

Mass. health system fix includes insurer tax

InsuranceTimes, April 1, 2003, Vol. XXIII, No. 6

Copyright, 2003 © M&S Communications, Inc., publisher of *InsuranceTimes*

by Michael P. Norton
State House News Service

BOSTON — There are new efforts afoot to save the state's groundbreaking prescription drug insurance program and its uncompensated care pool, a The Romney administration and legislative leaders are engaged in behind-the-scenes talks to spare 50,000 people from losing state health benefits on April 1 and to avoid a full-blown crisis in health care financing.

A new user fee totaling \$10 million that the administration wants assessed on 60 insurers is among the fixes being discussed to prevent the state's uncompensated care pool from going under.

The pool uses revenues from hospitals, insurers and taxes to pay for the care of the more than 400,000 people in Massachusetts who don't have health insurance or who are underinsured.

The fee, which other lawmakers call a new tax, may be modified as part of larger talks involving legislative leaders over the solvency of the uncompensated care pool.

State health care finance officials reported last November that the pool will end this fiscal year with a deficit of \$152 million. In fiscal 2004, which begins in July, the pool is due to run \$265 million in the red. Unless changes are made before then, the pool will produce a \$306 million deficit in fiscal 2005.

Secretary of Health and Human Services Ronald Preston said the free care pool is in "substantial" trouble.

"Unless something is done with that, it will really be insolvent sometime in the next year," said Preston. "If we don't deal with it, it will come back in a very large way to haunt us."

Preston said a minimal state investment might be needed to leverage federal assistance as part of a plan to restore the pool's fiscal health. Preston also made it clear that health insurance companies will "almost certainly" be called on to contribute more to the pool.

"We're in the red," Preston said. "They're in the black."

Administration officials note that state health and human services spending is approaching 50 percent of overall state spending.

At a recent hearing, Senate budget chief Therese Murray (D-Plymouth) said Gov. Mitt Romney's \$22.9 billion budget bill "clearly isn't" balanced and cautioned the Legislature will have to make deep cuts.

Secretary Preston acknowledged the governor's budget isn't perfect, but cautioned lawmakers that the \$3 billion budget gap facing Beacon Hill decision makers will worsen soon without major changes in the way the state coordinates 26,000 human services employees and delivers more than \$10 billion in services.

To maintain existing services, at a time when tax collections are flat, the state would need to add about \$1 billion to its health and human services budget.

"That's untenable, said Preston. "Unless we do something about that, what happens is every year we will be having a hearing like this and I will be saying I need a billion dollars," Preston said. "I know that's something we can't maintain. We're in an unprecedented situation."

Preston informed lawmakers that the administration is resubmitting a federal waiver seeking funding to help the state pay for its \$100 million senior prescription drug insurance program. Administration officials believe they have a far better chance of being awarded federal funds under a new waiver proposal that will not be subject to a "cost neutrality" standard that is dooming the present waiver request.

Romney does not want to eliminate the program, which largely serves low-income and middle class seniors whose assets make them ineligible for Medicaid, Preston said, but will seek a less expensive alternative without federal aid. Preston is cautiously optimistic about the new waiver's prospects.

"We should be able to do this, but this is not a promise," he told legislators. "But I want you to know that we are working on this. All is not lost." Preston said he would report back on the waiver's reception "in a few weeks."

Murray, who like other lawmakers has expressed frustration about the lack of details in Romney's budget, pointed out that the administration first thought that the new user fee would hit 600 insurers and generate \$90 million but it will instead be assessed on 60 insurers and produce \$10 million.

Talks to prevent the uncompensated care pool's collapse, which hospital executives say would be a disaster, have involved Senate President Robert Travaglini and House Speaker Thomas Finneran.

Preston said the pool will be insolvent within a year unless action is taken. And he suggested the ongoing talks include discussions of ways to prevent the scheduled dropping of 50,000 long-term unemployed people from taxpayer-funded MassHealth coverage, a move approved in 2002 by the Legislature.

Adding 50,000 people to the ranks of the uninsured on April 1 will "by definition" add to the deficits already being run up by administrators of the so-called free care pool,

A special state commission investigated the free care pool's problems last year but could not agree on solutions.

Meanwhile, hospitals executives are concerned about the pool and Romney's budget. While they receive much of the revenue paid into the free care pool, hospitals are already on the hook for \$215 million in payments into the pool as well as any deficits.

Massachusetts Hospital Association communications director Paul Wingle said Romney's budget redirects \$45 million in pool funding to other purposes. Wingle says the administration is also diverting new revenues from a tax on nursing homes.

Hospitals expect to absorb \$107 million in costs stemming from the April 1 MassHealth cut, in addition to \$290 million in unanticipated pool payments, \$140 million in federal Medicaid cuts and a \$45 million cut in state pool funding, Wingle said. If that occurs, he said, more than 80 percent of hospitals will be pushed into the red, up from 50 percent.

"Hospitals across the state will have to lay off staff," he said. "We'll all see delays in getting care."

Wingle said hospital officials want the state to shore up the system by using tobacco settlement reserves, approving assessments on employers who don't offer health insurance, and by changing the formula that dictates who the state, insurers and hospitals ask to pay for care rendered to the uninsured. □