

Taxing food one option being floated for Utah Medicaid expansion

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As legislative leaders and Gov. Gary Herbert are trying to hammer out a Medicaid expansion plan, some lawmakers are floating another option to pay for a health care solution — bringing back the sales tax on food.

While House Majority Leader Jim Dunnigan, R-Taylorsville, said the so-called Gang of Six is not considering the food tax to pay for any of the estimated \$78 million it would cost to expand health coverage to low-income Utahns, he acknowledged he has heard some legislators and interest-group representatives have supported the idea.

The Legislature cut the sales tax on food by 3 percent in 2006 and 2007, a move intended to help ease the burden on low-income Utahns.

Greg Bell, president and CEO of the Utah Hospital Association, said the food-tax proposal to finance the Medicaid expansion was one of the ideas his group floated early on — the rationale being that low-income Utahns would benefit much more by having health insurance than they would by saving a few dollars on their grocery bill.

"That was the idea, but as far as we know there's never been any receptivity," Bell said in an interview. Lincoln Nehring, president and CEO of Voices For Utah Children, an advocacy group that supports the health-care expansion, said that — without knowing all the details — his group could support restoring the sales tax on food if there is a tax credit to make sure low-income Utahns don't pay more, and some changes to make sure childless adults don't lose their food stamps. Legislators have been reluctant to take those steps in the past.

If those adaptations are made, Nehring said, "It's something that Voices might be supportive of." The food tax is just one idea, which also included a hefty tax on e-cigarettes, to pay for the program.

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Gang of Six • Instead, the Gang of Six — which includes Dunnigan, Herbert, Lt. Gov. Spencer Cox, House Speaker Greg Hughes, Senate President Wayne Niederhauser and Sen. Brian Shiozawa — has been trying to get providers like the doctors and hospitals to agree to bear most of the costs of the expanded coverage.

The focus is to find a politically palatable way to draw down hundreds of millions of dollars in federal funds to subsidize insurance for as many as 126,500 Utahns who have income up to 138 percent of the federal poverty level — about \$33,000 for a family of four.

Under a tentative framework — which has not been formally released — hospitals would bear 32 percent of the cost through some sort of assessment; doctors would pay 22 percent; insurance companies would cover 15 percent; and pharmaceutical companies would pick up 12 percent. The percentages are based roughly on how much each of the various providers would benefit from the estimated \$630 million in Medicaid payments that would flow to the providers.

"We're trying to find the mathematics to make sure everyone pays proportional to what they receive in their benefit," Herbert said during his monthly KUED news conference last week. "That's what we're wrestling with right now and I suspect in the next couple of weeks we can find that. I think that will be the final piece of the puzzle."

But the proposal makes some of the providers antsy.

Bell, who was Herbert's lieutenant governor, said the hospitals have agreed to pay \$25 million of the cost, but there are concerns about what happens if enrollment in the program — and the costs associated with it — are higher than expected.

"We would rather it be a dollar amount and then have a safety valve that it expands 15 percent, but once it's greater than 15 or 20 percent, then you have to, 'Come and let us reason together,' and decide, are we going to keep doing this or scale it back?" Bell said.