My view: Provider tax good way to expand Utah's health insurance

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Despite objections from the Utah Medical Association and others, funding Medicaid expansion through a focused tax on the state's health care providers would be good policy.

The benefit to providers — hospitals, physicians and the like — is clear enough. Expansion creates payment for the free care that is currently being given and increases the frequency and range of services for which care can be sought on the part of newly insured Utahns. The magnitude of this is the combined total of Utah and federal spending for the Premium Assistance Program and new Medicaid enrollment, in excess of $200 million per year, according to 2014 estimates prepared for the Department of Health. Doctors, hospitals and others will be reimbursed at commercial rates for the Premium Assistance portion of the expansion population, which is currently said to be estimated at 80 percent of the total.

Individuals currently purchasing private insurance and employers who purchase insurance for employees will also benefit from expansion's impact on charity care. They currently subsidize some portion of that care through the rates they pay to physicians and hospitals. The magnitude of that subsidy has been variously estimated at between 4 percent and 15 percent of total health care spending. Even at the lowest percentage, it is a considerable sum.

A provider tax is particularly apt in this situation. Because most provider payments come through private insurance and employer plans, the tax is an indirect way to capture the savings that result from reduced charity care.

How the tax is structured and implemented is important. It should be crafted to encourage the overall success of expansion, not just to acquire new money and to recognize differences in the amount of care provided to Medicaid recipients.

Hospitals will get the bulk of the benefit in offsetting payments for what was previously charity care, so hospitals should expect to be on the line for more of that funding. And hospitals are better able to negotiate rates from insurers than individual physicians, so they are likely to be better able to absorb the tax.

Preliminary reports suggest that the proposal already includes a strong role for hospitals.

The tax should be graduated so that lower income providers like primary care physicians pay less than higher income providers. And it should be structured so that it does not discourage providers from providing care to Medicaid patients and from continuing to provide care to uninsured persons, of whom there will still be many. There is a long tradition in Medicaid of adjusting payments for "safety-net" providers and of considering the percent of Medicaid patients served by providers, and it should be possible to apply similar considerations in the tax proposal.

Dan Liljenquist has argued that a provider tax is a bad thing because it will inhibit the expansion of services that will be needed for the newly insured and make Utah less attractive to physicians as a place to practice ("Utah's Medicaid expansion proposal unfairly taxes caregivers," Sept. 3). However, this is unlikely. Health care is notoriously resistant to restraints on growth, and the amount of the tax is much less than the new growth-inducing money entering the health system through expansion. Moreover, physicians choose to work in Utah for lifestyle and cultural reasons as well as income, and other states impose similar assessments, so we should not suffer competitively.

The state's leaders have chosen premium assistance as the preferred route to further expanding health insurance and ensuring access to health care for all Utahns. A provider tax on hospitals, physicians and others, properly modulated not to discourage serving Medicaid and the remaining uninsured, is a good way to pay for that.

John Grima is a retired hospital executive and Community Health Center board member living in Ogden. He has taught health policy in the Weber State MHA program and served as a volunteer contributor to various councils, task forces and legislative subgroups working on issues of health equity and Medicaid expansion in Utah. He can be reached at jgrima@midtownchc.org.