Senate Finance Committee Testimony, January 27, 2016
RE: Proposed Independent Provider Medicaid Tax

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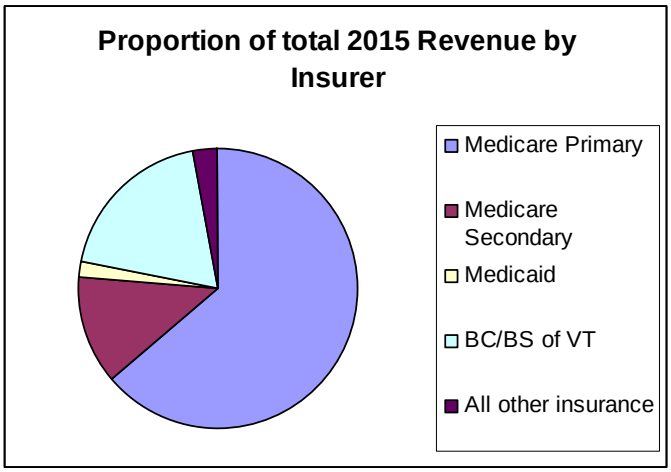
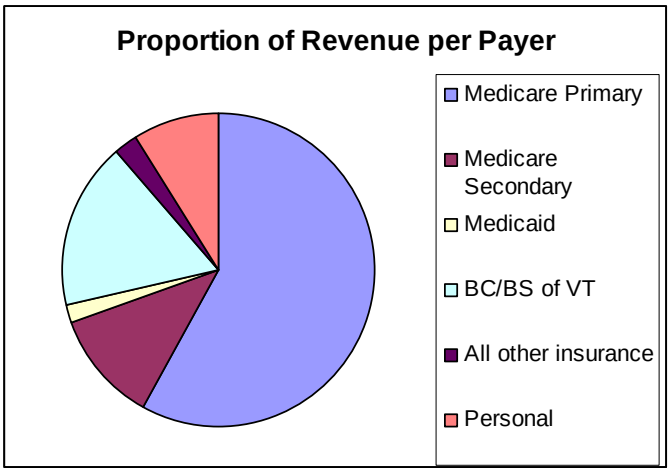
A provider tax on independent physicians and dentists will have a detrimental effect on health care in Vermont. Unfortunately, in the end, it will be the patients that suffer the consequences.

1) Health care providers are facing diminishing returns due to increasing numbers of patients on lower-paying Medicare and Medicaid. This demographic change is from an aging population and the expansion of Medicaid, respectively. Medicare aged Vermonters are projected to increase from 18% to 25% of the population by 2030. Recently Vermont's Medicaid population has swelled to a third of Vermonters. In my practice, I deal mainly with Medicare patients as they have many more skin problems including skin cancers. The following diagrams demonstrate the relative proportion of my practice's revenue by insurance source and payer.





Different practices see different mixes of patients. Those like mine would be penalized with a provider tax, as we would have little to gain from any potential increase in provider Medicaid payments (if that is even what the tax is to be used for). Several of the remaining private practitioners in Rutland are internists, who also see primarily Medicare patients.

2) This penalty would be in addition to the growing Medicare penalties that my practice and other practices are experiencing for not meeting:

a. electronic medical record "Meaningful use" criteria. Beginning in 2015, eligible professionals who do not successfully demonstrate meaningful use will be subject to a payment adjustment. The payment reduction starts at 1% and increases each year that an eligible professional does not demonstrate meaningful use, to a maximum of 5%. https://www.cms.gov/regulations-and-guidance/legislation/ehrincentiveprograms/basics.html

So far, less than 10% of physicians were successful in meeting Stage 2 Meaningful Use. In December, CMS announced that it would cut Medicare reimbursement by 1% for nearly 300,000 physicians who failed to meet Meaningful Use criteria. http://www.medpagetoday.com/Washington-Watch/Reform/53822

b. PQRS data (The penalty for not reporting 2015 PQRS data is 2% of 2017 Medicare payments.) https://www.healthfusion.com/resources/pqrs-infographic/

So in a few more years my Medicare rates will be reduced up to 7%, even though I can not negotiate higher fees from insurers to make up the difference. Nor will I be able to lower my overhead cost, including staff salaries to make up this difference, while each year the cost of running my practice increases. With the Medicaid provider tax, the total penalty will approach 10%.

3) We should be encouraging the survival of private practice, rather than taking measures to extinguish it, as the cost of care in private practice is significantly less than care by hospital employed physicians.

Hospital employed physicians are paid significantly more for the same service than independent (private practice) physicians. I am a dermatologist and so I include Blue Cross Blue Shield of VT fees for two common procedure codes and compare the difference in payments between a hospital employed dermatologist and a private practice dermatologist:

CPT Code	Procedure	Private Practice	Hospital Employed	Variance
11000	Skin Biopsy Single Lesion	$109	$349	320%
17000	Destruction Pre-malignancy	$83	$273	329%

So for each of these procedures, a hospital employed dermatologist is paid over 3 times more than a private practice dermatologist.

Reference:
http://www.leg.state.vt.us/jfo/healthcare/Health%20Reform%20Oversight%20Committee/2015_01_06/2015_01_06_Physician%20Practices%20Report%20-%20Healthfirst%20presents.pdf

Hospital employed physicians also collect facility fees from Medicaid, Medicare and private insurance that can amount to hundreds of additional dollars per patient that independent providers do not collect. Vermont Senator Kevin Mullin is well aware of how facility fees have affected health care costs in the Rutland area.
http://www.publicintegrity.org/2012/12/20/11978/hospital-facility-fees-boosting-medical-bills-and-not-just-hospital-care

"After Vermont hospitals started buying up the medical practices of local physicians, state Sen. Kevin Mullin of Rutland, began hearing complaints that prices some patients were paying for routine medical care had soared. One family accustomed to paying about $120 in out-of-pocket costs for doctor visits and other medical services was outraged when they ended up forking over more than $1,000 for similar visits, Mullin said, mostly for seeing doctors whose practices had been bought out by a local hospital. “The only thing that was different was the office was [now] hospital-owned,” said Mullin, a Republican. “All of a sudden everything was charged differently.”

It is no wonder that I have some patients driving from the Bennington area to see me in Rutland because my fees are so much lower than those of the hospital employed dermatologist in Bennington.

4) How will independent physicians and dentists react if such a tax is implemented? I can’t speak for them, but I am contemplating retiring early from Vermont and returning to the University of North Carolina where I was a faculty member for years. I had planned to return to part-time teaching in about six years when I turn 67, but now am thinking about doing it sooner (My three children all live in NC). I have also thought about cutting my work hours and no longer seeing Medicare and Medicaid patients. I might only work a day or two a week and would have to lay off most of my staff. This would have an adverse effect on my staff and for patients in the Rutland area that have dermatologic needs.

Many of the private practice physicians and dentists in Rutland, like me, are in their 60s. So most of us have enough retirement savings to retire early or scale back our practices. However, what bothers me the most about choosing one of these reactionary measures is that my patients will likely have a difficult time finding access to a dermatologist. Those that can may have to drive to Bennington, where the cost for dermatology services is far more expensive than in my private practice (as I discussed above). And the waiting times may become unbearable. This is of even greater concern as Vermont’s plan for a global health care budget under the planned “All Payer” waiver will likely make it very difficult to recruit and retain dermatologists and other providers in Vermont. In the end, it will be the patients who have the most to lose. This is most unfortunate. However, it is not too late to prevent this tax on independent providers.
I hope my testimony provides insight to help you make the best decision on this issue.

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