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Dillon Proposes Health Care Premium Tax and Massive Expansion of State Government Powers

Latest Version of His State-Government Run Health Plan Imposes New Taxes on Local Governments, Creates New Layers of Bureaucracy, Boards and Committees, Gives 240 New Powers and Responsibilities to State Government

LANSING, Mich. — Unable to gain legislative support for previous versions of his mandatory state-government run health insurance plan, House Speaker Andy Dillon today unveiled yet another draft of his bill that would create the largest and most expensive expansion of state government power in recent history and put Michigan taxpayers at risk to the tune of up to \$5 billion a year.

The new draft, the latest version of Dillon's House Bill 5345, would force 1.5 million Michigan working men and women and their employers to buy their health insurance from a new state government-run health insurance plan the bill would create – unless they could overcome a series of complicated thresholds and almost insurmountable hurdles. Medical bills would be paid by a new fund created in the state Treasury and taxpayers would be forced to bail the fund out if it runs short of money, as has been the case in other states that have tried similar schemes.

The new version preserves the worst features of House Bill 5345 and adds several new layers of reporting requirements, boards, fees and other complications. It presumes that health care costs are driven entirely by plan design, ignoring the real drivers of health care costs – age, health status, chronic conditions and catastrophic illness. The bill creates a vast new health care bureaucracy within state government and institutes a new tax on local governments and school districts to pay for it. Contrary to the Speaker's claims, the bill will not save the state any money, and, in fact, it will cost taxpayers up to \$500 million to start and operate each year, according to an analysis of the original bill completed by Public Policy Associates. www.publicpolicy.com/reports/PublicEmpHlthInsReformProposal.pdf

"This bill turns a four-headed monster into an eight-headed serpent. It is freakishly complex and grows state government to the largest and most expensive extent in decades at the same time the state is facing another huge hole in the state budget," said Roger Martin, a spokesman for Citizens for Accountability in Reform, a growing coalition representing taxpayers, police, firefighters, teachers, insurance companies, retirees and others who are concerned that this proposal will cost the state hundreds of millions of dollars and put local governments and taxpayers at huge financial risk. "If you think federal health care reform is complicated, try reading this bill."

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“Taxpayers, local governments and public employees can’t afford this massive expansion of government power and the new health care premium tax,” Martin said, adding, “Governor Granholm proposed a much simpler, voluntary approach in January in a two-page executive order directing the Department of Management and Budget to make it easier for local governments and school districts to purchase health insurance from the state’s menu of plans. That plan is due in a month. Unlike the Speaker’s draft bill, her plan doesn’t expand state government, increase costs on local governments and schools or give the state vast new powers and duties.”

The substitute draft bill for HB 5345 presented today by Dillon:

- gives state government more than 240 new powers, duties and responsibilities, requiring the state to hire hundreds of employees to manage.
- assigns 32 new local, unfunded mandates and reporting requirements on all local governments and school districts and creates a new 2% tax to reimburse the state for its costs.
- forces all public employers (cities, townships, school districts, colleges and universities) and their 1.5 million active and retired employees and their families to buy insurance from the new state plan – unless they can meet several almost-insurmountable thresholds. Because the state’s public universities are autonomous under our constitution, the legislation is likely unconstitutional.
- creates and staffs a new division in state government to create and manage the new health insurance plan. The plan would be run by a 13-member board of political appointees, and calls for an unlimited number of additional committees to oversee the plan.
- allows private businesses to buy health insurance from the state-run plan, putting the state in direct competition with private-sector insurance companies and providers, such as trade associations and chambers of commerce.
- requires the state to issue new administrative contracts for numerous consultants (actuaries, benefit design firms, accountants and others) to help implement and administer the plan.
- creates a fund in the state Treasury to collect premiums and pay medical claims. Covering 1.5 million people would be roughly equivalent to \$4 billion to \$5 billion in premiums. If the fund is short, taxpayers would be tapped for a bailout, as has happened in other states. Last year in North Carolina — one of the few states with a mandatory health insurance plan for public employers — the Legislature turned to taxpayers to bail out the plan’s deficit to the tune of more than \$250 million this year and \$658 million over three years.

“Over the last year the Speaker has failed to produce a single independent health industry expert to provide a shred of evidence or data to back up his claims. The fact is this bill will not save the state one dime,” Martin said. “There are much simpler, less expensive approaches that are voluntary and won’t add to the state budget deficit or require new taxes. This is an immensely complex structure. Where is the House Fiscal Agency analysis quantifying the cost of setting up this grandiose scheme?”

Citizens for Accountability in Reform will continue to educate citizens about the risks to taxpayers of the mandatory state government-run health insurance plan being proposed by the Speaker. For more about HB 5345, visit www.accountabilityinreform.com.

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