



April 26, 2023

Home Medical Equipment and Services Association of New England
PO Box 604
Orono, ME 04473

To: Maine State Legislature
Taxation Committee
Submitted in Person

Re: LD 1184 An Act to Exempt Certain Prescribed Home Medical Supplies from Sales Tax

Good morning,

I am honored to be able to testify before the Taxation Committee today in support of LD 1184 An Act to Exempt Certain Prescribed Home Medical Supplies from Sales Tax.

My name is Catherine Hamilton, and I am a resident of Glenburn. I have worked in the home medical equipment industry since 2007. I am now President and CEO of the Home Medical Equipment and Services Association of New England, hereinafter referred to as HOMES, a 35-year-old association. I am also a member of the MaineCare Advisory Committee and the Provider Sub-Committee for the MAC. HOMES prides itself on its great working relationship with MaineCare at all levels within the department.

A significant cost to providers of DME/HME is sales tax. Exemptions were put in place, largely around 2009-2010 for products in addition to the exemption for canes and crutches. Currently, exemptions exist for most mobility items, oxygen, PAP, diabetic items, prosthetics, and orthotics. However, there are many product categories still being taxed. Breast bumps, incontinence, hospital beds, nebulizers, compression garments, and many more remain subject to tax in Maine.

Contrary to the typical model for sales tax, though, this is a tax on the provider rather than the consumer, except when billed to MaineCare or a retail customer. This is due to nearly all insurance reimbursement criteria, which indicate the fee schedule reimbursement is inclusive of tax, shipping, and other items. Due to the complexity involved in determining what is taxable, what you were actually paid after insurance adjustments, and what the embedded tax is, a provider can spend hours to days to calculate the amount of sales tax owed to Maine. I know, as I did that calculation for years for multiple companies, often with a spreadsheet composed of tens of thousands of lines of data.

To illustrate what occurs, a provider's usual and customary charge for product X might be \$100. However, there is a contract with the insurer where the provider will accept 80% of \$80 for the product.

A provider must submit a bill for \$100. However, the payment information will come back with a charge of \$100, an allowable of \$80, a payment of \$64 and a co-pay of \$16. The sales tax needs to be calculated with the allowable amount of \$80, or \$4.40. However, that sales tax is not going to be paid by the customer – it is instead considered embedded in the payment from the insurance. Therefore, the company pays the tax of \$4.40 out of its payment for product rather than as a separate charge like at the store. It becomes even more complex when looking at a claim with both exempt and taxable items included.

We ask today that DME/HME items be exempted when prescribed by a health care practitioner. We do not believe healthcare providers other than DME providers are asked to shoulder the sales tax. And losing an additional 5.5% may break some providers. We do not need the access issues that will result from that.

We appreciate your consideration and hope that this bill moves forward toward exemption with the support of this committee. If you have any questions, I will be happy to address them now or via phone or email.

Respectfully,

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