

Vermont State

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Dental Society

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To: VSDS Members and Dental Team Members
From: VSDS Executive Board
Proposed Vermont Dental Provider Tax Notice

The Governor has proposed an assessment of 3% on "gross dental receipts" (a *dental services tax*). Federal Regulations define this as a "provider tax" not an assessment. The tax's purpose is to raise \$6 million in state revenues from dentists/dental patients, which will be matched with federal funds for a total of \$15 million for the Vermont Medicaid program. **The administration is proposing that \$6 Million be used to enhance Medicaid Dental reimbursements and the remaining \$9 Million towards the state deficit.**

We are asking all Vermont dentists, dental office staff members, and dental patients to [contact their state legislators](#) and the administration NOW, in a thoughtful, considerate manner, to voice opposition to this proposal.

First, take 40 minutes to listen to Peter Taylor's interview on the Mark Johnson Show. (Peter's comments start at minute 13) This show will provide you with background on this issue and types of questions your legislator may ask:

http://media.podcastingmanager.com/2/6/9/0/4/250557-240962/Media/01%202_1_11%20Peter%20Taylor,%20dental%20tax.mp3

It is important that you read this entire document before taking action. When you are ready, you can call or e-mail your legislator and **ask to meet in person to discuss this proposal.** To make this contact, go to www.vsds.org (top of homepage) and use our legislative contact system; if you use the "take action" button, it will provide you with a method to communicate directly to your state representatives and senators. If you wish to contact other legislators, use the navigation link at the top of the page.

The rest of this communication will provide you with background information so that you know why the tax is being proposed, organizations that are already being taxed in a similar way, and how you can respond (talking points).

Key Questions

First, is this a done deal? Absolutely not! But it does have momentum in the legislature as they seek money to cover the deficit. If you want to stop this proposal, you must be thoughtful and considerate in your communication. Emotional comments will not be effective. Ultimately our arguments must focus on how this tax will affect Vermonters, your patients. If each of you contact one or more Vermont legislators from your county, this proposal has a good chance of being rejected.

What is a “Provider Tax”? It is a method allowed by federal Medicaid laws where a state can tax a specific provider group. The money is matched by federal dollars and enhances the spending capacity of the state. Attached is a document that describes the related federal requirements and current taxes being applied to specific Vermont Medicaid provider groups (Hospitals, Nursing Homes, Home Health, and Pharmacies).

This tax began in 1992 with Vermont hospitals. The tax has varied from under 4% to 5.5% with an increase to 6% in the current proposed budget. Historically, the total dollars returned to hospitals has declined and a higher portion of the funds go to filling the Medicaid deficit.

What are the key requirements of a provider tax? Providers being taxed must be taxed on all revenue, not just Medicaid revenue. As of October 2011, the tax cannot exceed 6% of an individual provider’s total gross revenue. The state, by Federal Medicaid Regulation, cannot guarantee the amount that will be returned to the provider group.

What are the proposed changes to Vermont Provider Taxes?

- The tax on currently taxed providers is being increased without any change to the return they receive.
- The tax is being expanded to two additional classes of providers; Dentists and Managed Care Organizations (BCBS, MVP etc.).

Why are only dental services being taxed? Why not also tax physician, chiropractic, therapy and other services that would be allowed? This is a question you should specifically ask your legislator.

When will the proposed tax begin? Gross receipts reports would be required and first payments most likely required at the end of the first quarter of 2011 (September 30, 2011).

Talking points and the problems with this proposal:

- **This tax will harm access to care, not enhance it.** This tax will present a new barrier to oral health access, not improve it as the proposal intends. The tax will make dentists reconsider expanding or even continuing their existing practices. Dentists may be unable to receive new patients, add a dentist or other professionals to their office and/or make upgrades or expansions to their facilities. In short, this tax will hinder dentists' ability to provide the level of access to care currently available.
- **This is a tax on Vermonters who take care of their oral health – this tax will be passed on to the patient through higher dental fees.** Vermont dental patients pay around 50% of the cost of dental services out of pocket and most with a dental benefit plan pay all or part of the premium out of pocket.
 - The recent report of the Vermont Blue Ribbon Tax Commission clearly recommended against establishing any health care services tax - citing such a tax as an impediment to care during a tough economic time.
www.vermonttaxreform.org/wp-content/uploads/2011/01/WEB-REPORT-2.pdf
- **This tax will harm dentist recruitment and retention in Vermont.** The VSDS has had tremendous success in the last three years attracting dentists to practice in Vermont – just think of the chilling effect this special tax on dental services will have on these efforts going forward.
- **This tax is not equitable.** The tax is not being applied to all other similar provider categories.
- **Once a tax is enacted history indicates:**
 - It is unlikely it will be removed.
 - The amount (%) of the tax used for other purposes increases.
 - The percentage of the amount collected and matched with federal dollars that is returned to the provider class diminishes over time.

Suggestions for Communications:

- Share your commitment to the oral health of all Vermonters by informing them of the free/charitable care and/or Medicaid patients you care for.
- If you treat Medicaid patients, share why the proposed tax is not a good idea even though it increases Medicaid fees.
- Convey that you are a small business and an integral part of your community. Share the number of employees and salary and benefits you pay, reference the goods and services you purchase, your community involvement, and the impact the tax will have on your revenue.
- If you are a newer dentist in practice, share with them the dollar amount of the investment you have in your practice and the total dollar amount needed to meet your monthly business and education expenses.
- Remind the legislator that you strive for productivity while preserving quality of comprehensive care for each patient.
- If a legislator says the state needs money to balance the budget, suggest taxing products that have a negative effect on overall health and dental health instead of taxing people investing their resources in their personal dental care, a tax should be levied on products that have a negative effect on overall health and dental health (for example products high in sugar content and tobacco products).

Feel free to contact any of us or Peter if you need assistance with this communication

Thank you for your support, and please report on the results of your contacts to Peter.

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Tips for talking with your Legislators:

A few requests:

1. Remember legislators are your neighbors.
2. The legislators have not proposed this tax it is an administration proposal – do not blame the legislators for the proposal.
3. Be factual – this proposal can solicit an emotional response - express strong concern, but not anger.
4. Be thoughtful in your written communication – remember you are asking the legislator to see this proposed tax from your perspective (You are presenting a treatment plan to a patient)
5. Seek a face-to-face meeting or at least a phone conversation.
6. Always get the facts first from your legislator, their thoughts and position if they have one.
7. Seek a definite answer e.g. “I can support your position!” from the legislator.

Last, never let an emotional issue like this become a barrier to your service to and your caring for those in need in your community. The dental society is always committed to securing access to dental care for those in need regardless of state policy.