

PROVIDER TAXES

Overview

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Provider Taxes

Context



Provider Taxes have long been associated with funding for State Medicaid programs

Based on a 50-state survey conducted by Kaiser Family Foundation (2022)*:

- 2003: 21 states had at least one provider tax
- 2023: 49 states and the DC had at least one health care provider tax
- The most common type of provider tax used by states:
 - Nursing Homes (46 states)
 - Hospitals (44 states)
 - Intermediate Care Facilities (33 states)

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



- Hospital provider taxes will account for 89% of all provider tax revenues collected in FY 2023

Vermont Provider Taxes

Class of Provider	Rate (% of net patient Revenue)	FY'22 Actual (x million)	FY'23 Forecast (x million)	
Hospitals	6%	\$161.53	\$184.18	89%
Nursing Homes	\$4,919.53 per bed ¹	\$14.66	14.66	7%
Home Health	4.25%	\$5.79	\$6.15	3%
Intermediate Care Facilities ²	5.9%	-----	-----	
Pharmacy	\$0.10/script	\$0.86	\$0.80	0.39%
Ambulance	3.3%	\$0.99	\$1.10	1%
TOTAL PROVIDER TAX REVENUE		\$183.83	\$206.89	

¹ Rate intended to equal roughly 6% of net patient revenues.

² The Last facility (Westview Court) closed October 2020.

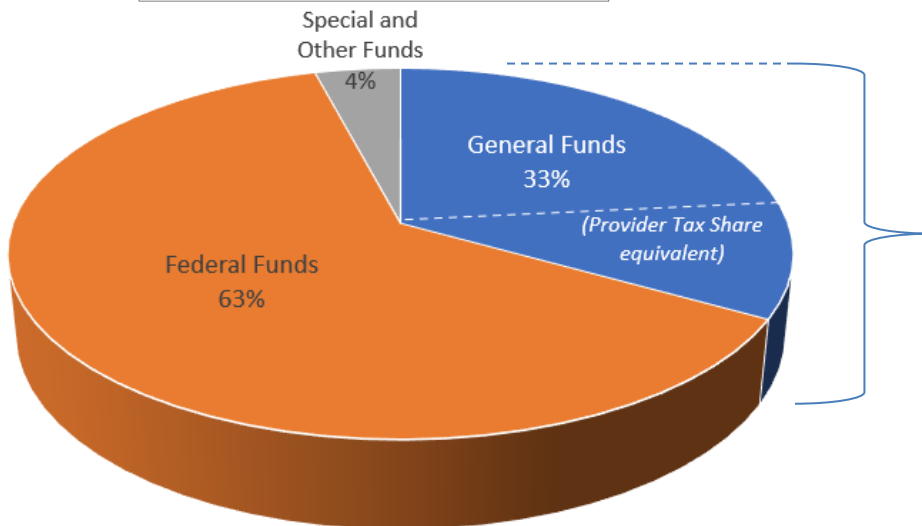
Provider Taxes

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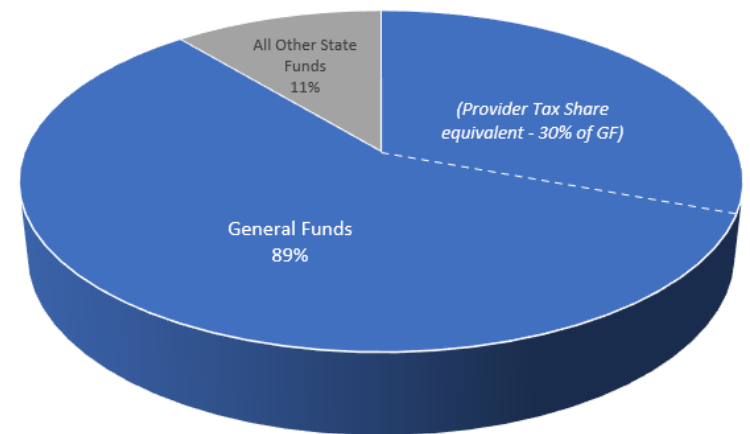


- Since 2019, Provider taxes have been deposited into the General Fund (GF).*
The GF accounts for approximately:
 - 1/3 of **ALL FUNDS** used to fund the Medicaid Program (including federal \$)
 - Almost 90% of the **STATE FUNDS** used to fund Vermont’s Medicaid Program (including funds used to draw federal match)**
 - Revenues from Provider Taxes are equivalent to approx. 30% of the **STATE FUNDS** spent for Vermont’s Medicaid program

MEDICAID ALL FUNDS



MEDICAID STATE FUNDS ONLY



* Act 6 of 2019 – An act relating to fiscal year 2019 budget adjustment

** Based on SFY 2023 as Passed

Provider Tax

Federal parameters

- States can use provider tax revenues as part of the state share of Medicaid
- Provider taxes must comply with federal law, including:
 - Must be **broad based** – must apply across class of health care items/services/providers
 - Must be **uniformly applied** – e.g., same licensing fee across class, same per-bed licensing fee across class, same assessment rate on gross or net receipts
 - Must **not hold providers harmless** – cannot guarantee, directly or indirectly, that tax paid will be returned to providers to make them whole
 - Safe harbor: presumption that this requirement is met if tax is $\leq 6\%$ of net patient revenue