

# PROVIDER TAXES

## Overview

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# Medicaid Financing

## Overview

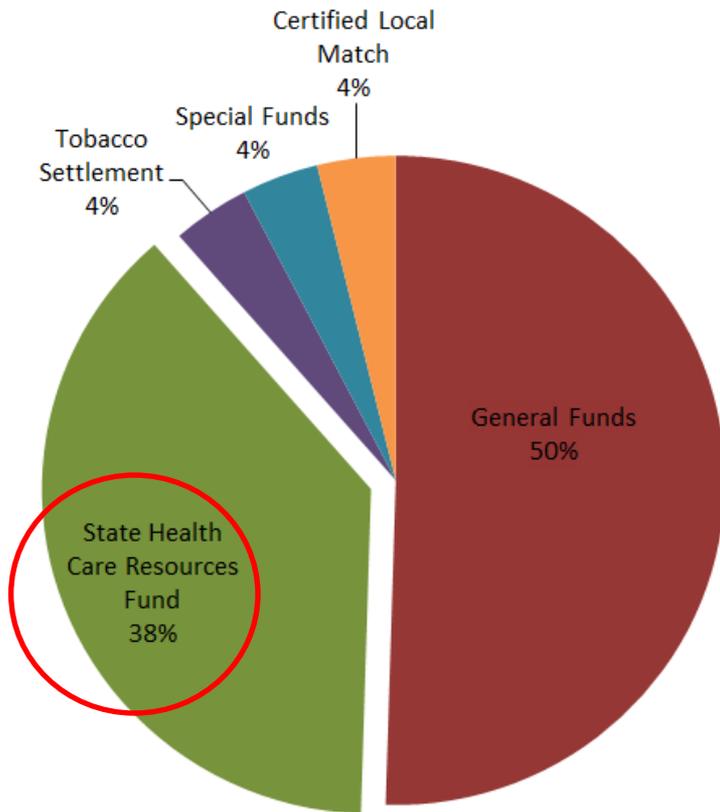
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- **SFY 2016(BAA):** Medicaid spending was \$1.74 billion.
  - Federal Funds = \$1 billion
  - State Funds = \$738 million
- State funding comes from a combination of general funds, cigarette and tobacco taxes, provider taxes, certified funds and other sources

