

# PROVIDER TAXES

## Overview

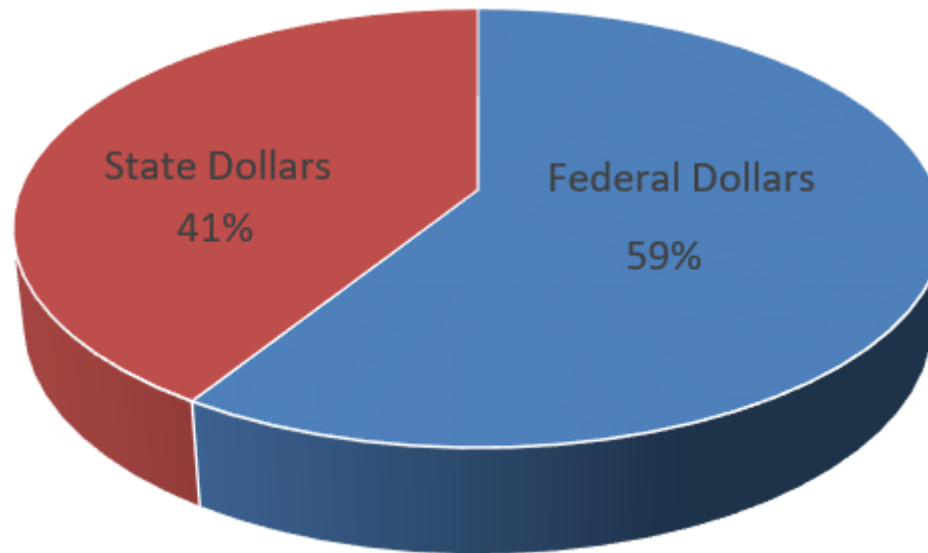
Nolan Langweil, Joint Fiscal Office  
Jennifer Carbee, Office of Legislative Counsel  
Updated November 9, 2020



# Provider Taxes

## Context

The pre-COVID 19 split between State and federal dollars in funding the State's Medicaid program has traditionally been roughly 40% State/ 60% federal

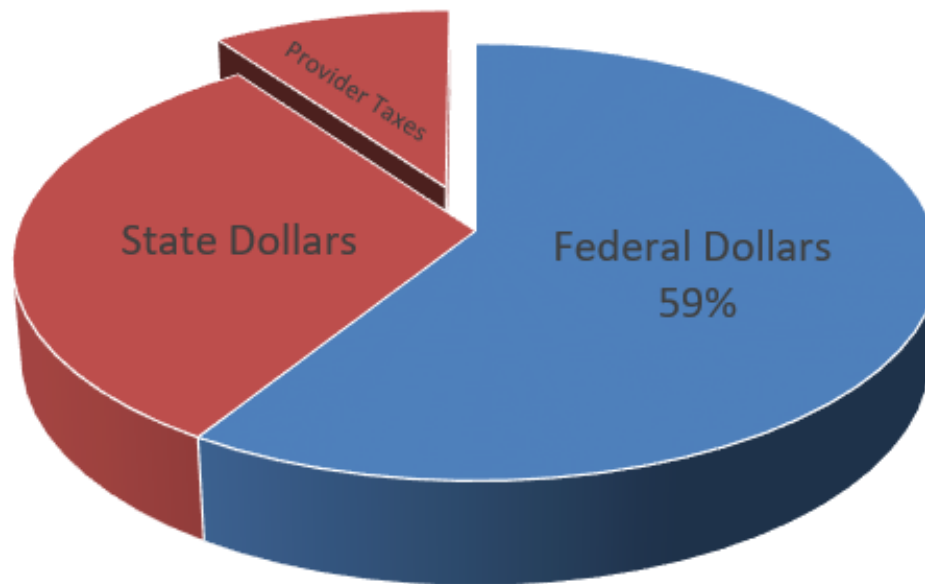


Note: This chart doesn't take into consideration the infusion of federal dollars the State has received in response to the COVID-19 public health emergency

# Provider Taxes

## Context

Provider taxes account for **10%** of TOTAL funding sources for Medicaid (including federal dollars)

