

PROVIDER TAXES

Overview

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January 28, 2016



Medicaid Financing

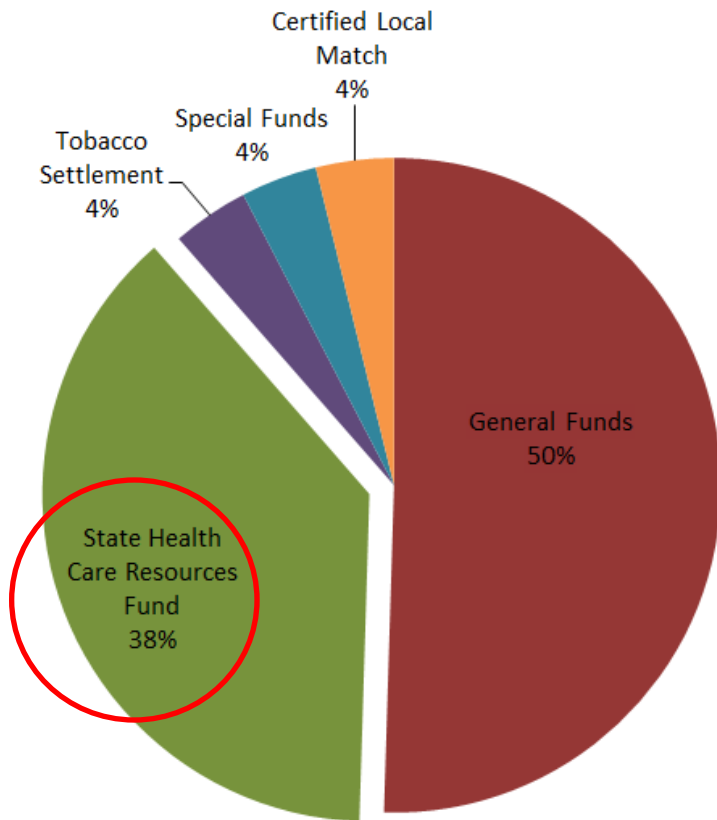
Overview

- **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

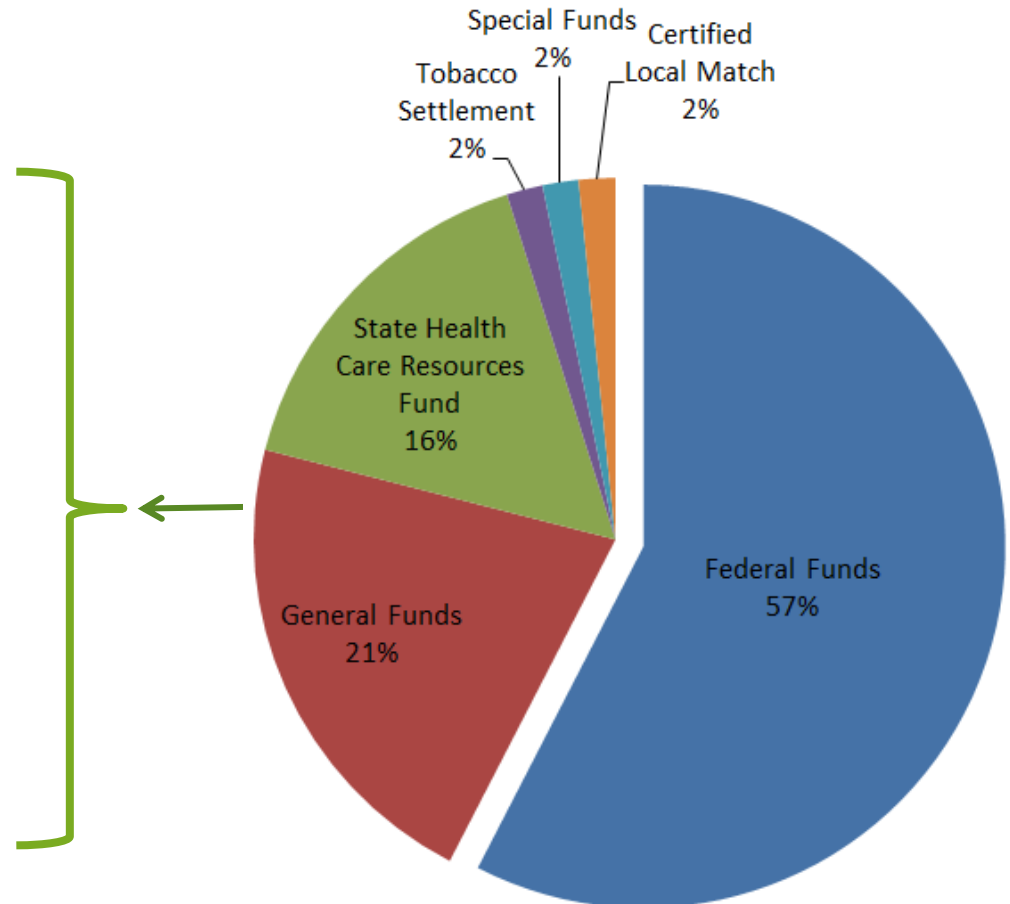
