



Michael D. Maves, MD, MBA, Executive Vice President, CEO

March 4, 2011

The Honorable Eileen M. Daily
Co-Chair
Joint Finance, Revenue and Bonding Committee
Room 3700, Legislative Office Building
Hartford, CT 06106

The Honorable Patricia M. Widlitz
Co-Chair
Joint Finance, Revenue and Bonding Committee
Room 3704, Legislative Office Building
Hartford, CT 06106

Dear Chairwomen Daily and Widlitz:

On behalf of the American Medical Association (AMA) and its student and physician members, we urge you to reject the cosmetic tax provision within Governor Dan Malloy's budget proposal (S.B. 1007). The AMA is fully cognizant of the budget shortfalls faced by states across the nation, including that of Connecticut. The pressure to balance a state budget this year is daunting. However, the AMA firmly believes that taxing physicians is not the answer to your states' problems and instead, poses dire unintended consequences.

First, a tax on cosmetic surgery procedures amounts to nothing more than an unreliable and risky revenue source. Only one state in the country, New Jersey, has adopted a tax on cosmetic medical procedures. Since its passage in 2004, this tax has fallen short of expectations. **In fact, according to independent studies, for every \$1 the state collects on the tax, it loses \$3.39 in total revenue.** The results are so dismal that the sponsor of the original 2004 legislation, Representative Joseph Cryan (D), has been leading efforts to repeal the tax ever since. There is no evidence to indicate that the experience in Connecticut would be any different.

Second, the AMA believes that a tax such as the one proposed in S.B. 1007 does nothing more than invite tax auditors into the physician exam room. It is not unreasonable to expect that state officials would conduct tax audits of medical practices to determine whether procedures were in fact "cosmetic" or "reconstructive." Not only would such audits conceivably extend to reviews of patient medical records, including patient photographs, but they would also put physicians in the position of having to prove to the state tax authority that a specific procedure met the state definition of "reconstructive" or "cosmetic." This threatens the sanctity of the patient-physician relationship, as well as the patient's right to privacy and should not be tolerated by the legislature.

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Third, the AMA is very concerned with the definition of “cosmetic medical procedures” in S.B. 1007. This definition fails to take into account the difficulty in defining “cosmetic” versus “reconstructive” surgical procedures. Consider the following kinds of procedures that could be taxed under this bill:

- Scar revision surgeries following reconstructive surgery to restore the appearance of accident victims;
- Port wine stain removal (pink or purple birthmark that may appear on the face); and
- Excess skin removal after bariatric weight loss surgery - excess skin can cause rashes – would patients with rashes be exempt from the tax because it is treated as a medical problem, but patients without a rash be subject to the tax?

Finally, the AMA believes that the Connecticut legislature must consider whether a cosmetic surgery tax would force physicians and/or patients out of the state. Connecticut residents are all experiencing difficult economic times. When faced with an additional tax, patients may go to neighboring states for their cosmetic surgery needs. Estimates show that in 2008, \$160 million in cosmetic medical procedures were performed in Connecticut. Based on New Jersey’s experience, it is not unrealistic to expect that this figure could drop by 50 percent - to \$80 million - should this tax be enacted. The Connecticut legislature should look to find a broad-based funding solution that does not target such a small segment of the population.

The AMA thanks you for the opportunity to comment and urges you to closely examine the failed New Jersey experiment before embarking on the dangerous path of implementing a cosmetic surgery procedures tax.

Sincerely,



Michael D. Maves, MD, MBA

cc: Joint Finance, Revenue and Bonding Committee
Matthew Katz
Ken Ferrucci