
Administration's Proposal for 2.35% Provider Tax on Independent Physicians and Practicing Dentists

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Provider Tax Overview

Provider taxes must follow federal law including:

- Must be broad based
- Must be uniformly imposed
- Cannot violate hold harmless provisions— tax paid is not returned to providers to make them whole
 - There is a presumption of meeting this requirement if the tax is less than or equal to 6% of net patient revenue

Monies from provider taxes are deposited into the State Health Care Resources Fund

Revenue from Current Provider Taxes

Class of Provider	FY16 (Gov Rec for eboard BAA Jan. 2016)	FY17 (Gov Rec for eboard January 2016)
Hospital 6% of net patient revenue	129,647,755	133,570,285
Nursing Home per bed assessment	15,644,925	15,245,623
Home Health Agencies 19.3% of net operating revenue	4,487,950	4,521,602
Intermediate Care Facilities 5.9% of total annual and indirect expenses	73,308	73,708
Pharmacy \$0.10/script	780,000	780,000
TOTAL	150,633,938	154,191,218

Administration's Proposal

- The Administration is proposing a 2.35% provider tax on independent physician practices and practicing dentists

Proposed Tax at 2.35%	Calendar Year 2016, Collected 2017
Physicians	\$10,944,023
Dentists	\$6,074,214
Total Revenue	\$17,018,237

- Numbers based on 2014 UMass update of 2012 Pacific Health Policy Group Report for DVHA: "Health Care Related Tax Study"
- Adjusted for: trend and calendar year as applied to state fiscal year

Administration's Proposal: Revenue

Initiative Focus	Description	Financial Impact
Medicaid Support	Support deficit in Medicaid program in order to provide affordable quality health care to Vermonters.	State share: \$12M Fed. match: \$14.3M Total: \$26.3M
Primary Care	Restore Medicaid primary care provider rates to Medicare levels as required under the ACA in 2013-2014 to ensure retention of primary care providers	State share: \$3.9M Fed. match: \$4.5M Total: \$8.4M
Dental Services	Increase Medicaid reimbursement by 18% for preventive dental services including routine care such as restorations, fluoride treatment and cleanings to improve access to dental care	State share: \$1.0M Fed. match: \$1.2M Total: \$2.2M

Administration's Proposal: Tax Base

Subject to 2.35% tax:

Independent entities made up of one or more:

- Dentists
- Dental Hygienists
- Dental Assistants
- Dental Therapists if S.20 passes
- Primary care physicians
- Physician assistants
- Specialists
- Osteopaths
- Psychiatrists
- Ophthalmologists
- Naturopaths

Not included:

- Chiropractors
- Radiologists
- Podiatrists
- Optometrists
- Psychologists
- Drug and Alcohol Counselors
- Physical Therapists
- Occupational Therapists
- Speech Therapists
- Acupuncturists
- Dieticians
- Midwives
- Nursing Homes
- Hospitals
- Home Health Agency
- Ambulatory surgical center
- Free-standing lab
- Free-standing x-ray facility

Administration's Proposal: Rate

- Federal law prohibits getting federal match for provider tax revenue that exceeds 25% of State Medicaid expenditures
- Proposal brings Vermont close to the cap

Provider Tax Cap	\$175,481,723
Provider Tax Current Law	\$154,191,218
FY 17 Budget Proposal	\$17,018,237
Provider Tax w/Proposal	\$171,209,455
Remaining Cap Space	\$4,272,269
% to Cap	97.565%

Administration's Proposal

Administration of Tax

- Calendar year, starts retroactively on 1/1/16
- Collected by DVHA
- Providers fill out form annually and send in by 4/15
- Cost to administer: 3.5 FTEs at \$530,871 GC

Questions?
