

Business balking at health changes

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Many firms and insurers oppose \$100m price tag; Public backs Patrick idea to close gap in funding

By Kay Lazar, Globe Staff | July 15, 2008

Governor Deval Patrick's proposal to ask businesses, insurers, and hospitals to kick in about \$100 million to close a gap in funding for the state's landmark health insurance law is threatening to fracture the fragile coalition whose support was instrumental in passing the measure.

Business and insurance industry leaders are opposed to Patrick's plan, saying it is unfair to ask them to pay more, especially during an economic downturn. But consumer groups praised the proposal, saying patients were asked to pay more when copayments and deductibles for subsidized health plans were increased earlier this year. Now, they say, it is time for others to step up and pay their share.

Meanwhile, a new poll indicated there is broad public support for asking businesses and insurers to pay more to keep afloat the state's health insurance law, which seeks to cover almost all residents.

But a lobbyist with the state's largest business group said Patrick's proposal is likely to undermine key support for the two-year-old law, which passed only after more than a year of sensitive negotiations and compromises involving hospitals, insurers, employers, and consumer groups.

"It was a real delicate balance that was achieved two years ago to bring everybody on board," said Rick Lord, president and chief executive of Associated Industries of Massachusetts, an association of business groups with 7,000 members.

"This jeopardizes the support of the business community, and that's one of the reasons reform has been so successful so far," he said. "Any reform that has been tried anywhere else - when the business community opposed it, reform has not been successful."

The law requires most employers to offer health coverage or to pay an annual penalty of \$295 per worker. But a crucial compromise was struck to win the business community's support: companies would be in compliance even if a minority of their workers were covered. Employers with more than 10 workers had the option of paying at least 33 percent of workers' premiums within their first 90 days of employment or having at least 25 percent of their workers covered by an employer plan.

Patrick's proposal would raise \$33 million in additional penalties by requiring employers to meet both requirements.

Lord said the proposal would hit retailers especially hard, because many of them face such high turnover that they do not typically offer health insurance to full-timers until after 90 days.

The governor announced the plan Sunday as part of a supplemental budget request, which must be voted on by the Legislature. In a letter to legislators, Patrick described the proposal as modest and as "companion contributions to those already made by consumers." House Speaker Salvatore F. DiMasi promised yesterday there will be a "full examination" of the proposal.

Patrick's plan would raise another \$33 million from an assessment on insurance companies' reserve accounts. But Dr. Marylou Buyse, president and chief executive of the Massachusetts Association of Health Plans, said that the money is needed by the companies to cover catastrophic health costs in the event of a flu pandemic or a terrorist attack.

"This is taxing healthcare to pay for healthcare and is not solving the basic problem, which is healthcare costs too much," said Buyse, whose group represents most of the state's health insurers.

The state's largest private health insurer, Blue Cross Blue Shield of Massachusetts, hasn't taken any position on the proposal. A spokesman said the governor needs to release more details before the company could assess the full impact.

The state's hospitals are supporting the request for more money - \$28 million from hospitals - with a caveat. Hospitals are willing to pay more to make near-universal healthcare work, said Lynn Nicholas, chief executive of the Massachusetts

Hospital Association, but she tied the organization's support to the defeat of an unrelated measure pending in the Senate. That bill would set minimum nurse staffing requirements and require hospitals to hire more nurses.

The cost of Patrick's plan "pales in comparison to the prospect of having government-mandated nurse staffing ratios, which could cost in excess of \$200 million a year," Nicholas said.

Most of the extra money from hospitals would go to a pool that covers hospital costs of residents who remain uninsured. Currently, the hospitals contribute \$160 million to that fund.

Consumer groups are enthusiastically supporting Patrick's plan. "Consumers have already stepped up to the plate," said the Rev. Hurmon Hamilton, president of the Greater Boston Interfaith Organization, a consortium of religious and civic groups. "I would strongly urge the business community, insurance, and hospitals . . . to come forth and do their part."

Patrick also wants to plug the funding gap by shifting \$35 million from the Medical Security Trust Fund, which is used to pay health insurance for the unemployed. Consumer groups were skeptical of that part of his plan.

"Unemployment is going up as the economy worsens, and we want to make sure there is enough money left to pay unemployment to people who are entitled to the money," said Brian Rosman, research director for Health Care for All.

Asking businesses and insurers to pay more toward healthcare is popular. A poll being released today by the Harvard School of Public Health and the Blue Cross Blue Shield of Massachusetts Foundation found that nearly three-quarters of those surveyed supported requiring businesses with more than 10 employees to pay more toward the system. And 61 percent said they favored requiring insurers to contribute more to a fund that would subsidize coverage. The poll of 1,015 Massachusetts adults was conducted June 10 to 23.

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