

Vermont Legislative Joint Fiscal Office

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MEMO

Date: 1/29/16

Prepared by: Nolan Langweil

TO: Representative Janet Ancel, Chair of House Ways & Means
CC: Karen Lane, Committee Assistant
FROM: Nolan Langweil
RE: Provider Tax Presentation Follow-up

Dear Representative Ancel,

The following are responses to some of the questions that were asked during testimony yesterday (1/28/16).

1) Follow-up on what's happening in Washington D.C. and New Mexico

District of Columbia Hospital Provider Tax

In FY2011, the District of Columbia (DC) levied a tax on hospitals of \$2,000 per licensed hospital bed. The rate was increased to \$3,800 per bed in FY 2012. The tax was set up to be a temporary source of revenue during the recession. There was also a hospital provider fee on hospital outpatient gross receipts (not to exceed \$150,000 per hospital annually). Both the fee and the bed tax were allowed to expire in 2015. In 2014 the fee and the tax raised \$31.9M. DC intended to replace the lost funds with general funds to prevent cuts to Medicaid services.

In 2016 DC imposed on a new one-year fee on each hospital's gross receipts for both inpatient and outpatient services (estimated at \$16.4M) largely to support an increase in Medicaid payments to hospitals. It is anticipated that the issue will be revisited in the FY 17 budget.

DC also has taxes on Nursing Homes and intermediate care facilities. Each of these taxes are deposited into funds to support improvements of quality of care in these facilities.

New Mexico Physician Provider Tax

Clarification -- In 2004, the NM exempted providers of health care services receiving payments from commercial and Medicare managed care companies from the gross receipts tax that previously applied to them. The gross receipts tax from which they were exempted is not actually a provider tax because it applies to many types of businesses, not just health (Source: NCSL). I will adjust my presentation.

2) Concerning the \$0.10 per script provider tax, what does that translate to in terms of net patient revenue?

It is estimated that this equals approximately 0.14%.

3) When does the tobacco settlement money expire?

The "strategic payments" end in 2018 at which time we will lose \$11 million.