# Medicaid Financing Overview

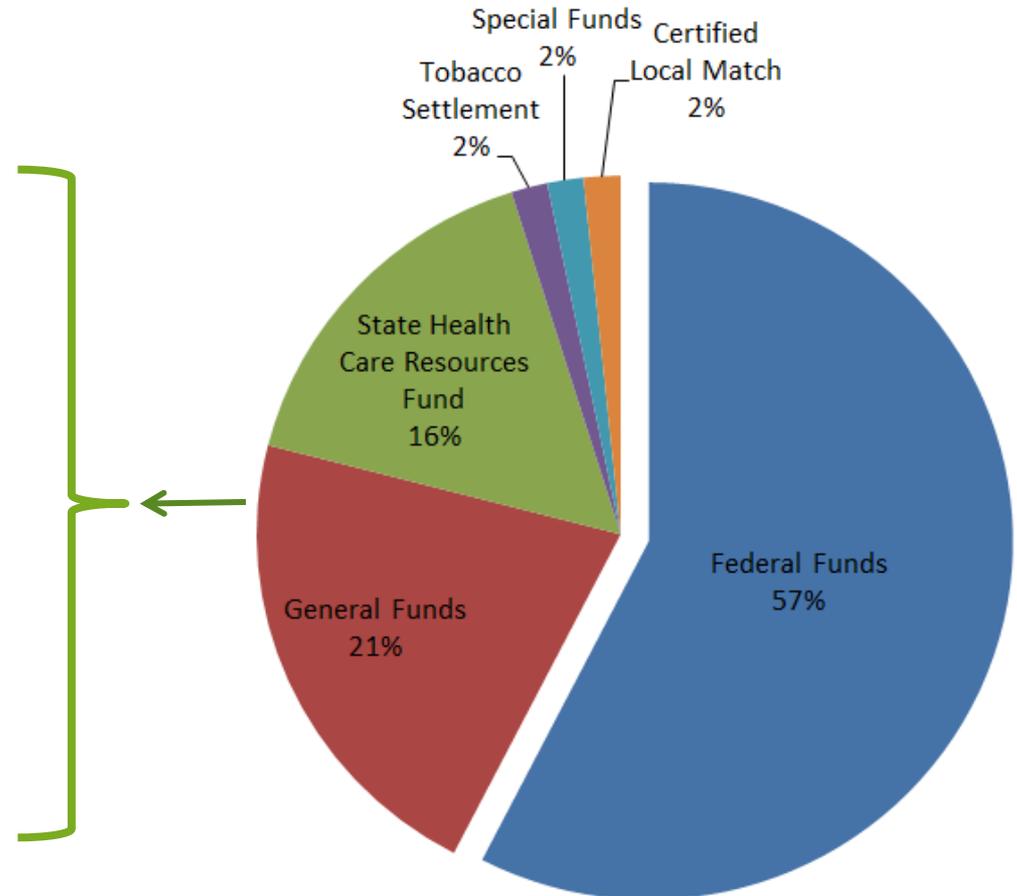
SFY'16 BAA = \$1.74 billion

## State Funds Only



## TOTAL Medicaid Funding Sources

All funds: Federal + State

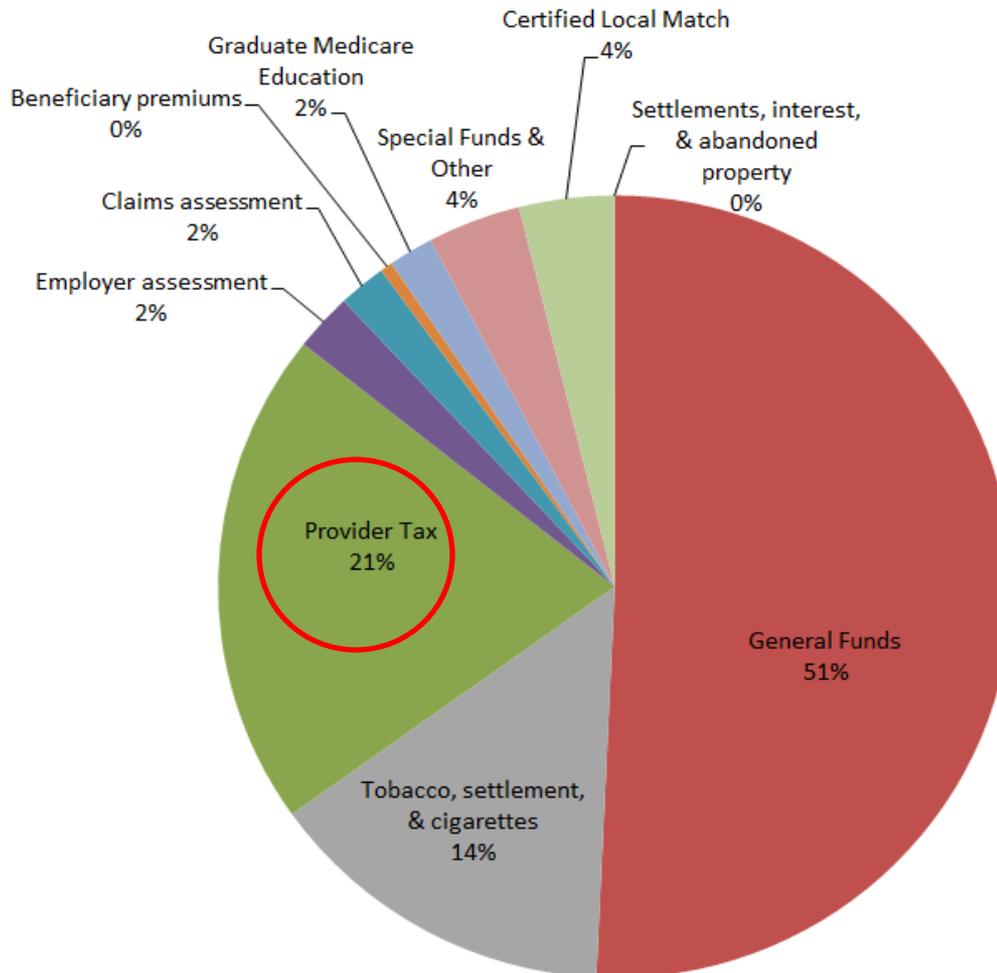


- **Provider Taxes** are deposited into the State Health Care Resources Fund and account for more than half (54%) of the fund.

# Medicaid Financing Overview

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## State Funds Only *(broken out regardless of fund)*



# Provider Tax

## Overview

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### Under Federal Law, provider taxes:

- Must be broad-based
- Must be uniformly imposed
- Cannot violate hold harmless provision
  - Cannot directly or indirectly guarantee to repay the taxpayer for the amounts paid
  - There is a presumption of meeting this requirement if the tax is less than or equal to 6% of net patient revenue.