SFY'16 BAA = \$1.74 billion

State Funds Only



TOTAL Medicaid Funding Sources

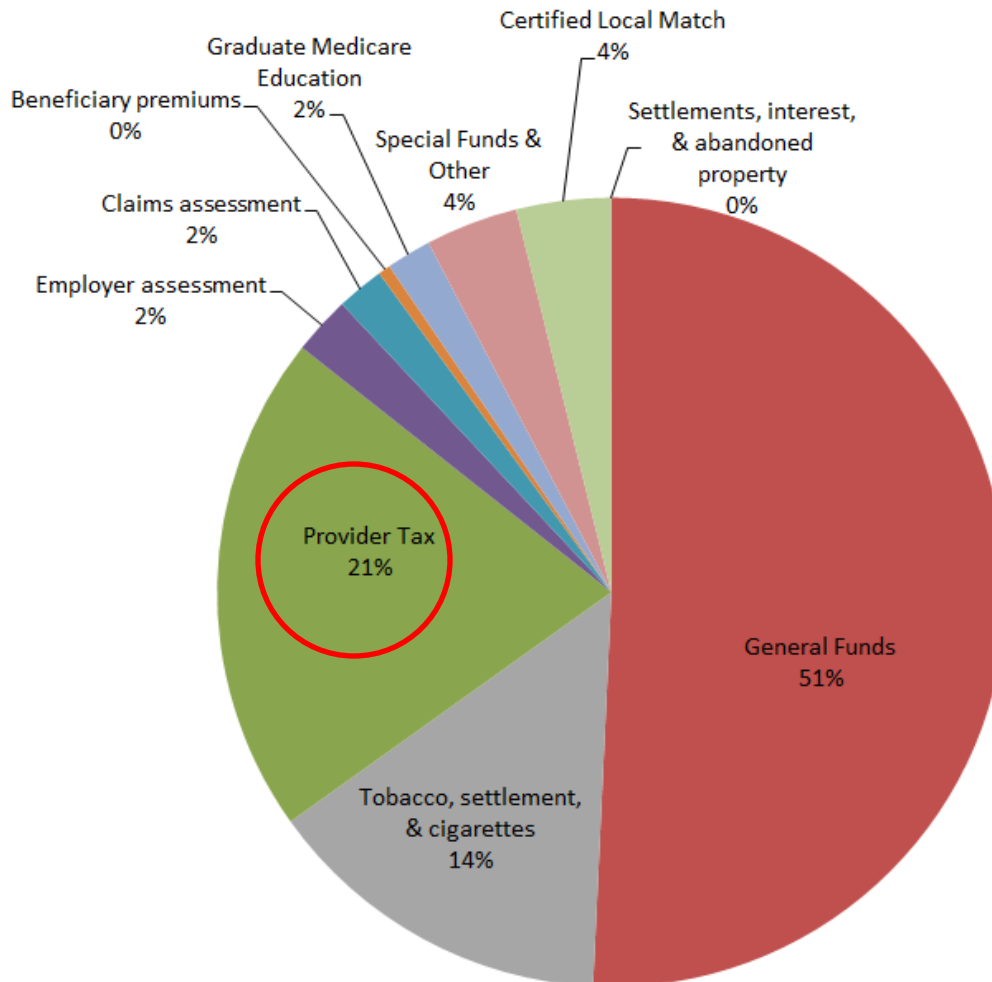
All funds: Federal + State



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

Medicaid Financing Overview

State Funds Only (broken out regardless of fund)



