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Taxpayer Protection Amendment (TPA)

Background

In 2004, the Wisconsin Legislature debated an amendment to the Wisconsin constitution to limit government spending – the Taxpayer Bill of Rights (TABOR). While no final product came to a vote then, a similar proposal will be debated in the waning days of the 2005-06 Legislative session called the Taxpayer Protection Amendment (TPA).

Past TABOR proposals would have, among other things, capped increases in state and local government spending at a percentage (85-100%) of personal income growth. Today, the TPA seeks to limit government spending by controlling growth on the revenue side of the equation. While this approach differs slightly, the harmful impact to the Medicaid program will remain the same.

The goal of controlling taxes and spending is laudable, and while TABOR/TPA proposals may seem attractive on the surface, they could also assure that the grossly inadequate payments hospitals receive from Medicaid (without a TPA) will continue at current levels or become even worse. As a constitutional amendment, the TPA could have a very negative, and very permanent, impact on the Medicaid budget – effectively locking in some of the worst Medicaid hospital payment rates in the country and perpetuating the “Hidden Health Care Tax.”

Issues

- Covering just 49% of what it costs to deliver care, Wisconsin’s Medicaid payments to hospitals are already some of the worst in the country. TPA will create an environment where these payment rates will likely continue to spiral downward at an even more drastic rate.
- Because Medicaid drastically underpays for care, Wisconsin hospitals, physicians and others must shift unpaid costs to private sector employers and employees. The resulting “Hidden Health Care Tax,” as it has been dubbed by leading Wisconsin business and health care organizations, adds more to the cost of employer health insurance each year. In 2005, it is estimated that the hidden tax from Medicaid underpayments to hospitals alone resulted in \$546 million being added to private sector health insurance costs.
- Many hospitals, particularly in urban areas where there are large Medicaid populations, cannot absorb further payment decreases because they already have few private sector payers to whom they can shift costs. The impact is equally harsh for hospitals that own/subsidize nursing homes, especially those in rural areas where hospital support keeps many long-term care facilities open.



Wisconsin Hospital Association, Inc.

TPA (Taxpayer Protection Amendment)

- Despite perceptions, Wisconsin is not a “big spender” on Medicaid, which in 2004 comprised 14.5% of total state expenditures –just over half the national average of 22%.
- A state government health care program, including new programs like SeniorCare and BadgerCare, covers one of every six Wisconsin residents. This means the impact of TPA in Wisconsin could be significant.

WHA Position

- All Wisconsinites, including health care providers, appreciate the need to control taxes and spending, but TPA will make it very difficult, if not impossible, to improve upon Wisconsin’s already abysmal hospital payment rates.
- Given the permanency and magnitude of a constitutional amendment, the Legislature and Governor should examine all the major cost drivers in the state budget, including new programs that continue to be created or expanded every Legislative session -- new programs that are often paid for by cuts in other areas, including MA payments to hospitals and doctors.
- Over the past several years, Medicaid has undergone several expensive, but politically popular, expansions approved by the Governor and Legislature, while provider payment rates continue to fall. Before adopting TPA, the Legislature should pay for the programs it has already created, rather than capping state expenditures for those programs and forcing the remaining costs to be shifted to the private sector.

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Related Resources

- *Valued Voice*, June 11, 2004: TABOR Placed on Hold for this Session
http://www.wha.org/pubArchive/valued_voice/vv6-11-04.htm - 1
- *Valued Voice*, July 30, 2004: TABOR: Gratefully Dead
http://www.wha.org/pubArchive/valued_voice/vv7-30-04.htm - 2
- Position Paper on TABOR: 2004
<http://www.wha.org/toolKit/TABOR.pdf>

Localize The Message

Be prepared to talk about:

- The impact TABOR – TPA could have on your community.

3/30/06

