



SUPPORT SB 140—Reasonable **CAT** Relief for Health Care Providers

The original goals of the Corporate Activities Tax (CAT) in advancing educational reforms that promote a vibrant workforce for Oregon had a positive intention and physicians are happy to contribute their share. Today, we are experiencing that the CAT has created an unfair burden on our clinics and clinicians that is impacting access to care.

Health care clinics are currently paying the tax on public payer (Medicaid and Medicare) revenue where they are already getting a reduced reimbursement for services. Most other businesses will then pass the tax onto the end consumer, but clinicians cannot and would not pass this tax on to their patients. Additionally, clinics end up paying additional tax on goods and services that are passed down to them to cover their suppliers CAT. Adding to this burden:

- Oregon's Medicare and Medicaid providers are already paid lower reimbursements than those from commercial payers while the costs of delivering care have increased while providing care during the pandemic.
- Medicare rates are set by the federal government and providers have little ability to increase those rates to cover the increases in the cost of care.
- Including Medicaid/Medicare and prescription drugs in the tax base has likely contributed to decreased access to physician services and high-cost drugs because physicians are being forced to take on fewer public payers to make up for lost revenue.

The pandemic has shown us that clinics and clinicians need flexibility to be nimble in response to unexpected challenges. This is nearly impossible with the already-small profit margins being eaten by taxes on high-cost items that clinicians have no control over. The 2023 Session is the right time to fix this disparity with several years of returns that clearly show the disproportionate and unfair impact this tax has on clinics.

THE SOLUTION:

The Legislature should add language exempting the business receipts associated with Medicaid and Medicare and prescription drug service payments similar to the exemption for residential care facilities and in-home care agencies.

"A large portion of my practice is devoted to injecting medications semi-monthly into patient's eyes in order to optimize the retina's function and prevent the devastating consequence of permanent vision loss. These medications generate substantial debt for our clinic—sometimes over a million dollars a month. The cycle of reimbursements we eventually get from payers is used to settle what we owe the pharmaceutical manufacturers. So even though there is a large efflux and inflow of funds, the net benefit to us is simply to be able to treat our patients. On top of that, we are taxed on the entirety of this reimbursement, so even though the tax itself is a small percentage, the actual dollar amount has a huge implication on our financial solvency." - Oregon Ophthalmologist

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