

# PROVIDER TAXES

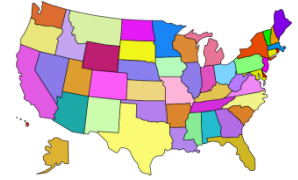
## Overview

Nolan Langweil, Joint Fiscal Office  
Jennifer Carbee, Office of Legislative Counsel  
Updated January 25, 2023



# 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)

\* Kaiser Family Foundation, [Results from an Annual Medicaid Budget Survey for State Fiscal Years 2022 and 2023](#)

# 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 <sup>1</sup>	\$14.66	14.66	7%
Home Health	4.25%	\$5.79	\$6.15	3%
Intermediate Care Facilities <sup>2</sup>	5.9%	-----	-----	
Pharmacy	\$0.10/script	\$0.86	\$0.80	0.39%
Ambulance	3.3%	\$0.99	\$1.10	1%
<b>TOTAL PROVIDER TAX REVENUE</b>		<b>\$183.83</b>	<b>\$206.89</b>	

<sup>1</sup> Rate intended to equal roughly 6% of net patient revenues.

<sup>2</sup> The Last facility (Westview Court) closed October 2020.

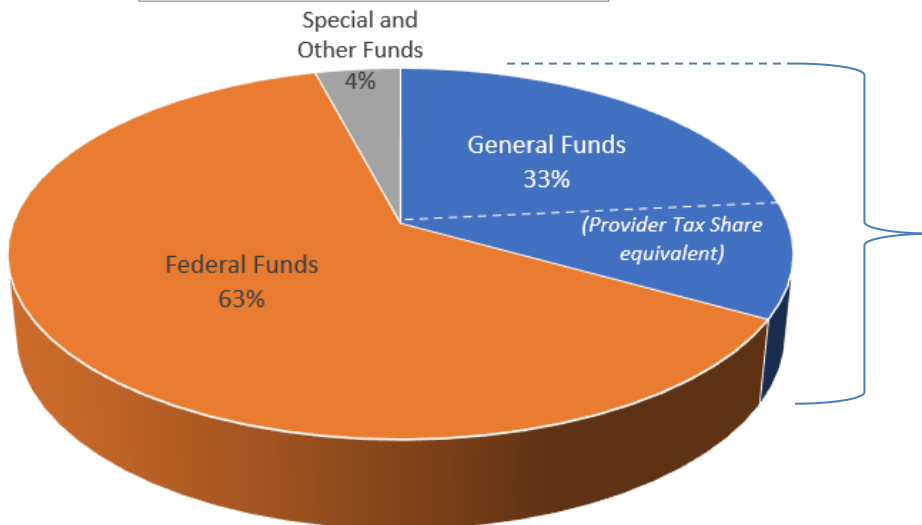
# Provider Taxes

## Context

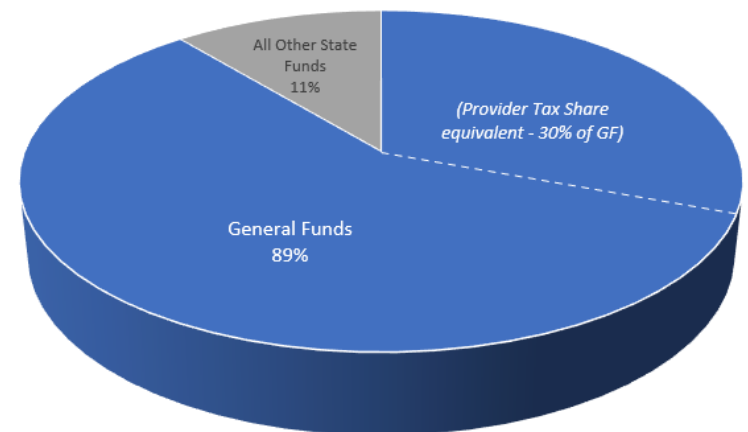


- Since 2019, Provider taxes have been deposited into the General Fund (GF).\*  
The GF accounts for approximately:
  - 1/3 of **ALL FUNDS** used to fund the Medicaid Program (including federal \$)
  - Almost 90% of the **STATE FUNDS** used to fund Vermont's Medicaid Program (including funds used to 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