

February 3, 2016

Dear Representatives:

I am a primary care naturopathic physician and have been in practice in Montpelier for 20 years. I am testifying here today on behalf of the Vermont Association of Naturopathic Physicians. We would like to voice our opposition to the proposed independent provider tax you are considering. Here are our reasons why:

1. First and foremost, **independent primary care physicians already get reimbursed less than half** what physicians (and physician assistants) in hospital owned practices get reimbursed for the same services. I assume that part of the justification for this proposed tax is that providers in hospital owned practices already get charged a similar fee, and this is viewed as fair because it levels the playing field. In fact, it is not fair and does not level the playing field, it exacerbates an already unfair discrepancy in what independent providers get paid.
2. Hospitals own primary care practices, as I understand it, to generate referrals, and hence income, from their specialists. They can absorb the provider tax into this structure without compromising primary care physician pay. Independent providers such as naturopathic doctors don't have that luxury. This tax will directly reduce our incomes.
3. The median income for naturopathic doctors in Vermont is \$62,560 (\$46,930 in northern VT) according to the Vermont Department of Labor. This is only slightly higher than the median income of all Vermonters, which is \$52,977.
4. I assume this proposed tax of 2.35% would be on payments from the insurance companies to providers, which would amount to a gross receipts tax. This would amount to about 5% of net income in most practices assuming that about ½ of gross receipts go to expenses, which is true in my practice. Despite the Governor's statement that this budget does not include an increase in income tax, this does amount to an additional 5% income tax on independent physicians and **would amount to a 69% increase in the income tax rate** for the average naturopathic doctor. Doctors in the 8.8% tax bracket would pay a 13.5% Vermont income tax rate, over 50% higher than any other Vermonter, even those making in excess of \$1,000,000 per year.
5. Independent primary care practices are already struggling to survive, and hospitals have not expressed any interest in purchasing naturopathic physician practices. Furthermore, Medicaid patients account for 43% of the patients I see resulting in additional financial stress on a small independent practice due to chronic underpayment by Medicaid. Increasing our income tax rate by up to 69% is a huge additional financial stress and grossly unfair.
6. Please, **NO TAX PARITY WITHOUT INCOME PARITY**

Thank you,

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