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. These taxes are used to finance Medicaid services and leverage additional federal funds. Only the hospital and long-term care facility taxes are discussed here since they are the only ones with tax expenditures.

Hospital tax
The assessment on each hospital subject to this tax is imposed at a rate determined by the director of the Department of Human Services (DHS). 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. Hospital tax receipts are forecasted to be $79,400,000 for the 2005-07 biennium and $23,900,000 for the 2007-09 biennium.

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 was initially $8.25, and has increased to over $12 (as of July 2006). 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. Long term care facility tax reciepts are forcasted to be $68,600,000 for the 2005-07 biennium and $79,400,000 for the 2007-09 biennium.

15.001 TYPE A AND B HOSPITALS

Oregon Statute: Note after 409.750, Section 2(1)
Sunset Date: None (Tax sunsets on 12-31-07.)
Year Enacted: 2003 (HB 2747)

	Total
2005–07 Revenue Impact:	$700,000
2007–09 Revenue Impact:	$200,000

DESCRIPTION: Type A & B Hospitals in Oregon are waived from paying the hospital provider tax. Also waived are hospitals that provide only psychiatric care. The Centers for Medicare and Medicaid Services waiver is dated August 17, 2004. Type A hospitals have less than 50 beds and are more than 30 miles from another hospital. Type B hospitals have less than 50 beds and are less than 30 miles from another hospital. Type A & B hospitals are paid on a cost to charge ratio for Medicaid clients.

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 exempt the Type A & B hospitals and the Oregon State Hospital from the hospital provider tax assessment enacted under Chapter 736, Oregon Laws 2003 (HB 2747).

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

EVALUATION: The hospital provider tax assessment is used to create a pool of State Other Funds revenue, along with the Federal matching of those funds, to be used to enhance payments to Diagnosis Related Group hospitals for treating Medicaid clients and providing hospital benefits for up to 25,000 Oregon Health Plan Standard clients. Type A & B hospitals are reimbursed at 100% of the hospital specific cost to charge ratio for Medicaid clients. If a hospital provider tax is assessed, DHS is unable to increase reimbursement above 100% without losing Federal matching dollars. *[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 (Tax sunsets on 12-31-07.)
Year Enacted: 2003 (HB 2747)

	Total
2005–07 Revenue Impact:	$600,000
2007–09 Revenue Impact:	$200,000

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 exempt the US Department of Veterans Affairs and pediatric specialty hospitals from the hospital provider tax assessment enacted under Chapter 736, Oregon Laws 2003 (HB 2747). To exclude both types of facilities from the state's hospital provider tax. To comply with federal law - 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: The hospital provider tax assessment is used to create a pool of State Other Funds revenue, along with the Federal matching of those funds, to be used to enhance payments to Diagnosis Related Group hospitals for treating Medicaid clients and providing hospital benefits for up to 25,000 Oregon Health Plan Standard clients. Department of Veterans Affairs Hospital and pediatric specialty hospitals that provide free care are exempt from taxation because DHS does not pay for services provided by the facilities and the facilities would not receive enhanced reimbursement if they were taxed. *[Evaluated by the Department of Human Services.]*

15.003 OREGON VETERANS' HOME

Oregon Statute: Note after 409.750, Section 18(1)
Sunset Date: None (Tax sunsets 1-1-09)
Year Enacted: 2003 (HB 2747) Modified 2005 (HB 2147)

	Total
2005–07 Revenue Impact:	$800,000
2007–09 Revenue Impact:	$800,000

DESCRIPTION: The Oregon Veterans' Home is exempt from the long-term care facility tax. It is state owned and privately managed.

PURPOSE: To exempt the Oregon Veteran's Home (OVH) from the Long-term Care (LTC) provider tax assessment enacted under Chapter 736, Oregon Laws 2003 (HB 2747). To avoid taxing a state owned entity.

WHO BENEFITS: The Oregon Veterans' Home and its residents and the spouses of residents.

EVALUATION: This tax expenditure achieves its purpose by providing an affordable rate structure to the residents of the Oregon Veterans' Home. Affordable rates allow a larger number of veterans to have the ability to afford the facility for a longer period of time, and therefore not need Medicaid support as quickly or not at all during their stay. This helps keep veterans off the Medicaid roles in the State of Oregon, and therefore helps control the State's cost.

The facility currently is fiscally solvent in its operations. Not only does fiscal solvency allow the facility to charge lower private rates to its veteran residents, it also helps to ensure that the facility meets its obligation of operating for the mandatory number of years to avoid repayment of the $9 million federal construction grant by

the State of Oregon. If the facility were subject to the provider tax, the facility would probably be forced to increase private rates (and therefore potentially increase Medicaid rolls) and/or need to request additional operating funds. *[Evaluated by the Department of Veterans' Affairs.]*

15.004 NURSING FACILITIES

Oregon Statute: Note after 409.750, Section 18(2)
Sunset Date: None (Tax sunsets 1-1-09)
Year Enacted: 2003 (HB 2747)

	Total
2005–07 Revenue Impact:	$2,000,000
2007–09 Revenue Impact:	$2,000,000

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, have to be excluded from taxation.

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

EVALUATION: Not evaluated.