# Provider Tax Overview

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## Provider Tax Cap:

- Federal law prohibits provider tax revenue from exceeding 25% of the State Medicaid dollars used to get Federal Match.
- Provider taxes were approx. 21% of state dollars for SFY'16 BAA. See slide 4
- The administrations proposal increases it to approx. 22-23%\*

# Provider Tax: Classes

## 19 Federal Classes of Health Care Services

|   |  |  |
|---|--|--|
| Inpatient hospital services*              | Services of managed care organizations | Therapist services   |
| Outpatient hospital services*             | Ambulatory service centers             | Nursing services   |
| Nursing facility services*                | Dental services                        | Laboratory and x-ray services  |
| Services of intermediate care facilities* | Podiatric services                     | Emergency ambulance services   |
| Physicians' services                      | Chiropractic services                  | Other health care items or services for which the state has enacted a licensing or certification fee |
| Home health care services*                | Optometric services                    |  |
| Outpatient prescription drugs*            | Psychological services                 |  |

\* Class currently assessed in Vermont

# Current Vermont Provider Tax

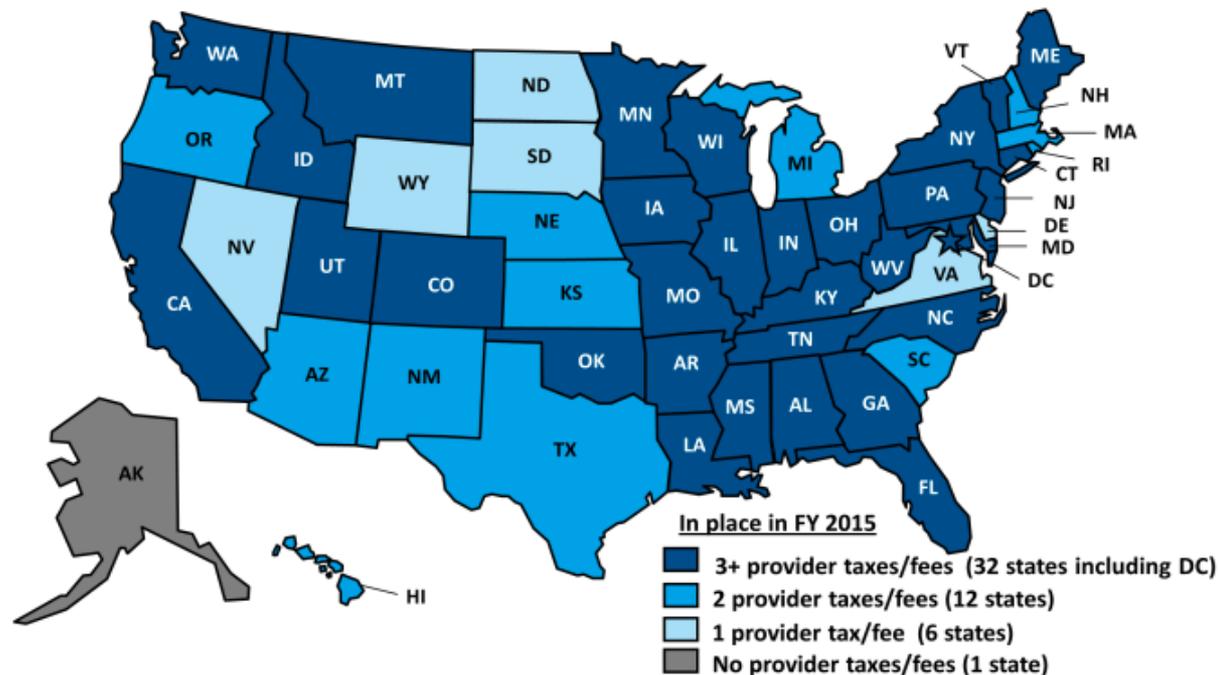


| <b>Class of Provider</b>        | <b>Rate</b>                       | <b>Net Patient<br/>Rev. Equivalent</b> | <b>Est.<br/>SFY'16 BAA</b> | <b>Est.<br/>SFY'17</b> |
|---------------------------------|-----------------------------------|--|----------------------------|------------------------|
| Hospitals                       | 6%                                | 6%                                     | \$129,647,755              | \$133,570,285          |
| Nursing Homes                   | \$4,919.53 per bed                | 6%                                     | \$15,644,925               | \$15,245,623           |
| Home Health                     | 19.3% of net operating<br>revenue | Approx. 3.9%                           | \$4,487,950                | \$4,521,602            |
| Intermediate<br>Care Facilities | 5.9%                              | 5.9%                                   | \$73,308                   | \$73,708               |
| Pharmacy                        | \$0.10/script                     | N/A                                    | \$780,000                  | \$780,000              |
| <b>TOTAL</b>                    |                                   |  | <b>\$150,633,938</b>       | <b>\$154,191,218</b>   |

