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SATURDAY JUNE 4, 2005
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Republican Delegation Opposes Tax Increase on Acute Care

BATON ROUGE – The Republican Legislative delegation announces its opposition to HB 887 by Rep. Sydney Mae Durand regarding the imposition of a one and one half percent fee on net patient revenues in certain general acute care hospitals.

Our opposition is based on five primary concerns:

First, the State does not need the money. In the face of the largest increase in revenue growth in nearly a decade, the Administration's insatiable appetite for additional revenues is shocking. The administration seems to be fixated on the need for additional revenues while not seriously attempting to deal with the major issues in healthcare.

Second, in our estimation, **passage of this tax will eliminate gubernatorial resolve to tackle long term health care reform.** Pressure is mounting to make significant changes in the Charity Hospital system. Unfortunately, after nearly eighteen months of study, Governor Blanco chose not to attack the problem this session. Passage of this bill will only dim chances for long-term reform, and long-term reform is the only way out of the annual budget quagmire.

Third, the bill has significant flaws. Just a few of the major problems include:

A) There is no guarantee that patients and insurance companies will not bear the cost of this legislation. When pressed in committee by Rep. Jane Smith as to whether assurances could be made that the tax would not be passed on to the consumer, Rep. Durand said "No". The so-called safeguard language in the bill to protect the consumer is superfluous. There is no way to be sure that the Hospitals are not passing this tax on the consumer.

B) The bill (in present form as explained to us last week) allows for a dollar for dollar reimbursement, which to our understanding is not allowable under the Center for Medicare and Medicaid Services (“CMS”) rules.

C) The bill proposes to use 2001 cost reports as its baseline report. 2001 was one of the worst years for the hospital industry because it was the last year of a five-year phaseout of the outpatient cost plus reimbursement system. Cost reports for later years are available and should be used. Cost reports should be rolled forward to take into consideration the changing face of uncompensated care. This would have a significant impact on the outcome of the Louisiana Hospital Association’s (“LHA”) cost/benefit analysis.

D) The bill does not require the Louisiana Healthcare Affordability Trust Fund Board to hold open meetings or maintain records.

E) The attempt within the bill to limit change before 2007 or keep the money in the program exclusively is ludicrous. With 53 votes in the House and 20 votes in the Senate, hospitals could be left paying the tax and not receiving any benefits.

F) For the first time in our memory, a bill provides for the state to waive its protection of injunctive relief. Any hospital will be able to seek an injunction for its disbursements from the fund.

Fourth, **we believe that the State’s Medicaid system will continue to grow rapidly and that the positive first year impact for most hospitals will be eroded away in subsequent years.** We fear that over time, the State will have no choice but to take away a larger and larger percentage of the program from the community hospitals to feed its own system. Clearly, the Charity system will receive short-term benefits from this tax. But, if long-term reform is not undertaken in conjunction with short-term gains, those gains will quickly evaporate given the State’s out of control costs associated with delivering twenty-first century healthcare using a 1930’s system.

Fifth, we have grave concerns regarding the structure of the implementation of the bill. **Republicans do not want to see the State fall into the same federal trap it did when utilizing disproportionate share funding in the mid-1990’s.** Recall that the state was improperly leveraging its funding in a manner that ultimately lead to a billion dollar plus refund to the federal government.

Therefore, we have requested Senator David Vitter and Congressman Bobby Jindal to arrange a conference call between members of the Legislature (particularly members on the health committees), and the Center for Medicare and Medicaid Services (“CMS”) so that we can be advised directly by the federal authority regarding the proposed legislation.

In summary, not one additional uninsured person will receive healthcare under this proposal. The consumer will be left holding the bag when insurance rates rise and the Charity system continues its unprecedented waste of taxpayer money. Therefore, we are opposed to HB887. ###