

Outcome of health care bills awaited

by **Ken Alltucker** - Jan. 3, 2010 12:00 AM
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When House and Senate leaders meet in coming weeks to hash out differences over health-care reform bills, Arizona employers and consumers will have much at stake.

Both bills would reduce the ranks of the uninsured through a combination of [taxes](#) and fees, health-insurance exchanges and expansion of government insurance programs for low-income and disabled Americans.

The bills also would impose new rules that would forbid private health-insurance companies from denying coverage based on pre-existing conditions and would impose new employer mandates.

But Arizona and other states that are grappling with large budget deficits are blasting the federal reform plans, which they say place an unfair burden on states that must pay part of the tab for an expanded Medicaid [insurance](#).

Gov. Jan Brewer last week attacked the Senate proposal that would expand Medicaid

coverage for thousands of lower-income Arizonans, saying the federal requirement would cost the state nearly \$4 billion over the next decade and cause "irreparable" financial harm. She suggested allowing Arizona voters to decide whether they want to pay for a Medicaid expansion.

Beyond the impact on the state government, reform of health insurers and providers would trigger widespread changes for employers, hospitals, doctors and even the state's biotech companies that make medical devices and drugs for the health-care industry.

State business groups largely agree that the U.S. health system needs reform because of spiraling costs that squeeze employers and workers alike. Yet they worry that the reform measures would impose requirements that could harm job growth and derail the nation's tentative economic recovery.

"Adding new burdens when employers are trying to survive and get back to normal operations is another problem with these bills," said Glen Hamer, chief executive officer of the Arizona Chamber of Commerce and Industry. "Those areas are of great concern to our members."

Here's a look at how the health-reform

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measures would affect different groups:

Hospitals and doctors

One major challenge for Arizona hospitals and doctors would be absorbing the newly insured as they seek care. Arizona now has about 1 million who are uninsured and nearly 1.4 million covered by the state's Medicaid program, the Arizona [Health Care Cost Containment System](#).

If Arizona voters decide to scale back Medicaid funding, that would create a burden for hospitals required to provide emergency care for patients regardless of their ability to pay.

"It wouldn't stop people from accessing our services," said Bill Byron, spokesman for Banner Health, Arizona's largest hospital chain. "Those services still need to be reimbursed."

Hospitals will largely avoid immediate payment cuts except in one major area. The Senate bill calls for slashing 75 percent from a [Medicare](#) fund that reimburses hospitals that provide care to the poor and uninsured.

The health-reform bills also exclude what doctors say is a flawed Medicare funding formula. Doctors are poised to have

Medicare payments cut by about 21 percent this year. Those pay cuts have been delayed so far, and lawmakers have pledged to fix the funding cuts through separate legislation.

Nevertheless, some doctors groups say Medicare's payment rules have discouraged doctors from pursuing careers in primary care. The problem is especially acute in rural Arizona, where many communities face a physician shortage.

Health reform may extend coverage to more Americans, but some say it doesn't do enough to grow the ranks of doctors and other providers to serve those newly insured

"This is real stuff to us," said Chic Older, vice president of the Arizona Medical Association, a doctors group. "The availability of not only primary-care physicians and specialists is going to be critical."

Employers and individuals

Most larger businesses would be required to "pay or play" under both bills, with penalties for employers that do not offer insurance to their workers.

The Senate bill exempts companies with 50

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or fewer employees, while the House version exempts companies with a payroll of less than \$500,000.

Otherwise, businesses must offer [health insurance](#) and pay fees for imposing waiting periods before workers are eligible for health benefits. Companies also would be required to automatically enroll employees in health plans, giving workers the option to opt out of coverage.

Most larger Arizona employers already offer their workers health insurance. In 2008, nearly 97 percent of companies with more than 50 workers offered health insurance to their workers, according to Kaiser Family Foundation.

Still, business groups say the new requirements would be onerous for all Arizona businesses.

Hamer said the bills "add new burdens to employers" while not doing enough to trim health costs and ensure quality care.

"That is one of the reasons why virtually every major national business group stands in opposition to these health-care bills," Hamer said.

Individuals also would be required to

purchase health insurance or pay fines. There are several exemptions, including low-income earners and those who refuse coverage on religious grounds. The working poor who earn between 100 and 400 percent of the federal poverty level could get [tax credits](#) to help purchase health insurance through an exchange.


Biotechnology

Among those closely watching the health-care bills is a medical-device company, Kinetic Muscles Inc. The Tempe-based company is starting to ramp up its sales of medical devices that help stroke patients regain control of hand and foot movement. Kinetic Muscles has signed a deal with a partner, Mobility Research, to expand sales of its two approved medical devices.

Yet the growing company could face new taxes under the health-reform package.

The Senate's bill would assess a \$2 billion annual fee on medical-device makers, beginning this year. The House bill would impose a 2.5 percent tax on the sale of medical devices, starting in 2013. The medical-device industry continues to lobby for changes as House and Senate leaders seek to reconcile versions of the reform bills.

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"It's certainly something we've been keeping track of," said Grant Farrell, chief executive officer of Kinetic Muscles. "You have to be aware of what is coming down the road. Those are the sorts of things that investors will be curious about."

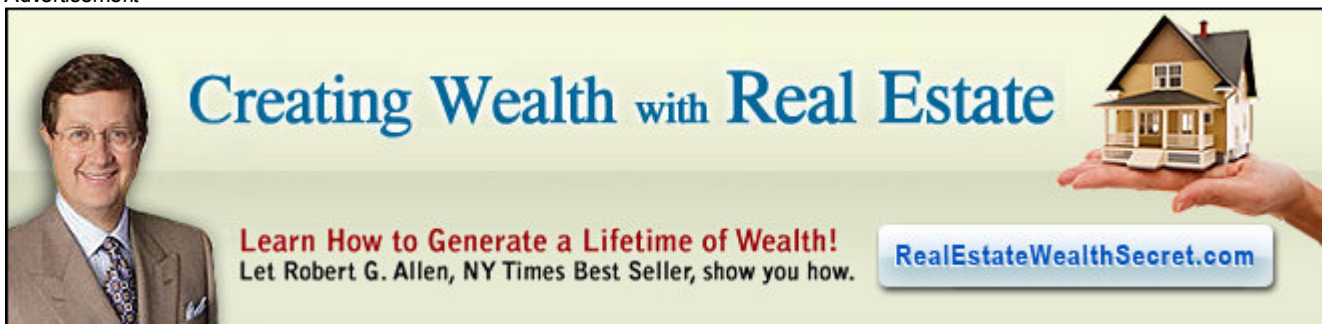
Arizona is home to large medical-device makers such as W.L. Gore & Associates and Medtronic, as well as dozens of smaller companies that would be affected by the bills.

Other sectors of Arizona's biotech sector could face a significant challenge also. The Arizona Bioindustry Association, for example, cites Senate bill provisions that would weaken patent protection for biotech companies that develop drugs.

"In order to continue to spur the research and development, investors have to ensure they have patent protection," President Robert Green said.

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