Provider Tax

Overview

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

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

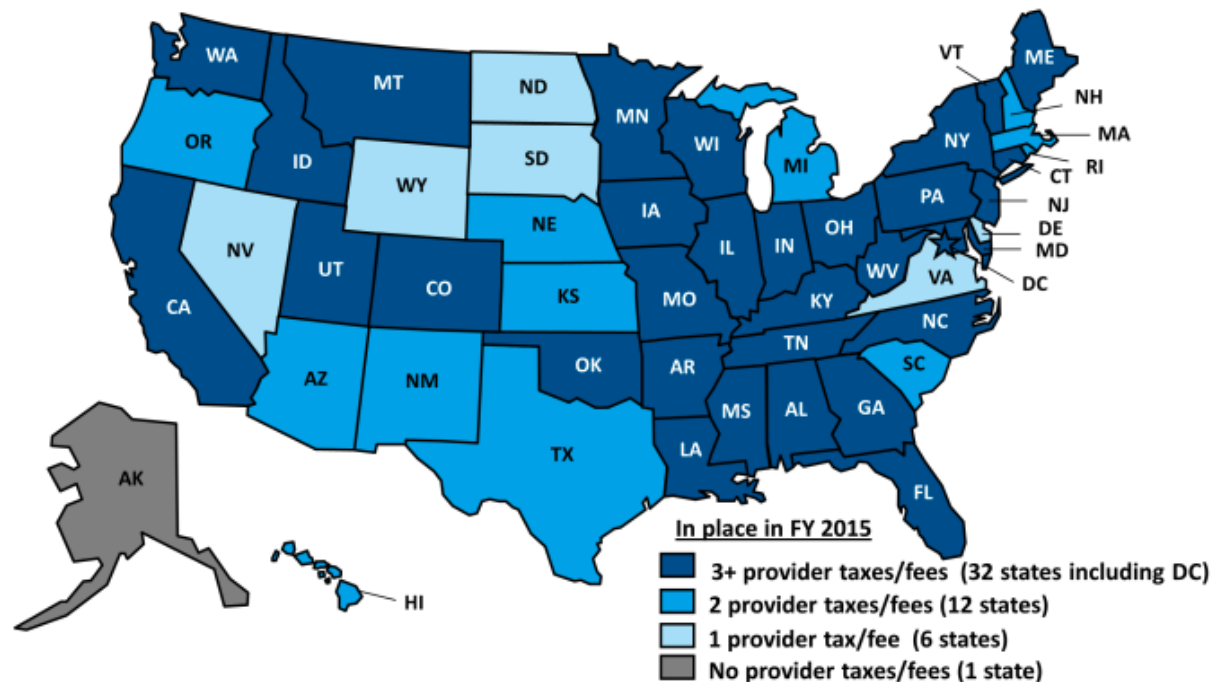


Class of Provider	Rate	Net Patient Rev. Equivalent	Est. SFY'16 BAA	Est. SFY'17
Hospitals	6%	6%	\$129,647,755	\$133,570,285
Nursing Homes	\$4,919.53 per bed	6%	\$15,644,925	\$15,245,623
Home Health	19.3% of net operating revenue	Approx. 3.9%	\$4,487,950	\$4,521,602
Intermediate Care Facilities	5.9%	5.9%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

Provider Taxes: Other States

Figure 13

States with Provider Taxes or Fees in Place in FY 2015



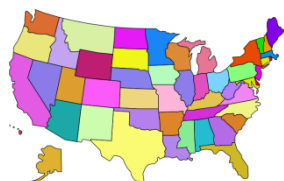
NOTES: Includes Medicaid provider taxes as reported by states. It is possible that there are other sources of revenue from taxes collected on health insurance premiums or health insurance claims that are not reflected here.

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

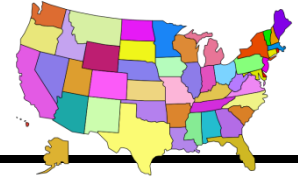
Provider Taxes in all 50 states and DC



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
Totals	39	40	37	37	44	44	19	22	50	50

Provider Taxes: Other States



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

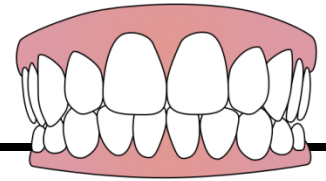
- In 2003, 21 states had at least one provider tax. By 2013, all but one state (Alaska) had at least one provider tax.
- The most common type of provider tax in place was for nursing homes (44 states), followed by Hospitals (39 states) and Intermediate Care Facilities (37 states).

Provider Taxes: Other States



- FY'15: One state eliminated a provider tax class
 - NJ eliminated a cosmetic surgery tax.
 - DC eliminated a hospital provider tax
- 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 tax
- 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: Dental



At least 15 states have dental provider tax:

California	Montana
Colorado	Nebraska
Delaware	New York
Louisiana	North Dakota
Maryland	Ohio
Minnesota	South Dakota
Mississippi	Utah
Missouri	

Provider Taxes: Physicians



At least four 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



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.
- **New Mexico:**
 - NM had a 5% gross “sales tax” on medical services.
 - In 2005, a bill passed to allow physicians to deduct payments made by commercial managed care and health insurers which essentially eliminated the tax on physicians.