# Provider Taxes: Other States

Figure 13

## States with Provider Taxes or Fees in Place in FY 2015



NOTES: Includes Medicaid provider taxes as reported by states. It is possible that there are other sources of revenue from taxes collected on health insurance premiums or health insurance claims that are not reflected here.

SOURCE: KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, October 2015.



Figure 13: States with Provider Taxes or Fees in Place in FY 2015

# Provider Taxes in all 50 states and DC



Source: Kaiser Commission  
on Medicaid and Uninsured  
Survey of Medicaid officials  
in 50 states and DC.  
Conducted by Health  
Management Associates,  
October 2015

| States         | Hospitals |           | Intermediate Care Facilities |           | Nursing Facilities |           | Other     |           | Any Provider Tax |           |
|----------------|-----------|-----------|------------------------------|-----------|--------------------|-----------|-----------|-----------|------------------|-----------|
|                | 2015      | 2016      | 2015                         | 2016      | 2015               | 2016      | 2015      | 2016      | 2015             | 2016      |
| Alabama        | X         | X         |                              |           | X                  | X         | X         | X         | X                | X         |
| Alaska         |           |           |                              |           |                    |           |           |           |                  |           |
| Arizona        | X         | X         |                              |           | X                  | X         |           |           | X                | X         |
| Arkansas       | X         | X         | X                            | X         | X                  | X         |           |           | X                | X         |
| California     | X         | X         | X                            | X         | X                  | X         | X         | X         | X                | X         |
| Colorado       | X         | X         | X                            | X         | X                  | X         |           |           | X                | X         |
| Connecticut    | X         | X         | X                            | X         | X                  | X         |           | X         | X                | X         |
| Delaware       |           |           |                              |           | X                  | X         |           |           | X                | X         |
| DC             |           | X         | X                            | X         | X                  | X         | X         | X         | X                | X         |
| Florida        | X         | X         | X                            | X         | X                  | X         |           |           | X                | X         |
| Georgia        | X         | X         | X                            | X         | X                  | X         |           |           | X                | X         |
| Hawaii         | X         | X         |                              |           | X                  | X         |           |           | X                | X         |
| Idaho          | X         | X         | X                            | X         | X                  | X         |           |           | X                | X         |
| Illinois       | X         | X         | X                            | X         | X                  | X         |           |           | X                | X         |
| Indiana        | X         | X         | X                            | X         | X                  | X         |           |           | X                | X         |
| Iowa           | X         | X         | X                            | X         | X                  | X         |           |           | X                | X         |
| Kansas         | X         | X         |                              |           | X                  | X         |           |           | X                | X         |
| Kentucky       | X         | X         | X                            | X         | X                  | X         | X*        | X*        | X                | X         |
| Louisiana      |           |           | X                            | X         | X                  | X         | X         | X         | X                | X         |
| Maine          | X         | X         | X                            | X         | X                  | X         | X         | X         | X                | X         |
| Maryland       | X         | X         | X                            | X         | X                  | X         | X         | X         | X                | X         |
| Massachusetts  | X         | X         |                              |           | X                  | X         |           |           | X                | X         |
| Michigan       | X         | X         |                              |           | X                  | X         |           | X         | X                | X         |
| Minnesota      | X         | X         | X                            | X         | X                  | X         | X         | X         | X                | X         |
| Mississippi    | X         | X         | X                            | X         | X                  | X         | X         | X         | X                | X         |
| Missouri       | X         | X         | X                            | X         | X                  | X         | X*        | X*        | X                | X         |
| Montana        | X         | X         | X                            | X         | X                  | X         |           |           | X                | X         |
| Nebraska       |           |           | X                            | X         | X                  | X         |           |           | X                | X         |
| Nevada         |           |           |                              |           | X                  | X         |           |           | X                | X         |
| New Hampshire  | X         | X         |                              |           | X                  | X         |           |           | X                | X         |
| New Jersey     | X         | X         | X                            | X         | X                  | X         | X*        | X*        | X                | X         |
| New Mexico     |           |           |                              |           |                    |           | X*        | X*        | X                | X         |
| New York       | X         | X         | X                            | X         | X                  | X         | X*        | X*        | X                | X         |
| North Carolina | X         | X         | X                            | X         | X                  | X         |           |           | X                | X         |
| North Dakota   |           |           | X                            | X         |                    |           |           |           | X                | X         |
| Ohio           | X         | X         | X                            | X         | X                  | X         |           |           | X                | X         |
| Oklahoma       | X         | X         | X                            | X         | X                  | X         |           |           | X                | X         |
| Oregon         | X         | X         |                              |           | X                  | X         |           |           | X                | X         |
| Pennsylvania   | X         | X         | X                            | X         | X                  | X         | X*        | X*        | X                | X         |
| Rhode Island   | X         | X         |                              |           | X                  | X         |           |           | X                | X         |
| South Carolina | X         | X         | X                            | X         |                    |           |           |           | X                | X         |
| South Dakota   |           |           | X                            | X         |                    |           |           |           | X                | X         |
| Tennessee      | X         | X         | X                            | X         | X                  | X         | X         | X         | X                | X         |
| Texas          |           |           | X                            | X         |                    |           | X         | X         | X                | X         |
| Utah           | X         | X         | X                            | X         | X                  | X         |           | X         | X                | X         |
| Vermont        | X         | X         | X                            | X         | X                  | X         | X*        | X*        | X                | X         |
| Virginia       |           |           | X                            | X         |                    |           |           |           | X                | X         |
| Washington     | X         | X         | X                            | X         | X                  | X         |           |           | X                | X         |
| West Virginia  | X         | X         | X                            | X         | X                  | X         | X*        | X*        | X                | X         |
| Wisconsin      | X         | X         | X                            | X         | X                  | X         | X         | X         | X                | X         |
| Wyoming        |           |           |                              |           | X                  | X         |           |           | X                | X         |
| <b>Totals</b>  | <b>39</b> | <b>40</b> | <b>37</b>                    | <b>37</b> | <b>44</b>          | <b>44</b> | <b>19</b> | <b>22</b> | <b>50</b>        | <b>50</b> |

