

1 VERMONT MEDICAL SOCIETY
2 RESOLUTION
3

4 **Opposition to a Medicaid Tax on Physicians' Net Revenue**

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6 *Adopted October 29, 2011*
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8 Whereas, Vermont faces a growing shortage of physicians at a time when the need for physicians to care
9 for an aging population with an increased prevalence of chronic disease is growing; and

10 Whereas, One of the most common strategies states have followed in maximizing federal funds is the
11 use of various "provider taxes" to help support the cost of their Medicaid programs;

12 Whereas, under current federal law, a state may impose a provider tax of up to 6.0 percent of revenues,
13 return those revenues directly or indirectly back to taxed providers in the form of a Medicaid 'payment'
14 and receive a federal match for those amounts;

15 Whereas, Vermont has used provider taxes for a number of years to help fund the Medicaid program
16 and it currently assesses provider taxes on a number of institutions including hospitals, nursing homes,
17 home health agencies and pharmacies;

18 Whereas, among other provider tax increases, Act 45 increased the existing provider tax rate under 33
19 V.S.A. § 1953(a)(1) on hospital net patient revenues from 5.5 to 5.9 percent beginning on Oct. 1, 2011.

20 Whereas, the provider tax on hospital net patient revenues has historically included the revenues
21 generated by the professional services provided by hospitals' employed physicians and others;

22 Whereas, this past session the Vermont General Assembly rejected a proposal to create a new 3.0
23 percent tax on the net revenues of dentists;

24 Whereas, federal regulations under 42 CFR § 433.56(a)(5) includes physician services as an option
25 available to state for imposing health care related taxes;

26 Whereas, President Obama's FY2012 budget calls for phasing down the provider tax threshold
27 beginning in FY 2015 from the current 6.0 percent rate to a low of 3.5 percent in FY 2017 and beyond;

28 Whereas, in order to begin building an infrastructure for possible new revenue sources, Section 30 of
29 Vermont Act 45 directs the secretary of administration to develop systems to administer any health-
30 care-related tax that is permitted by federal law but that Vermont does not currently levy;

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32 Whereas, during the last legislative session as the proposed tax on dentists was being debated, the VMS
33 argued strongly against the enactment of a new tax on physicians' net revenue due to:

- 34 • The already low reimbursement Vermont physicians receive compared to their counterparts in
35 other states;
- 36 • The stigma such a tax would place on the state as it seeks to attract new physicians in all
37 specialties to meet the increased health care needs of an aging population and a large number of
38 newly insured Vermonters;

- 1 • The financial and administrative strain such a tax would place on the survivability of small
2 independent practices in the state;
- 3 • The inability of physicians to balance bill patients to make up for the lost revenue from such a
4 tax; and
- 5 • The different patient insurance coverage mixes present in each practice that would make
6 increased Medicaid reimbursement an inadequate strategy for alleviating the new tax burden on
7 physicians; therefore be it
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9 **RESOLVED, that the VMS strongly oppose the adoption of a provider tax on physicians due to**
10 **the devastating impact such a tax would have on the state's ability to attract and retain**
11 **physicians and the resulting decrease in patients' access to care in the face of current and**
12 **worsening physician shortages.**