

April 8, 2019

Washington House of Representatives
State of Washington
110 Legislative Building
Olympia, WA 98504

Re: AMA oppose Washington House Bill 2158

Dear Members of the Washington House of Representatives:

On behalf of the American Medical Association (AMA) and our physician and medical student members, I am writing to express concern about House Bill (H.B.) 2158, legislation that would increase the business and occupation professional services tax on physician practices by 20 percent from 1.5 percent to 1.8 percent. The AMA believes it is impossible to enact this legislation without unintended consequences to patients and Washington's economy.

While physicians are often recognized for their vital role in ensuring the health and well-being of patients, their contributions to the economic health of the state often go unnoticed. Yet, physician practices are in fact small businesses and important drivers of the state economy. The magnitude of the economic contributions of Washington's physicians was highlighted in a recent study, which found that physicians in Washington support 198,336 jobs and generate \$1.2 billion in state and local tax revenue.¹

In these times of rapid change in the health care industry, we believe it is critically important for physicians to maintain strong practices that contribute to the economic well-being of the state. Independently practicing physicians help foster healthy competition in health care markets, which increases patient choice, ensures quality and can reduce the growth in health care costs.

Yet, the proposed tax increase threatens the financial viability of physician practices. Most private practices operate on slim margins and cannot absorb a tax hike. With a higher tax burden, physicians may be forced to resort to layoffs and cut expenditures on innovative technologies that enhance patient safety and improve quality. Physicians will also be forced to cut back on the number of Medicaid patients they see. Too often, because of below-cost Medicaid reimbursement rates, physicians already must limit the number of Medicaid patients they accept. This tax increase will exacerbate existing problems low-income patients face in accessing care.

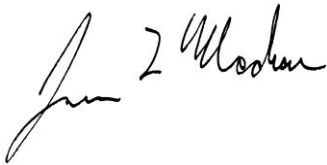
We are especially troubled by the fact that the tax is not borne equally across all physicians and health care providers. The tax increase, as proposed, only applies to physician services performed in private practices and independent clinics, while services rendered in hospital settings are protected from the tax. It is fundamentally unfair for just one, particularly vulnerable yet vital, portion of the health care delivery system—independently practicing physicians—to bear the burden of this tax while other members of that system are exempt.

¹ The Economic Impact of Physicians in Washington (IQVIA, January 2018).

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For these reasons, we urge you to reject the 20 percent increase in the business and occupation professional services tax on physician practices in H.B. 2158. If you need further information, please contact Annalia Michelman, JD, Senior Legislative Attorney, AMA Advocacy Resource Center, at annalia.michelman@ama-assn.org or (312) 464-4788.

Sincerely,

A handwritten signature in black ink, appearing to read "James L. Madara". The signature is written in a cursive style with a large initial "J" and "M".

James L. Madara, MD

cc: Washington State Medical Association