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OFFICE OF THE STATE AUDITOR

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## **State Auditor Tom Salmon Releases Report on Medicaid Providers' Tax Compliance**

*Audit found Medicaid providers owed \$360,000 in delinquent state taxes*

MONTPELIER – State Auditor Tom Salmon, CPA, CFE, today released the results of an audit that looked at how the state ensures that it does not pay Medicaid funds to providers that owe state taxes.

The Medicaid program is the largest human services program in Vermont. In fiscal year 2011, about \$1.27 billion was spent on Vermont's Medicaid program with about \$412 million coming from state funds.

The Department of Taxes reported that in October 2011, about \$130 million in taxes owed to them was more than 60 days overdue. Our audit addressed the question of whether any of these back taxes might be owed by Medicaid providers who would have the potential to receive state funds while owing the state money.

The audit found 68 Medicaid providers that owed a total of about \$360,000 in state taxes was delinquent more than 60 days. These were a mix of provider types, including physicians, durable medical equipment suppliers, and pharmacies.

While taxes owed by regular suppliers of state government can be recovered by deduction from the state's payments to them, the legislation that created this process excludes Medicaid payments.

For most suppliers of state government, the state will deduct taxes owed from payments it makes to them. The Department of Taxes reported that between FY 2008 and FY 2011 more than \$3.2 million of tax debt has been offset in this process, including about \$900,000 in FY 2011 alone. The Department of Taxes has determined that the statute permits this process only for suppliers of goods and services to the state government – not for providers of services to Medicaid beneficiaries even though the providers are paid by the state.

The audit report recommended that the Legislature amend the statute (32 VSA §3113(d)) to allow Medicaid payments to be offset. The Department of Taxes in its response to our draft report encouraged the Legislature to consider giving the department this additional tool to collect delinquent taxes.

Salmon said that state government has implemented legislation to ensure that it does not normally allow delinquent taxpayers to profit by doing business with the state until their taxes have been paid. An important part of this legislation does not apply to Medicaid program providers.

“As a result of this, the state is missing out on an opportunity to collect more of the tax dollars it is owed,” Salmon said. “We believe the Legislature should remove the loophole that allows Medicaid providers to do business with the state while owing back taxes, and treat them just like anyone else who does business with the state.”

This is the second of two reports recently issued by the State Auditor’s Office on Medicaid Providers.

The report, entitled *Medicaid Providers: State Has Foregone an Opportunity to Recover Delinquent Taxes from Providers*, can be found on the auditor’s web site [www.auditor.vermont.gov](http://www.auditor.vermont.gov), along with the first report, *Medicaid: Many Provider Enrollment and Claims Controls in Place, but Gaps Exist*.