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January 29, 2016

The Honorable Peter Shumlin  
Governor  
State of Vermont  
Office of the Governor  
109 State Street, Pavilion  
Montpelier, VT 05609

Re: AMA opposition to tax on physicians

Dear Governor Shumlin:

On behalf of the American Medical Association (AMA) and its physician and medical student members, I write in strong opposition to your Administration's proposal for a 2.35 percent tax on independent physicians. Taxing independently practicing physicians would be unfair and economically damaging to physicians, patients and the Vermont economy. We caution that such a tax would pose serious unintended consequences.

Physicians are strong economic drivers in their local communities, contributing to better health care and a more productive society. Approximately 1700 physicians in Vermont contribute \$2.4 billion to the state economy and support over 17,000 jobs. Yet the proposed tax scheme will create an unfriendly business environment for physician practices and impede the positive economic impact physicians have in their communities.

Taxing Vermont's physicians will also jeopardize patient access to affordable, high quality medical care. Physicians provide millions of dollars in uncompensated care and serve as the safety net for our most vulnerable citizens. As small business owners, they set up infrastructure, buy medical equipment, employ staff, provide health insurance to their employees, pay medical liability premiums and more. Additional taxes on physician services threaten not only the viability independent practices, but also their ability to invest in new technology, equipment and staff. Moreover, by adding to physicians' practice costs and administrative duties, this tax will force physicians to raise patient costs and could have the unintended consequence of reducing access to care. With the cost of medical services continually rising, Vermont must focus on reducing the financial burdens that impede care for patients, not add to the problem.

Further, Vermont faces a growing shortage of physicians, particularly primary care physicians, at a time when the need for physicians to care for the newly insured and aging population is increasing. A physician tax would further tip the scales against ensuring access to care because states with lower tax burdens will have a decided competitive advantage. Vermont may find it difficult to attract needed primary care physicians and specialists into the state. We also strongly advise you to consider that a tax that forces physicians and their patients out of the state will thereby cost the state much needed state revenue.

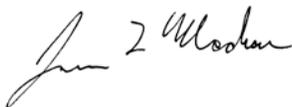
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Finally, it is important to acknowledge that physician practices already subsidize the costs of Medicaid. Not only are Medicaid reimbursement rates woefully inadequate, Medicaid patients typically present complex health care challenges that often require much more intensive care. While the promise of higher Medicaid reimbursement rates may seem like a sensible countermeasure, by federal law, the state cannot guarantee physicians will recoup the full cost of the tax. Moreover, there is nothing to support the notion that burdening physicians with additional taxes coupled with below-the-cost-of-care Medicaid payment rates will help a state improve its health care system.

The AMA believes that everyone deserves access to healthcare, and that the Medicaid program is an important safety net for low-income patients. Physicians are the backbone of the Medicaid program, providing the care that keeps Medicaid patients healthy and out of the emergency department. It is profoundly unfair and inadvisable to fund the program on the backs of those who care for Vermont's most vulnerable patients.

I respectfully urge you to eliminate the physician tax from the 2016 budget proposal. Thank you for your consideration of this important issue. If you have any questions, please contact Annalia Michelman, Senior Legislative Attorney, Advocacy Resource Center, at [annalia.michelman@ama-assn.org](mailto:annalia.michelman@ama-assn.org) or (312) 464-4788.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jim L Madara".

James L. Madara, MD

cc: Vermont Medical Society