



MEMORANDUM OF SUPPORT



Testimony
Fairfield County Medical Association and Hartford County Medical Association
In Support of
HB 5493, An Act Phasing Out the Ambulatory Surgical Center Tax

We thank the Finance Committee for raising this important legislation. Last session the 6 percent gross receipts tax passed as part of a budget implementer bill. This tax was voted into law without being discussed in a public hearing. We believe this was done without a proper understanding of the Ambulatory Surgery industry and the dramatic negative effect the tax would have for these smaller businesses, their employees, and the thousands of patients who depend on them for reasonably priced essential medical services, such as colon cancer screening colonoscopies and straightforward sports injury surgeries.

Independent Ambulatory Surgery Centers provide a critical option for physicians, helping them to deliver medical care in lower cost settings which have comparable or better quality care than many larger facilities. Given the profound changes being imposed upon the medical profession, one must keep in mind that it is the ability to operate efficiently and cost effectively with superior patient outcomes that is critical to a successful surgical practice. The tax is just one element of many burdens which make it impossible for physicians to work independently from the larger entities forming around them. As practices are absorbed by larger entities, patients have dwindling options for where they can obtain care. As with all industries, less competition and fewer choices inevitably leads to higher costs for patients.

Connecticut is one of only four states that taxes ASCs. The legislature in Rhode Island realized its error and repealed its 2 percent tax rate on ASCs. One should also consider that Connecticut's tax rate on ASCs is the highest in the nation. Not only does Connecticut have the highest rate, it is structured in a way that it is the equivalent of almost a 30 percent tax on profits because the tax is applied to *gross receipts* of the ASC. In other words, all revenues are taxed before subtracting expenses. This is significant because any reimbursements for medical devices used in a surgical procedure are subject to the gross receipts tax. Unfortunately, the reimbursements from third party payers no longer cover the expense of the medical devices used during a surgical procedure because the tax is applied to all revenues before the deduction of expenses. It is difficult to believe that our Legislature intended to tax ASCs at a rate equivalent to almost 30 percent. This is a staggering percentage, of a magnitude that is certainly small business-killing. The costs of operating a surgical center are even more significant considering that Medicare typically reimburses independent ASCs at less than half what it pays hospitals for the exact same procedure. As the lower cost option, it makes little sense to impose a tax at a level that threatens the very existence of independent ASCs. Consider too the additional expense to our state and taxpayers when our state employee population no longer has access to more cost effective independent ASCs.

HB 5493 is a common sense approach to a well-intended, but poorly crafted public policy. While we would prefer an immediate repeal, the phase out of the tax is a reasonable step in the right direction. Taxes like the one imposed on ASCs add to health care costs, lead to limited patient choice, and hamper our ability to recruit the skilled doctors we need to Connecticut and to keep those already working here from leaving for more business-friendly environments.

Fairfield County Medical Association

917 Bridgeport Avenue, Shelton, CT 06484

Tel: 203-513-2045 / Fax: 203-513-8036

Email: info@fcma.org / Website: www.fcma.org

Physicians Dedicated to a Healthier Fairfield County

Hartford County Medical Association

1290 Silas Dean Hwy, Suite 3C, Wethersfield, CT 06109

Tel: 203-699-2400 / Fax: 203-699-2412

Email: medserv@medservct.com / Website: www.hcma.org

Providing Healthcare Leadership for Hartford County