

A tax that lowers costs

The proposed hospital tax would help remedy the state's budget shortfall, and by attracting more federal dollars, it would reduce the cost of treating Medicaid patients.

To make up for an expected budget shortfall due to the slumping economy, Gov. Jim Doyle and Senate Majority Leader Russ Decker (D-Weston) are talking about resurrecting the hospital tax. That was a good idea when Republicans opposed it last year and, given the state's deficit, it's an even better idea now.

We know. Just using the word "tax" in a sentence these days is enough to make many people in Wisconsin ill. But this is different, because the tax actually will help to reduce costs, which is why the Wisconsin Hospital Association, the very group whose members will bear the tax, is solidly behind the proposal.

This is true despite a cost to hospitals of about \$400 million over two years, says Steve Brenton, president of the association.

That additional revenue would free up state dollars to apply to the deficit and, even more important, would allow the state to leverage more than \$400 million in additional federal money over that same two-year period to pay for treating Medicaid patients. Those additional federal funds would enable the state to increase the rate at which it currently reimburses hospitals to care for such patients. That rate, which hasn't been raised in years, is now about

45 cents on the dollar, among the lowest in the nation.

To make up for that paltry rate of reimbursement, hospitals — especially those concentrated in the Milwaukee metropolitan area, which serve a number of Medicaid patients — pass on those costs to patients with private insurance. Brenton and hospital executives point out that this amounts to a "hidden tax" on consumers and employers who provide health insurance to their workers.

Eight hospitals in southeastern Wisconsin handle about 40% of the state's Medicaid patients, according to Brenton.

In a November op-ed in the Journal Sentinel's Crossroads section, Nick Turkal, president and chief executive officer of Aurora Health Care, estimated that the Medicaid shortfall for his and other Milwaukee-area hospitals in 2006 amounted to \$205 million.

"A small handful of hospitals in the state may simply pass on the tax," but 90% of state hospitals will see a gain because of the higher reimbursement rate for Medicaid, Brenton told us.

Doyle has not yet introduced his budget repair bill, but when he does, the hospital tax should be part of it. And this time, Republicans need to give it their blessing.

*Should the state Legislature enact a hospital tax? Why or why not?
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