CHAPTER 15. MEDICAL PROVIDER TAXES

The 2003 Legislature created four new taxes, collectively referred to here as the Medical Provider Taxes. These four taxes are: (1) Hospital Tax, (2) Long Term Care Facility Tax, (3) Medicaid Managed Care Tax, and (4) Tax on Programs of All-Inclusive Care for Elderly Persons. All four of these taxes were created in HB 2747. These taxes are used to finance Medicaid services and leverage additional federal funds. Oregon relies on these taxes to fund 40 percent of Medicaid costs and matching federal funds for the remaining 60 percent. Revenue from these taxes is forecasted to be $157.5 million in the 2003–05 biennium and $243.4 million in the 2005–07 biennium. These taxes are temporary; they all sunset in 2007. While each of these taxes is described here, only the hospital and long-term care facility taxes have tax expenditures.

Hospital tax
The assessment on each hospital subject to this tax is imposed at a rate determined by the director of Human Services. The tax rate used is the best estimate of the rate needed to fund identified services and costs. The rate may not exceed 3 percent of net revenue of each hospital. The tax applies to net revenues earned by hospitals before January 1, 2008. Net proceeds from this tax are deposited in the Hospital Quality Assurance Fund. These revenues are to be used to partially fund an OHP Standard hospital benefit, to increase Medicaid rates to certain hospitals, and to restore the practice of allowing OHP eligibility retroactively, after medical costs have already been incurred. Other potential uses for these funds include expanding, continuing or modifying hospital services for persons 19 years of age or older with incomes below 100 percent of the federal poverty guidelines who do not have federal Medicare coverage.

Long term care facility tax
The assessment for this tax equals the rate times the number of patient days at the long term care facility for a calendar quarter. The director of the Department of Human Services establishes an annual assessment rate that applies for a 12-month period beginning July 1. The rate is that which will raise an amount equal to 6 percent of the annual gross revenue of all long term care facilities in Oregon. The rate may be adjusted to account for overages and underages during previous assessment periods. For calendar quarters beginning before July 1, 2004, the rate is $8.25. The assessment is imposed in calendar quarters beginning before July 1, 2007. Net proceeds from this tax are deposited in the Long Term Care Facility Quality Assurance Fund. These revenues are intended to increase nursing facilty rates and improve the financial stability of the nursing home industry. Also, in the 2003-05 biennium $12.5 million dollars is to be transferred from these funds to the General Fund.

Medicaid Managed Care tax
The assessment on each prepaid managed care health services organization subject to this tax is imposed at a rate determined by the director of Human Services. The rate may not exceed six percent of managed care premiums paid to an organization. The rate applies to premiums received by these organization before January 1, 2008. The revenues from this tax are deposited into the Medical Care Quality Assurance Fund. These revenues are to be used to partially fund an OHP Standard population hospital benefit funded through Medicaid and funding the state medical assistance program

Tax on Programs of All-Inclusive Care for Elderly Persons
The assessment on each program of all-inclusive care for elderly persons is five percent of the total capitation rate paid by the Department of Human Services. The capitation rates are applicable for calendar months beginning before July 1, 2007. The revenues from this tax are deposited into the PACE Quality Assurance Fund. The revenue is intended to fund programs of all-inclusive care for elderly persons that are part of the Oregon Medicaid reimbursement system.

15.001 TYPE A AND B HOSPITALS

Oregon Statute: Note after 409.750
Sunset Date: None (The hospital tax sunsets on 12-31-07.)
Year Enacted: 2003 (HB 2747)

	Total
2003–05 Revenue Impact:	Less than $50,000
2005–07 Revenue Impact:	Less than $50,000

DESCRIPTION: Types A and B hospitals and hospitals that provide only psychiatric care are exempt from the hospital provider tax. Type A hospitals are small and remote hospitals that have 50 or fewer beds and are more than 30 miles from another acute inpatient care facility. Type B hospitals are small and rural hospitals that have 50 or fewer beds and are more than 30 miles from another acute inpatient care facility.

In general, to obtain federal matching funds the hospital tax must be broad based – it must apply to all hospitals. Exceptions to this rule may be granted under certain circumstances. For any hospital to be exempt, DHS must submit an application to the Centers for Medicare and Medicaid Services to request a waiver of the broad-based tax requirement.

PURPOSE: To exclude these hospitals from the state's hospital provider tax.

WHO BENEFITS: Psychiatric, Type A, and Type B hospitals.

EVALUATION: A federal waiver has not been approved as of August 2004. *[Evaluated by the Department of Human Services.]*

15.002 VETERANS AFFAIRS AND PEDIATRIC SPECIALTY HOSPITALS

Oregon Statute: Note after 409.750, Section 2(5)
Sunset Date: None (The hospital tax sunsets on 12-31-07.)
Year Enacted: 2003 (HB 2747)

	Total
2003–05 Revenue Impact:	Less than $50,000
2005–07 Revenue Impact:	Less than $50,000

DESCRIPTION: Hospitals operated by the U.S. Department of Veterans Affairs and pediatric specialty hospitals providing care to children at no charge are exempt from the hospital tax.

In general, to obtain federal matching funds the hospital tax must be broad based – it must apply to all hospitals. Exceptions to this rule may be granted under certain circumstances. For any hospital to be exempt, DHS must submit an application to the Centers for Medicare and Medicaid Services to request a waiver of the broad-based tax requirement.

PURPOSE: To exclude both facilities from the state's hospital provider tax. The U.S. Department of Veterans Affairs is a federal entity and not subject to state taxation.

WHO BENEFITS: Veterans Affairs and pediatric specialty hospitals in Oregon.

EVALUATION: A federal waiver has not been approved as of July 2004. *[Evaluated by the Department of Human Services.]*

15.003 OREGON VETERANS' HOME

Oregon Statute: Note after 409.750, Section 18(1)
Sunset Date: None (The long-term care facility tax sunsets 6-30-07.)
Year Enacted: 2003 (HB 2747)

	Total
2003–05 Revenue Impact:	Less than $50,000
2005–07 Revenue Impact:	Less than $50,000

DESCRIPTION: The Oregon Veterans' Home is exempt from the long-term care facility tax.

PURPOSE: To avoid taxing a state entity.

WHO BENEFITS: The Oregon Veterans' Home.

EVALUATION: Not evaluated.

15.004 NURSING FACILITIES

Oregon Statute: Note after 409.750, Section 18(2)
Sunset Date: None (The long-term care facility tax sunsets 6-30-07.)
Year Enacted: 2003 (HB 2747)

	Total
2003–05 Revenue Impact:	Less than $50,000
2005–07 Revenue Impact:	Less than $50,000

DESCRIPTION: Two types of nursing facilities are exempt from the long term care facility tax: nursing facilities that are part of continuing care retirement communities; and nursing facilities in which a very high percentage of the residents are Medicaid clients.

In general, to obtain federal matching funds the long term care facility tax must be broad based – it must apply to all hospitals. Exceptions to this rule may be granted under certain circumstances. For any facility to be exempt, DHS must submit an application to the Centers for Medicare and Medicaid Services to request a waiver of the broad-based tax requirement.

PURPOSE: To meet the federal regulatory hold harmless provisions, both high end Medicaid facilities and Continuing Care Retirement Centers, which generally do not participate in Medicaid, had to be excluded from taxation.

WHO BENEFITS: Nursing facilities in retirement communities and those with a significant reliance on Medicaid payments.

EVALUATION: Not evaluated.