

## **"Governor responds to letters opposing 3% dental services tax."**

Subject: RE: Dental Services Tax Proposal

Dear Stephen,

Thank you for expressing your concerns about the dental provider assessment proposed in my budget for State Fiscal Year 2012. As I am sure you are aware, our state is facing a \$175 million deficit for the coming fiscal year, which is driven by the continuing major economic downturn in Vermont. It is exacerbated in the coming year by the loss of enhanced federal funding that has helped us through the recession. I have proposed a budget that addresses this deficit and protects low income Vermonters.

Federal law allows states to levy an assessment on certain classes of medical providers. Vermont has been participating in this provider assessment program since 1991. Provider assessments now apply to hospitals, nursing homes, intermediate care facilities for people with developmental disabilities. In 1999, assessments were added for home health agencies and outpatient prescription drugs. The reason we have implemented these assessments is that they raise state funds that can be used to draw down additional federal matching funds through Medicaid, so it is a way of maximizing federal support for our Medicaid program. As you are aware, starting July 1 we are proposing assessments on two more permissible provider classes: managed care organizations and dentists.

Vermont law requires that all revenues generated by the provider assessment are used to fund the state's health care programs (Medicaid, VHAP, and Dr. Dynasaur). Because these funds are matched with significant federal dollars, \$1.00 generated through the assessments yields another \$1.40 of federal funds to pay for our state health care programs. As such, this mechanism pays the costs of roughly twenty percent of these programs. Said another way, without the revenues from these assessments, we would have to reduce either the Medicaid rates we pay providers or the number of people covered in our programs by 20 percent.

I recognize that many Vermonters face challenges in receiving appropriate oral health care. These challenges are more acute for low-income Vermonters. For this reason my proposed budget includes \$6 million to increase the Medicaid reimbursement for dental services. If approved by the legislature, this would increase the current Medicaid reimbursement to dentists by 23 percent. We are working with dentists to implement the new assessment and increase Medicaid payments to dentists in an efficient and equitable manner.

Again, thank you for contacting me about this important issue. I share your concern about assuring access to good oral health services for all Vermonters. However, I also must balance the state budget, and I believe my proposal does that by the best means available - maximizing federal funds to support oral health services for low-income Vermonters.

Sincerely,

Peter Shumlin  
Governor