NAHC Forum of States
QUICK SURVEY

Issue: State Provider Tax for Home Care

Question 1: Do any States currently impose provider taxes on Home Care?

Total Responses = 31
States Responding; HI, KS, NY, MI, CT, NJ, NM, TN, NH, CO, MN, VT, VI, LA, MT, ME, OR, PA, MA, OH, IA, NC, NE, WI, KT, WY, IN, IL, MO, ND, AL, OK

Answer: Two States, Vermont and Kentucky, have a State imposed provider tax on Home Care services.

**Vermont** - The Vermont agencies pay about $4 million in tax, 4.6% of the $86 total revenues. Currently the state generates about $1.5 dollars in federal match for every dollar paid in tax. The extra income goes to the general fund. With a higher general fund, there is more money to pay higher rates to the agencies. However, the state is negotiating a "global commitment" budget with the federal government to cover all Medicaid programs. Under the global commitment, the feds would pay a lump sum to the state, irregardless of Medicaid volume for services or of any provider taxes (hospitals and nursing homes also pay). If the state gets permission to do so, I am not sure if the tax would still make sense since it wouldn't generate additional federal match.

**Kentucky** - Kentucky has had a provider tax for since at least 1993. It is 2% of gross receipts for traditional home health services Medicare, Medicaid, & commercial insurance. The tax does not include waiver services or contract non-skilled services. It also is on hospitals, nursing homes, rural health clinics etc. It was on docs but they sued and it was removed after about 5 years. Their advantage was it applied to all docs whether or not they participated in Medicaid.

Initially the tax for home health was a pass thru cost for both Medicare and Medicaid. With the move to PPS and in our Medicaid to a fixed fee reimbursement that advantage was lost. Thus the tax is truly a cost now.

We don't get a dollar for dollar pay back. The monies simply go into general fund. BUT the availability of the extra money and its draw down of federal dollars has meant that we have avoided any cuts in reimbursement for our Medicaid services.

Most recently, we were offered the chance to increase our tax with the promise of increased Medicaid funding. BUT both our Board and the state officials decided that it would negatively impact too many agencies because they couldn't increase their Medicaid reimbursement enough to offset the tax on the Medicare/private insurance revenues.

Question 2: Have any of you had to fight the provider tax battle within the last 5 years, or so?
What was the outcome?

Answer: YES – NY, NH, CO, OK
Comments:

**New York** - Back in the mid 1990's, NYS proposed and passed a 4 year Gross Receipt Tax (GRT) on home health agencies revenues (I believe it was applied to all payers, not just Medicaid). For the first year the tax on home health agencies was 7/10 of 1% of their revenues, the second year it was reduced by a quarter 5.25/10th of 1% and so on. After 3 or 4 years it was eliminated.
3 out of the last 5 State Budget years (2000-2005), the Governor has proposed a 6 or 7/10 of 1% GRT for home care, which HCA of NYS has been able to convince the NYS Legislature to reject and has not be included in any final State budget agreement. The Governor's 2005-06 Executive Budget did not include any proposal to tax or assess home health agencies.

**New Hampshire** - YES, 2 YEARS AGO OUR STATE TRIED TO IMPOSE A TAX ON HH SERVICES, BUT WE WERE ABLE TO PROVE THAT IT WOULD NOT WORK HERE AS PRIVATE PAY AND INSURANCE BUSINESS IS GREATER THAN MEDICAID BUSINESS. THE STATE DID IMPOSE A TAX ON NURSING HOMES THOUGH.

**Colorado** - Colorado is working on provider tax as I described to group in San Diego.

**Oklahoma** – Oklahoma has a provider tax on Nursing Homes but not one on home care. It was in the original legislation about 3 years ago but we were able to easily show how poor the Oklahoma Medicaid Home Health benefit was already without any additional burden. We said we would support a provider tax if home care would receive an increase commensurable to the Nursing Home increase and the next thing we know we’re off the list. We are pushing a Bill this year that would tie any increase in Nursing Home rates to an increase in Home Health rates so I’m hoping that we make a little progress.

**Question 3:** Are any of you currently dealing with a provider tax proposal?

**Answer:** YES – CT, CO, LA, MO

**Connecticut** - CT currently has a provider tax proposal pending for nursing homes (6% of gross revenues). The twist is that the Governor has proposed to take a portion of the net proceeds and use it to fund 4% Medicaid rate increases for home and community based providers. The nursing home industry's version of the tax proposal keeps all of the net proceeds within nursing homes (funding a much larger increase for them than 4%) and it has various mitigations (excludes Medicare revenues, exempts CCRCs and exempts a charity care home - these exclusions require waivers from the feds).

