



To: Senate Assessment and Taxation Committee

From: Shawn Sullivan, President/CEO of Midland Care Connection, Inc.

Date: February 25, 2021

RE: Testimony in Support of SB 147

Thank you for the opportunity to provide testimony in support of SB 147, which would provide a sales tax exemption for non-profit integrated community care organizations. The legislation requires that to qualify for the sales tax exemption, an organization be exempt from federal income taxation, certified to participate in the Medicare program as a hospice provider and approved by the Kansas Department for Aging and Disability Services to serve as a Program of All Inclusive Care for the Elderly (PACE) provider.

Midland Care provides care and services to more than 1,700 people daily across 21 counties in Northeast Kansas. The post-acute and home-based services we provide include the Program for All-Inclusive Care for the Elderly, hospice, home health, meals on wheels, palliative care, adult day care and grief and loss counseling services.

As a 501(c)(3), Midland Care Connection is recognized by the federal government as a charitable business based on mission of the organization. We do have a sales tax exemption for our meals on wheels program. However, for the rest of our programs, the state of Kansas has required Midland Care to pay sales tax since incorporated in 1978. Through our PACE and hospice programs we are required to provide all medical equipment, medical supplies, and food supplements to clients in the course of their care. Simple home modifications are also provided for those in the PACE program.

Our organization is one of three PACE providers in Kansas and a unique not-for-profit integrated community care organization whose aim is to improve the quality of life for our aging population and to keep seniors at home and independent. The Program of All-Inclusive Care for the Elderly (PACE) model is centered on the belief that it is better for the well-being of seniors with chronic care needs and their families to be served in the community whenever possible. PACE serves individuals who are age 55 or older, certified by their state to need nursing home care, able to live safely in the community at the time of enrollment, and live in a PACE service area. While all PACE participants must be certified to need nursing home care to enroll in PACE, only about 5 percent of PACE participants nationally reside in a nursing home. If a PACE enrollee needs nursing home care, the PACE program pays for it and continues to coordinate the enrollee's care.

There are hundreds of Kansas non-profits who are sales tax exempt. There are three PACE organizations in Kansas and two of them are sales tax exempt because they are operating as programs of their sales tax exempt parent company. However, Midland Care PACE is required to pay sales tax on all purchases. PACE serves as a community based alternative to long-term care facilities. These facilities that are non-profit similar to Midland Care are sales tax exempt. Additionally, not-for-profit hospices that are programs of hospitals are sales tax exempt because the hospital is.

Because of the focus of our programs and our commitment to the frail and vulnerable and low-income individuals, our main payer sources are Medicare and Medicaid. Neither of these payor sources covers all the cost of care we provide. There are many people each year who have no payor source, resulting in a significant amount of free care that is provided. Our commitment is to provide care regardless of an inability to pay. Because of this commitment, Midland Care frequently receives referrals from other hospice organizations that are unwilling to provide care and services to patients without a payor source. Midland Care provides a level of community benefit that warrants a sales tax exemption.

I ask for your support of SB 147. A sales tax exemption will provide equity with the other PACE programs and allow us to serve more people by providing community based services and keeping our most frail and vulnerable at home.