# Provider Taxes: Other States



**Based on a 50-state survey conducted by Kaiser in Oct. 2015:**

- In 2003, 21 states had at least one provider tax. By 2013, all but one state (Alaska) had at least one provider tax.
- The most common type of provider tax in place was for nursing homes (44 states), followed by Hospitals (39 states) and Intermediate Care Facilities (37 states).

# Provider Taxes: Other States

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- FY'15: One state eliminated a provider tax class
  - NJ eliminated a cosmetic surgery tax.
  - DC's hospital provider fee and bed tax expired
- FY'16: 3 states reported plans to add provider taxes
  - CT is adding a tax on ambulatory surgery centers
  - MI and UT are adding a tax on ambulance providers
  - DC adding a new hospital fee
- In both FY'15 and '16, some states increased provider tax rates and some states decreased provider tax rates.
- FY'17: According to the survey, 7 states reportedly are considering increasing provider taxes or fees in 2017.

# Provider Taxes: Physicians



Very few states have had provider taxes on physicians.

*Minnesota may be the only state that currently assesses a provider tax on physicians services*

- **Minnesota:**\*
  - 2% provider tax on physicians
    - MN also taxes other health care professionals such as nurses, chiropractors, psychologists, opticians, physical therapists, etc.
  - There are several exemptions from the tax including services provided under Medicare
  - Most of these revenues used to pay for MinnesotaCare – the state’s supplemental health care program (Basic Health Plan) – for those not eligible for Medicaid.
  - All of MN’s provider taxes will expire December 31, 2019.
  - A recent report from the Governor’s Health Care Financing Task Force recommended continuing the tax to expand MinnesotaCare.\*\*

\* Source: Minnesota House of Representatives, Research Department

\*\* Source: Health Care Financing Task Force Final Report, 1/21/2016. <http://mn.gov/dhs/hcftf/meetings/>

# Provider Taxes: Physicians



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## Other states that (have had but) no longer have provider tax on physicians:

- **Kentucky:**
  - 2% tax enacted in 1994.
  - Phased out starting 1996
  - Eliminated in 1999.
- **West Virginia:**
  - Chiropractors taxed at 1.75%.
  - Other individual providers taxed at 2%
  - Tax rate was reduced several times, and eliminated in 2010.