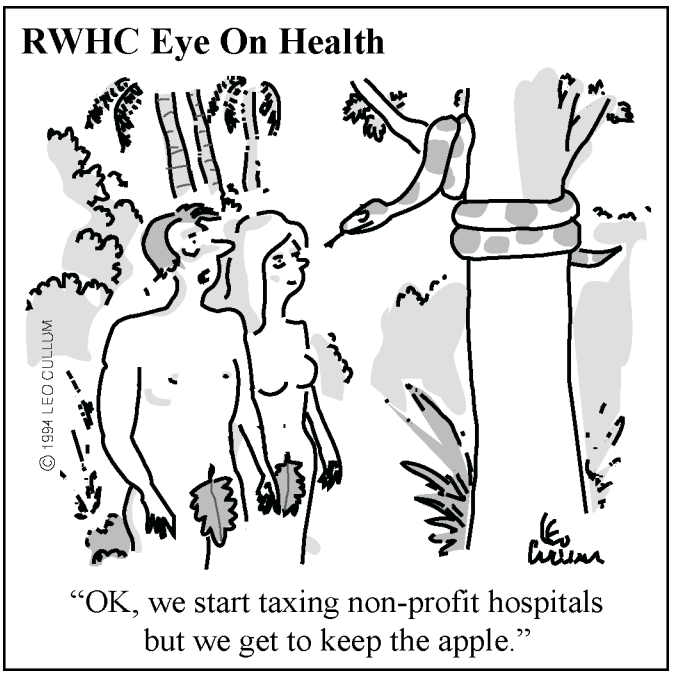
"Don't tax you, don't tax me, tax that man behind the tree"

by Tim Size, Executive Director, Rural Wisconsin Health Cooperative, Sauk City

When I first heard about a proposal to tax patients at Wisconsin hospitals, I am embarrassed to say I was of two minds. This proposal is formally described as an "assessment" on hospitals but many feel it is more fairly described as a "sick tax." Whatever label you put on it, it is an additional cost to non-profit hospitals that their patients will pay, either in higher prices or fewer services. At the same time, I know there is an urgent need for additional federal dollars that we only can get if we raise additional in-state dollars.

If I had a rich uncle who offered to give me two dollars for every one I could raise at home, I'd look hard to find a way to do it. In the most recent report available, Wisconsin only get back 82 cents on each dollar we send to Washington, DC. Compared to other states, we rank 48th in the amount of federal dollars per person that come back to Wisconsin. If you think this isn't so bad because it is due to our lack of receiving federal spending for a "volatile" defense industry, you'd be wrong; we also rank near the bottom in per capita non-defense funding (42nd). Wisconsin's ranking for the percentage of costs paid to hospitals in its Medicaid program is similarly at the bottom.



"OK, we start taxing non-profit hospitals but we get to keep the apple."

I plan to grow very old in Wisconsin so I need our state to invest in its future, not to take me along in a race to the bottom. As a state we have been slipping in our ranking compared to other states in average income, percent of kids graduating from high school, percent of college graduates staying in Wisconsin, dollars invested in startup companies and many other important indicators of our economic and social competitiveness.

But I also know about Wisconsin's non-profit nursing homes' experience with a similar provider tax; it is not a pretty picture. According to John Sauer, executive director of the state association of non-profit nursing homes, they pay more in tax than they get back in increased reimbursement. "Once you embrace the position of taxing the provider community to leverage additional federal money in matching funds, this becomes the first option for funding future increases and dollars are often siphoned off for other state spending," Sauer said.

The proposed tax on patients is not even close to being equitable. Bottom line, hospitals make lousy tax collectors as a large share of our patients are on government programs and often exempt from our ability to collect the tax, leaving those not exempt to pick up the entire assessment, regardless of their income.

For example, if two-thirds of a hospitals patients are exempt, a one percent "assessment" on the hospital's total revenue becomes a three percent tax on the remaining one-third of its patients who are not exempt. As this is more likely to fall on lower income working families with less comprehensive insurance coverage, this tax is regressive—strongly at odds with Wisconsin's progressive tradition.

I don't envy the Governor and the Legislature's job of addressing a complex array of competing priorities that have to be brought together this summer into a balanced budget. I believe hospitals have shown restraint when they criticize the tax but not the tax collectors or the need for taxes. This comes naturally as most hospital executives are necessarily schizophrenic when it comes to politics, loving the Democrat's preference to support health care and the Republican's preference not to over regulate it.

To do otherwise would make little sense for a sector that is so dependent on public funding that one way or the other must be paid for by taxes. The late and venerable Senator Russell Long of Louisiana said it best, "don't tax you, don't tax me, tax that man behind the tree" and may have also said "don't cut my program, cut that one hiding over there."

There is no easy solution, but one place to start is to focus on the problem not the rhetoric. How do we raise the match needed to increase the amount of federal dollars coming into Wisconsin? How can hospitals in their role as hospitals best contribute to our state's competitiveness? A good place to start is to use a higher cigarette tax as the required match for additional federal funds to help pay for the enormous expense of smoking related illness.

I don't know the whole answer, but it's not forcing non-profit hospitals to tax their patients.