Publicly, we are walking a tightrope - supporting elements of the Governor's proposal and supporting the mitigations that the nursing homes are seeking. We are also internally analyzing a tax proposal for home care - my strong hope is that we will not have to put forward anything, but better to be prepared.

**Missouri** - This year the GA is proposing a sales tax on Medicaid Personal Care (not Home Health). The tax rate is 4.225% and would be assessed on every 15 minute unit of Medicaid PC delivered.

**Comments on strategies for dealing with a provider tax proposal:**
**New York** - Throughout the years HCA of NYS strategy to combat a Tax proposal has varied but has included the following:
1. Talk about the home care workforce crisis - explain how many CHHAs cannot retain workers because of inadequate wages compared to other providers - a tax on home care makes matters worse and threatens access to skilled care for many (including elderly and disabled) in communities throughout the state.

2. Use of Hospitals and Nursing Homes increase creating greater financial burdens on institutional providers.

3. Discuss home health operating margins being null or negative - NYS has small decreases every year in the # of CHHAs. Lack of home care providers forces family caregivers to leave jobs to stay at home......
Connecticut - Two things would be helpful from my perspective: 1) a discussion on exactly how provider taxes been applied in home health (where do you draw the boundaries, for instance) and 2) a discussion of the waivers of the provider tax requirements and how they have been applied in the home health setting.

Other general comments:
HI - At the moment there is no provider tax on Home Care in Hawaii. Yes, I think that it would be very helpful if Bill Dombi would do a white paper on the subject.

KS - In Kansas, provider taxes were defeated a couple of years ago for nursing homes. Last year they were passed for hospitals, who were very eager for them. They are still waiting for CMS approval at this point.

MI - Michigan does not currently impose a provider tax on home health agencies. It has been suggested in current discussions of our Governor’s Long Term Care Task Force. At this point, it is not included in the package of recommendations being drafted for report to the Governor, primarily because Michigan does not require licensure of home care providers. A Dombi white paper would be useful, since this issue remains on our radar screen. (A Dombi white paper is always welcome!)

NJ - Not in New Jersey - so far, at least. The state HAS imposed a kind of "bed tax" on nursing homes, but we’ve been spared. We ARE facing a proposed $3 per visit Co-Pay on our Medicaid Skilled Services (the mandated home health portion of the Medicaid program), and we are vigorously fighting against that.

TN - Nothing has surfaced in TN to date on a home care provider tax. Couldn’t hurt if Bill has the time to give us (in simple terms) guidance on this issue in the event it does crop up while all states are searching for $$ solutions to Medicaid budgets.

MT - Montana has no provider tax for HH; we have had one for SNFs for 15 years, and the hospitals requested one 3 years ago (which is in place now). These taxes have saved our facilities because of the large Medicaid match, and it takes nothing out of the state budget. No proposals at this time for any other providers (docs strongly vetoed it during last leg. session).

MA - Maine has a provider tax on nursing homes and, like CT is discussing, a portion of the net proceeds is used to increase rates for home and community based providers. In our current session, legislators attempted to expand the tax to PNMIs and assisted living—does not look likely to pass. There has never been conversation (public) about a home care tax.

OR - No to all. I don’t see any pursuit in our state of a provider tax proposal on home care. No bills have been introduced to-date and we are in full legislative swing. I can’t see that a white paper from Dombi would hurt but if there are other priorities this could be a back-burner issue for some other time.

PA - No provider tax for homecare in PA – however just did one for nursing homes and MCOs. To my knowledge never had a proposal for a tax for homecare either. And yes, it would be a great topic for a white paper.

MA - Mass introduced a nursing home tax several years ago – no home health tax.

OH - For Ohio the answer is NO to all 3 questions. There is a nursing home bed tax to draw down additional Medicaid dollars.
NC – NO, North Carolina does not have a tax for home care. Last year, our nursing homes did amend the law to impose a “bed” tax…when we tried to tag on something similar…they fought us. We are not currently dealing with a tax yet, per se…worrying more about a nearly $1 billion shortfall and an additional $259 million needed for Medicaid and strengthening our home care licensure law to address the non certified growth.

IN - Indiana has a provider tax for nursing homes in statute - but not approved by CMS yet.

IL - Illinois passed a bill to levy a hospital "bed tax" to generate approximately $500 million dollars, $400 million will be used for federal match and nearly $130 million will be generated for the state's general revenue fund to be used for health care expenditures. We tried to get a portion of the $130 M for an increase in Medicaid home health rates, but the funds were allocated for the general Medicaid fund. The nursing home bed tax in Illinois is $1.50 per bed per day, which goes to a fund to match Medicaid.

AL - There is currently no tax on home health in AL. Nursing home beds are taxed but it is earmarked for Medicaid. There are currently no proposals on the table. It would be very helpful for Bill to give a white paper on the issue.