

## TAX ON PHYSICIAN SERVICES

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The NJ legislature, along party lines, passed 2 bills which will directly increase the cost of health care in the State at the expense of the taxpaying citizens. The first bill creates a tax of up to 3.5% on non-hospital owned outpatient surgical centers to raise funds for uncompensated (charity) hospital care. Ambulatory care centers are already taxed under the Corporate Business Tax enacted by Governor McGreevey last year.

The majority of these centers are owned by physicians and the fees charged are generally far less than those charged by hospitals for the same procedure. It is no wonder that the New Jersey Hospital Association supported this legislation. These same physicians are the ones who care for the uninsured patients in their offices, clinics, ER's and hospitals around the State. The tax, however, will be used only to compensate the hospitals. **The hospitals currently receive \$381 million for charity care and the doctors receive nothing.** The new tax is based on gross receipts and could wipe out any profit that a facility makes and will force many facilities to close. This will send patients back to the more expensive hospital facilities -- and this is not the venue that most

patients prefer (*especially those who will be paying higher copays!*) It will also put pressure to raise health insurance premiums, further burdening private citizens and employers.

The other bill passed by the NJ Assembly & Senate will impose a 6% sales tax on all non-reconstructive, elective procedures, including Botox, wrinkle fillers, liposuction, breast surgery, face rejuvenation & hair transplants. Will it also include removal of moles? Ear pinning in young children? Repair of earlobes torn by earrings? Revision of unsightly scars? Correction of gynecomastia in teenagers or young men? Breast reduction? These are all reconstructive procedures that many insurance plans do not cover because they are not "functionally impairing". Many 'finishing touch' surgical procedures arising out of reconstructive surgery could fall under the bills 'cosmetic medical procedures' definition and would inaccurately classify and unfairly judge the end-stages of such medically necessary procedures. It is not the State legislature's role to determine the medical necessity of a procedure. The burdensome measures proposed in the legislation would set a dangerous precedent for state governments to

start determining what is and is not medically necessary and leave the door open for the state to tax medically necessary procedures. This bill will make New Jersey the first State to implement legislation that selectively discriminates against a class of patients. Will the State begin taxing patients who require elective bariatric, lasik, or orthopedic surgery based on the State's interpretation of "medical necessity"? What about taxes on haircuts and coloring? Facials and massages? What's next?

New Jersey has become a hostile medical practice environment. Physicians are under siege and are leaving New Jersey in droves under the weight of increased practice costs due to skyrocketing medical liability premiums, decreasing reimbursement and other practice expenses. They are laying off staff, deferring purchases of necessary equipment or making other changes due to reduced practice income - including closing their practices. Increasing taxes will only make these problems worse.

*(Above release sent to all newspaper.)*