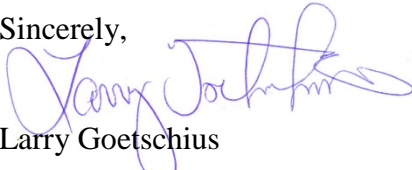
Changing the tax formula will have a financial impact on all home care agencies. I have great respect for my colleagues who lead Vermont’s home care agencies. Each of us is responsible to ensure the financial viability of our respective agencies. When voting on whether or not to change the tax formula it’s prudent for leaders to vote in their agency’s financial self-interest. I would contend that agency financial self-interest is not sufficient to ensure good public policy concerning access to Medicaid services. The decision by VNAs of Vermont not to change the Medicaid tax formula passed by one vote.

The current tax on Medicaid revenue results in significant financial inequity across home care agencies and has created a dis-incentive to serve Medicaid patients. I am requesting the legislature move to base the home care tax on total revenue. **Taxing total revenue eliminates the financial dis-incentive to serve Medicaid patients, equally distributes the tax burden across all home care agencies and is budget neutral for the State.**

Thank you for your time and consideration. I am available to answer questions.

(lgoetschius@achhh.org, 802-388-7259)

Sincerely,



Larry Goetschius

Attachment # 1 FY15 Costs Avoided Per Person/Per Year Using Home & Community Based Services vs. Nursing Home															
<u>Home & Community Based Services</u>	14-Jul	Aug	Sept	Oct	Nov	Dec	15-Jan	Feb	Mar	Apr	May	Jun	Average Cost	Annual Cost	
Average Monthly Cost	\$2,708	\$2,438	\$2,235	\$2,317	\$2,158	\$2,467	\$2,776	\$2,452	\$2,356	\$2,695	\$2,333	\$2,108	\$2,420	\$29,043	
<u>Nursing Home</u>															
Average Monthly Cost	\$6,376	\$5,424	\$5,661	\$5,935	\$5,593	\$6,185	\$5,352	\$5,169	\$5,737	\$6,478	\$5,358	\$5,405	\$5,723	\$68,671	
Source: DAIL Annual Report													Annual Cost Avoided HBCS vs. Nursing Home Per Person/Per Year		\$39,628

Attachment #2	Medicaid Tax as a Percent of Total Revenue				
State FY 2014	Total Operating Revenues	Total Medicaid Revenue	Percent Medicaid Revenues of Total Revenues	Medicaid Tax	Tax as percent of Total Operating Revenues
Bayada*	18,786,195	7,560,928	40.25%	52,297	0.28%
Addison	10,289,186	3,606,409	35.05%	543,984	5.29%
Caledonia	6,224,831	1,741,330	27.97%	304,962	4.90%
Central VT	11,031,800	1,845,105	16.73%	400,705	3.63%
Franklin	7,959,382	2,847,864	35.78%	442,891	5.56%
Lamoille	3,633,661	913,834	25.15%	165,879	4.57%
Manchester Health	1,641,074	408,075	24.87%	45,241	2.76%
Orleans	4,008,719	1,164,075	29.04%	148,385	3.70%
RAVNAH and Benn.	16,256,687	4,498,232	27.67%	507,615	3.12%
VNA of Chitt/GI	28,005,302	12,132,601	43.32%	1,165,220	4.16%
VNA of VT/NH	<u>19,713,810</u>	<u>2,868,213</u>	<u>14.55%</u>	<u>465,396</u>	<u>2.36%</u>
Total	127,550,647	39,586,666	31.04%	4,242,575	3.33%
*Bayada figures are not confirmed.					

Attachment #3	Medicaid Payments After The Medicaid Tax vs. Medicare & Commercial				
2015 Rates	<u>Medicare</u>	<u>Average Commercial</u>	<u>Medicaid Payment</u>	<u>Minus Medicaid Tax (19.3%)</u>	<u>Final Medicaid Payment</u>
RN - Visit	\$ 126.77	\$ 168.61	\$ 108.42	\$ 20.93	\$ 87.49
PT - Visit	\$ 138.60	\$ 198.61	\$ 118.56	\$ 22.88	\$ 95.68
OT - Visit	\$ 139.54	\$ 198.61	\$ 119.34	\$ 23.03	\$ 96.31
SLP - Visit	\$ 150.63	\$ 198.61	\$ 128.70	\$ 24.84	\$ 103.86
MSW - Visit	\$ 203.22	\$ 219.77	\$ 173.68	\$ 33.52	\$ 140.16
HHA - Visit	\$ 57.42	\$ 60.98	\$ 49.08	\$ 9.47	\$ 39.61
CFC Respite - Hourly			\$ 22.12	\$ 4.27	\$ 17.85
CFC PCA - Hourly			\$ 27.70	\$ 5.35	\$ 22.35
Does not include Bayada data.					

Attachment #4	Home Care Payments Taxing Medicare, Commercial and Medicaid at 3.9%					
2015 Rates	<u>Medicare</u>	After <u>Tax at 3.9%</u>	<u>Average Commercial</u>	After <u>Tax at 3.9%</u>	<u>Medicaid</u>	After <u>Tax at 3.9%</u>
RN - Visit	\$ 126.77	\$ 121.83	\$ 168.61	\$ 162.03	\$ 108.42	\$ 104.19
PT - Visit	\$ 138.60	\$ 133.19	\$ 198.61	\$ 190.86	\$ 118.56	\$ 113.94
OT - Visit	\$ 139.54	\$ 134.10	\$ 198.61	\$ 190.86	\$ 119.34	\$ 114.69
SLP - Visit	\$ 150.63	\$ 144.76	\$ 198.61	\$ 190.86	\$ 128.70	\$ 123.68
MSW - Visit	\$ 203.22	\$ 195.29	\$ 219.77	\$ 211.19	\$ 173.68	\$ 166.91
HHA - Visit	\$ 57.42	\$ 55.18	\$ 60.98	\$ 58.60	\$ 49.08	\$ 47.17
CFC Respite - Hourly					\$ 22.12	\$ 21.26
CFC PCA - Hourly					\$ 27.70	\$ 26.62
Does not include Bayada data.						