

Written testimony of Steven R. Royer, R.Ph., FASCP, Vice-President of Pharmacy Services for Kennebec Pharmacy and Home Care, Relative to LD 1184 - An Act to Exempt Certain Prescribed Home Medical Supplies from Sales Tax

April 26, 2023

Dear Taxation Committee Members,

My name is Steven R. Royer, and I am the Vice-President of Pharmacy Services for Kennebec Pharmacy and Home Care. Kennebec Pharmacy and Home Care is a MaineCare and commercial health insurance provider that provides respiratory services and equipment, incontinent therapy supplies, home infusion therapy services, ostomy, ileostomy, urostomy supplies, long-term care pharmacy services, retail pharmacy services and complex rehab equipment throughout Maine. Kennebec Pharmacy and Home Care., a Maine owned and operated company employing 134 individuals, provided the above-mentioned services last year to well over 27,000 patients. We currently have relationships with various home health agencies, long term care facilities and hospitals including but not limited to Maine General, Northern Light, St. Mary's Regional Medical Center, Central Maine Medical Center, Maine Medical Center, Mid Coast Hospital, Togus VA Hospital, Redington-Fairview General Hospital and Franklin Memorial Hospital to name a few.

Thank you for the opportunity to comment on LD 1184, an act to exempt certain prescribed home medical supplies from sales tax. This bill should provide sales and use tax exemption for medical equipment and supplies prescribed by a health care provider for medical purposes when payment is made by an insurance company or specified government program such as Medicare or Medicaid.

Prescribed medical equipment meets the needs of Maine residents with physical and medical limitations that need these medical equipment and supplies to survive. This type of medical service helps to facilitate the ability of Maine people to stay in their homes. There is a real need for these support services to both exist and thrive, so they are available for Maine people to access when needed.

Under current law, the sale of many types of medical equipment and supplies is subject to the sales and use tax, even when there is a physician's order requiring it for treatment. For the items that Maine's current law has defined as taxable, most health insurance companies will not pay the sales tax, even though the provider bills the sales tax as a line item. The consumer (patient) will not pay the sales tax; it is left for the medical equipment supplier to pay. The only exception to this is when the insurer is MaineCare. MaineCare will pay the provider the sales tax for incontinence supplies if it is billed to MaineCare as a line item. This is a state cost expenditure with no FMAP split and the provider then must process the payment from MaineCare, then sift through complex reports and tax logic to pay Maine Revenue Services the sales tax collected. It

merely creates a 100% State Fund expenditure to the MaineCare expenditure budget, then creates the same amount of revenue for Maine Revenue Services, so it is a net zero impact to Maine's budget. It is not a seamless process, rather it is a very burdensome and cumbersome process.

The process to determine whether medical equipment or supply is taxable or not taxable is broken. We experienced that first-hand in 2018 when we were subject to a sales and use tax audit with Maine Revenue Services that lasted two years. We met with the Director of the Maine Revenue Services Sales Fuels and Special Taxes Division. These meetings were to provide clarification and guidance on whether an item was subject to sales or use tax. After multiple meetings with MRS auditors and the Director, we found that the responses were very subjective. We received conflicting answers as to whether the item or service was subject to sales or use tax, or exempt from sales or use tax.

As a health care company, we want to be able to provide better living for the people that we serve, and not have the added burden of navigating the complex waters of the Maine Revenue Services' sales and use tax laws as it relates to medical equipment and supplies. In the last couple of years, we made the tough decision to exit certain lines of business due to the increased cost of providing these services, coupled with poor reimbursement rates and the added burden of paying the sales and use tax on these items. That is why I am asking for your support in passing LD 1184 An Act to Exempt Certain Prescribed Home Medical Supplies from Sales Tax.

Lastly, there are similar exemptions in the state of Maine that supports why this change should be made. In the Maine Revenue Services Sales, Fuel, & Special Tax Division Instructional Bulletin NO. 41 (*See Appendix A*), **prescription medicines**, **prosthetic or orthotic devices**, **crutches** and **wheelchairs**, **diabetic supplies**, **positive airway pressure** and **oxygen delivery equipment and supplies**, and **certain adaptive equipment** are exempt from sales and use tax.

Once again please help us pass this much needed bill so we can keep on servicing the great people of the State of Maine.

Thank you so very much for your time.

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