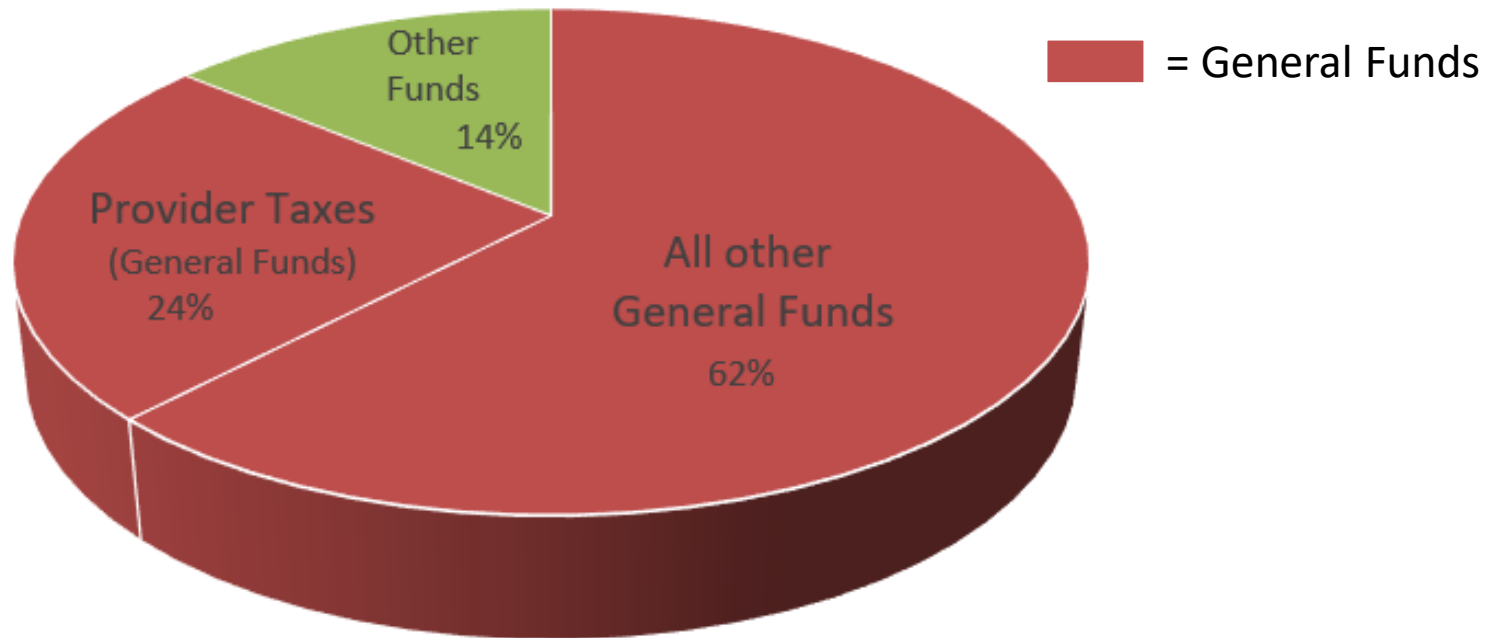


Note: This chart doesn't take into consideration the infusion of federal dollars the State has received in response to the COVID-19 public health emergency

# Provider Taxes

## Context

Provider taxes account for **24%** of the State dollars used for Medicaid



Note: other funds include things such as beneficiary premiums, certified local match, settlements, interest, recoveries, and other dollars that have been earmarked for Medicaid.

# Provider Taxes - Vermont



- Provider taxes are deposited into the General Fund
- These and other funds/dollars combined are used to draw federal matching dollars to fund the Medicaid program
- The Medicaid program has multiple match rates

## FY 2021 RATES

## STATE SHARE

## GROSS

### Federal Medical Assistance Percentage (FMAP)

- 54.39% Federal / 45.61% State
- Applied to the majority Medicaid expenditures

\$1.00



=

\$2.20



### Children's Health Insurance Program (CHIP)

- 70.95% Federal / 29.05% State
- Applied to Medicaid expenditures for approx. 4,300 low-income children

\$1.00



=

\$3.44



### Childless New Adults

- 90% Federal / 10% State
- Applied to the Medicaid expenditures for approx. 35,000 childless adults

\$1.00



=

\$10.00



# Current Vermont Provider Tax



## FY 2020

<b>Class of Provider</b>	<b>Rate</b> (% of net patient revenue)	<b>FY '20 Revenue</b> (x millions)
Hospitals	6%	\$150.19
Nursing Homes	\$4,919.53 per bed (6%)	\$14.71
Home Health	4.25%	\$5.58
Intermediate Care Facilities	5.90%	\$0.08
Pharmacy	\$0.10/script	\$0.80
Ambulance	3.30%	\$1.01
		<b>\$172.37</b>

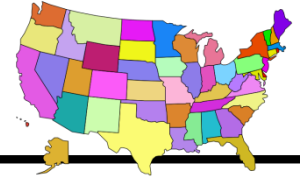
# Provider Tax: Classes

## 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

# Provider Taxes: Other States



**Based on a 50-state survey conducted by Kaiser in 2019:**

- 2003: 21 states had at least one provider tax
- 2019: 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 (44 states)
  - Hospitals (43 states )
  - Intermediate Care Facilities (35 states)



# Provider Tax

## Federal parameters

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- States can use provider tax revenues as part of the state share of Medicaid
- Federal law **does not** prohibit provider tax revenue from exceeding 25% of the State Medicaid dollars used to get federal match
  - We used to think it did
    - 42 USC § 1396b(w)(5) says there is a 25% cap
    - But 42 USC § 1396b(w)(1)(A)(iv) says (w)(5) applied “only with respect to State fiscal years (or portions thereof) occurring on or after January 1, 1992, and before October 1, 1995”
    - CMS has confirmed it does **not**

# Provider Tax

## Federal parameters

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- 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