

## Snyder eyes health claims assessment

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Discussion is expected to start soon in Lansing regarding Gov. Rick Snyder's budget proposal for a new 1 percent "assessment" on every health care claim in the state to provide an estimated \$400 million for Medicaid.

Presented as part of Gov. Rick Snyder's budget proposal, the 1 percent plan would replace the 6 percent currently assessed on claims only from health insurers that provide Medicaid programs.

With its broader target, the 1 percent tax would impact organizations such as self-insured companies and commercial insurers that have escaped the current Medicaid assessment. It would shave costs for the 14 HMOs that cover the state's 1.9 million Medicaid clients. Michigan's Medicaid enrollment is expected to swell by about 600,000 in 2014 as income requirements are raised under health care reform.

The Michigan Manufacturers Association, which counts both self- and fully-insured businesses among its members, is awaiting a response to the proposed assessment, said Delaney Newberry, director of human resource policy.

"We're definitely taking a look at it. We're waiting to see the details," she said.

Jim Kenyon, client executive at Hylant Group, said a 1 percent assessment on all claims could be a small price to pay in light of Snyder's goal of "shared sacrifice" in the hard-pressed state budget.

"No one likes to pay an extra expense if they don't have to," Kenyon said. "The 1 percent surcharge may be less painful than other alternatives that are out there."

Multiplied by federal matching dollars, the \$400 million raised by the 1 percent claims tax would have a total impact of \$1.2 billion to \$1.3 billion on the \$12 billion Medicaid budget, said Rick Murdock, executive director of the Michigan Association of Health Plans. The 1 percent assessment is expected to raise about the same amount as the 6 percent tax does on fewer insurers.

"For each dollar the state contributes to the program in the Medicaid sector, the federal government pays roughly \$2 in return," said David Seaman, executive vice president of the Michigan Health and Hospital Association, which represents more than 140 hospitals in the state.

“This claims assessment would net an additional \$800 million in federal funding for a total of \$1.2 billion for the Medicaid program. It’s almost an exact replacement for the \$1.2 billion netted in total from the HMO use tax. It’s a different tax, but it doesn’t raise any more money; it raises it from different places.”

The state is anticipating that the federal Department of Health and Human Services will prohibit assessments imposed on a small segment of insurers, like Michigan’s 6 percent tax on Medicaid HMOs, Murdock said.

“It’s critical to find a replacement source, and the general fund is obviously not going to be that source. Now it’s a matter of working to understand the proposal to make sure it’s fair,” Murdock said.

Priority Health Associate Vice President for Communications Rob Pocock said the Grand Rapids-based insurer, which owns a Medicaid HMO that serves 12 counties, was pleased that Snyder’s budget left Medicaid reimbursement levels intact. “We will be watching, as it goes through the Legislature.”

Andy Hetzel, vice president of corporate communications for Blue Cross Blue Shield of Michigan, declined to comment. The state’s largest insurer, BCBSM also holds a significant business as a third-party administrator.

Seaman said the MHA backs Snyder’s 1 percent assessment for Medicare, adding that it is necessary to support reimbursement levels that already eat into hospital margins and force higher insurance premiums.

“What if the Legislature didn’t buy this? If not this, what’s Plan B? Cut rates to providers,” Seaman said. “The numbers that would be required to bring in \$1.2 billion in savings is 20 percent to physicians, hospitals, nursing home, clinics — that would essentially be a catastrophe for health care in Michigan.”

Whether a 1 percent cost hike is small enough for an insurer to swallow and keep out of 2012 premium prices remains to be seen, he added.

“These are business decisions folks are going to have to make,” Seaman said. “One of the principles is everyone being subject to the same claims tax so there’s no competitive edge along the way, whether you’re self-insured or in the insured market. What’s the market going to bear in terms of premiums?”