

THE CALL

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House Finance Committee debates HealthSourceRI

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PROVIDENCE— The state's House of Representatives Committee on Finance on Tuesday heard arguments for allowing HealthSource RI to become a solely federal-operated entity as well as those advocating for the state to ante up funding to keep it operating in the new fiscal year.

The committee, chaired by Rep. Raymond E. Gallison, Jr., heard testimony on a bill, H-5329, filed by Rep. Patricia Morgan and others that would prohibit state funding of the state health benefits exchange set up under the provisions of the federal ObamaCare Act for affordable healthcare and transfer management and operation of the exchange to the federal government before the end of the year.

Rep. Morgan, (R-Dist. 26, Coventry, Warwick and West Warwick) told her peers on the Committee on Finance that Rhode Island is being asked to fund costs related to the operation of HealthSource RI for the first time this year and advised against taking that step.

Morgan suggested that while HealthSource RI's operating costs could have been as much as \$24 million to \$25 million last year under Gov. Gina Raimondo's already stated budget reduction that figure should still be approximately \$15 million, a sum the state could eventually end up paying each year under the federal program's rules.

The state plan is currently serving approximately 25,000 Rhode Islanders who have signed up for the state-managed healthcare plan and that number sets its operating

costs at about \$600 per subscriber, Morgan said.

By contrast, the cost of coverage under the federally-operated system would be about 3 percent per subscriber, Morgan noted, and that translates to a charge of just \$120 per subscriber.

"We really can't afford \$15 million," Morgan said. "We have a large deficit this year and we still have some other priorities that we want to fund," the Representative said of her legislation transferring the state system to federal operation.

The state is looking to add full-day kindergarten in the coming year, Morgan offered. "We want to support our libraries and we want to get rid of the income tax on Social Security," she noted.

"We really can't afford to spend \$15 million on something that is nice to have but not essential," she said.

The overhead costs of the program are not just carried by its subscribers but by all Rhode Islanders in their healthcare costs, Morgan maintained.

The current state system provides its eligible clients, approximately 20,000 Rhode Islanders last year, with federal tax credits helping to make their plans more affordable and that option could change as a result of a court case now before the Supreme Court, according to Morgan.

Under the federal system, the costs of the plan would be lower and that would also be an added argument for the change, she suggested. "It is pretty common sense, it is cheaper and it will help our state just as much," she said.

Representative Antonio Giarrusso (R-Dist. 30, East Greenwich and West Greenwich), another member of the finance committee, said

he feared the state's costs for HealthSource RI will only go up as the federal government shifts more of the burden of such programs to the states that offer them. "It could be that 2 to 3 years down the road this will become really expensive," Giarrusso said.

The Committee on Finance, however, also received several letters of support for the continued operation of HealthSource RI as a state-managed system and arguments opposing Morgan's bill from several speakers attending the hearing in the committee's downstairs meeting room.

"Transfer of HealthSourceRI (HSRI) funding to the federal government would result in loss of state control over policy and operational decisions, would have adverse financial consequences for the state and would not save taxpayer money," Elizabeth Roberts, Raimondo's Secretary of the Executive Office of Health and Human Services, wrote in her communication to the committee.

"Rhode Island would lose the ability to negotiate better health plan choices and better prices," she said. "Rhode Island would also lose the ability to tailor the SHOP program to meet the needs of Rhode Island's small businesses," she added. SHOP has not been a priority at the federal level, Roberts offered, and the federal program does not offer employees the plan choice options available under the Rhode Island system. The Rhode Island choice options allow employees to take their small business employer's plan or add to it for additional cost or reduced its coverage for lower costs. That model has been very popular with the Rhode

Island employers making use of the HealthSourceRI coverage, according to Roberts, a former Rhode Island Lieutenant Governor.

Roberts also warned that states making use of only the federal exchange could lose the tax credits they now enjoy if the Supreme Court's decides against the U.S. Department of Health and Human Services.

"In 2014 alone, Rhode Islanders received an estimated \$67 million in federal premium tax credits," Roberts said in her letter to the panel.

"Transferring HSRI functions to the federal exchange would carry significant costs for state government and for health insurance carriers, all of which would be passed on to taxpayers and insurance rate payers," she said. "The federal government currently charges carriers from states that participate in the federal exchange an assessment, which is embedded in insurance premiums. The federal government has not been recouping the entirety of the operating costs to running the federal exchange through this assessment and anticipates raising it in future years," she said.

Roberts said the state should be able to fund the HSRI for "as much as it would cost the state to use the federal exchange" by fiscal year 2017 or sooner.

She concluded that the state-based exchange "provides significant added benefits to the state."

Peter Karczmar, MD, president of the Rhode Island Medical Society, submitted a letter supporting keeping the HSRI exchange as did Rhode Island Kids Count.

Lauren Niedel-Gresh of Glocester and former Senate Dist. 22 candidate David Fasteson, both Democrats, related their own experiences in obtaining needed affordable coverage under HSRI while stating their opposition to Morgan's bill.

Niedel-Gresh said she has the latest figures on HSRI's participation rate and said of the 29,000 Rhode Islanders said to have signed up this year represents 78 percent of the total residents of the state that are eligible. "That tells us that HealthSourceRI is a great success," she said.

Linda Katz, policy director of the Economic Policy Institute, also voiced support for HSRI saying its Rhode

Island clients could risk losing the tax credits that make their coverage possible if the move to the federal system was made.

Health insurance providers would also have to pay higher cost under that system and "some may not choose to sell on the federal exchange," she said. The change would also affect 454 Rhode Island employers who offer 3,282 employees coverage through the SHOP program not available under the federal system, she noted.

Gallison noted that while it remains to be seen whether Gov. Raimondo will include the required funding to keep HealthSourceRI operating in her budget to be unveiled on Thursday, it is possible the committee could hold further hearings on the state Exchange in the near future.

"We would have to hold hearings to find out the costs of turning it back to federal government," Gallison said.

"And even if the Governor put funding for the exchange in the budget, we would want the Department of Health to come before us and explain the costs," he said.