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Business lobby backs hospital tax

WMC support represents important gain for new coalition of health care, employer groups

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A coalition of health care systems and business groups in Milwaukee is setting out to explain why a proposed tax on hospitals is not really a tax.

The coalition, StopTheShift.org, came together to win political support for the tax - or, as supporters prefer to call it, an assessment.

It won a major victory Friday. Wisconsin Manufacturers & Commerce, the state's largest business lobby and a group that typically opposes taxes by any name, announced its support for this one.

WMC is not part of the coalition, but two local business groups are members: the Metropolitan Milwaukee Association of Commerce and the Greater Milwaukee Committee.

Gov. Jim Doyle proposed the tax as a way to draw \$700 million in federal money to Wisconsin over two years, according to the state's latest estimate.

That money would allow the state to increase what it pays to hospitals to care for people in state health programs, collectively known as BadgerCare Plus. The programs provide health insurance to low-income families with children and to people who have disabilities or are older and impoverished.

The proposal also would free \$125 million in state funds that could be used to help cover a projected budget shortfall.

The state and federal governments fund BadgerCare Plus. The federal share of the program's cost is tied to how much the state spends. This means that when the state spends more money on the program, it gets more money from the federal government.

This is where the hospital tax would come in.

The tax would work out to a bit more than 1% of hospitals' revenue. The exact percentage would vary by hospital.

Doyle has proposed using most of the money from the tax to increase spending on state health programs. That would draw additional money from the federal government, which in turn would increase what BadgerCare Plus pays hospitals.

Those payments now fall far short of hospitals' costs. The Wisconsin Hospital Association has estimated that hospitals are paid on average less than half of what it costs them to treat a patient. The state doesn't dispute that figure.

The shortfall gets shifted - hence the new coalition's name - to commercial health plans.

This means that employers, employees and people who buy individual insurance must make up the difference - which explains why businesses care about the issue.

Steve Baas, MMAC director of governmental affairs, said the group's member businesses understood that costs were being passed on to them and that federal dollars were being left on the table.

Nick Turkal, chief executive of Aurora Health Care, characterized the tax as Medicaid reform.

"It doesn't solve the problem, but it chips away at it," Turkal said Friday at an event sponsored by The Business Journal.

The Greater Milwaukee Committee said hospitals would realize a net gain of more than \$156 million if the tax were enacted.

Not all hospitals would come out ahead. Hospitals in affluent suburban communities, for instance, would pay out more than they get back because they see few patients in state health programs.

Doyle first proposed the tax last year - and it was quickly labeled a "sick tax."

The hospital association and its members initially opposed the tax. That opposition was dropped after the Doyle administration agreed to certain changes in its proposal, and after they realized that the tax was their best hope to get higher payments from state health programs.

By then, the "sick tax" label had stuck, and the Assembly balked at imposing it.

Budget shortfall

Doyle reintroduced the tax as part of his plan to help fill the projected shortfall in the state budget through 2009. This time, health care systems hope their coalition can overcome the opposition.

The new coalition also includes, among other groups, the hospital association; the Wisconsin Primary Health Care Association, which represents community health centers; the Coalition of Wisconsin Aging Groups; and Mental Health America of Wisconsin.

The members that could matter the most, though, are business groups.

Baas said MMAC members were wary of assessments on business, but they understood the issue.

That said, they want hospitals to track the impact that the higher payments from the state would have on southeast Wisconsin. The goal is to ensure that the additional revenue would be used to slow future increases in hospital rates.

The WMC endorsement also could build support for the tax. Spokesman Jim Pugh said the group supported the tax because of the hospital association's support for it.

WMC has long criticized the so-called hidden tax that comes from the underfunding of state health programs and the subsequent cost-shifting. But it has not said where the money should come from to increase payments to hospitals.

Despite the support of business groups, not to mention the health care systems themselves, the new coalition knows the tax will not be an easy sell.

"Cost-shifting is not a concept that is easily understood by the general public," said John Oliverio, chief executive of Wheaton Franciscan Healthcare.

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