

HEALTH CARE

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Health Care: News and Information is a service of the Healthcare Leadership Council (HLC) to help our readers stay fully informed about the latest health care issues as we work to advance a high-quality health care system.

Jim Edwards, Editor

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Massachusetts Health Reform Developments Raise Concerns

The Massachusetts government has proposed a potentially harmful change to its state health reform experiment.

- The nation's health care leaders have closely watched state experiments like that of Massachusetts.
- Health leaders want to ensure that health coverage is extended to the uninsured, without hurting employers or health care providers.
- Unfortunately, the latest proposal from Massachusetts risks tipping that delicate balance.
- Massachusetts Gov. Deval Patrick has recommended penalizing businesses with fewer insured workers and tax the reserve funds of health care providers.

The proposed tax increase backtracks on the compromise reform's terms for employers and health providers.

- Under the original reform compromise, businesses would make a "fair and reasonable" contribution to their workers' health coverage. Otherwise, they face a penalty of \$295 per employee.
- "Fair and reasonable" is defined as at least a quarter of a company's workers enrolling in the firm's health plan or the employer pays at least one-third of an employee's premium.
- Under the proposal, employers would have to meet both number-of-covered-employees and premium-share standards within 90 days of a hire or else face the penalty. This is a \$33 million tax increase.

The proposal would also tax health provider reserves. This scary move could prove disastrous.

- The state government targets cash reserves held by both health providers and insurers. It's a \$61 million tax increase.

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- Reserves are money held until needed to cover financial obligations. An undercapitalized business faces greater risks of not being able to pay its debts. Reserves aren't the same thing as profits. Cash reserves are often a sign of prudent management.
- The Boston Herald recently cited the example of Harvard Pilgrim Health Care. This health plan “was fighting for its life and ordered into receivership barely eight years ago.” Harvard Pilgrim, “after a miraculous comeback,” would face the state’s tapping into its reserve funds.
- At a time of rising inflation, economic uncertainty and escalating business costs, the proposed tax presents what the Herald called “a serious threat to [Massachusetts health reform’s] long-term success.”

America’s health leaders support expansion of health coverage. We recognize the fundamental fact that most Americans get their health insurance through an employer. We continue to monitor closely state experiments in health reform. The latest news from Massachusetts will be watched with great intensity.

The Healthcare Leadership Council, representing the innovators in each sector of the health care industry, is committed to advancing a market-based health care system that values innovation and provides affordable, high-quality care.

HLC field directors:

Darren Katz (404) 885-9351
(AL, AR, FL, GA, LA, MS, SC)

Paul Pearson (405) 488-0541
(AZ, CO, KS, MN, NE, ND, NM, OK, SD, TX, UT)

Brad Crone (919) 834-8431
(DE, KY, NC, MD, MO, TN, VA, WV)

Larry Krutchik (818) 728-3355
(AK, CA, HI, ID, MT, NV, OR, WA, WY)

Brian Feldman (404) 885-1723
(IA, IL, IN, OH, MA, MI, RI, WI)

Tom Maher (603) 431-2340
(CT, ME, NH, NJ, NY, PA, VT)

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**Healthcare Leadership Council
1001 Pennsylvania Avenue, Suite 550 South
Washington, DC 20004
(202) 452-8700
www.hlc.org**