

March 19, 2019



TO: RI House Finance Committee
FROM: RI Center for Freedom & Prosperity, Mike Stenhouse
SUBJECT: Written Testimony re. “Corporate Medicaid Tax” in the Governor’s FY2020 Budget

Chairman Abney and Committee Members: As CEO for the *RI Center for Freedom & Prosperity*, a non-partisan research and advocacy organization, and with a degree in Economics from Harvard University, I would like to provide testimony on the Corporate Medicaid Tax, proposed in the Governor’s YF2010 budget, which is before your committee today. As a 501-C-3 organization, our Center is not advising you specifically to support, or not, this legislation. However, we are allowed to discuss our research and perspectives with regard to pros and/or cons of the underlying issue.

Employers Should Not be Blamed for Rising Medicaid Costs: As our Center correctly warned in 2012 - when the Rhode Island General Assembly went against the Governor and decided to expand Medicaid under the provisions of the federal Affordable Care Act (ACA) - despite the high federal match, that Medicaid costs for Rhode Island would skyrocket, at least an additional \$50 million per year. Now seven years later, the attempt to try to pin part of the blame and burden on businesses who hire low-income workers for this legislative decision, is unconscionable.

Businesses should be applauded for hiring those most in need of work ... not punished and taxed ... and certainly not made out to be the bad guy. It is misguided to think that if employees are not covered by their employer’s insurance plan, full or part time, and instead are enrolled in Medicaid, then the business should be punished.

Under this proposed new tax in Rhode Island, employers would receive a bill from the government, up to \$1500 for each employee who chose to opt-in to the *government’s own choice* to expand enrollment in Medicaid. In many cases, insurance choices by employees are out of the employer’s control.

Would Worsen Our Already Hostile Business Climate: In a state struggling to attract business and families; a state tragically destined to lose a prized US Congressional seat because of its relative loss of population; and a state already with a bottom-5 ranked business climate ... this new business tax would make matters worse.

Similar Massachusetts Law Has Harmed Many Businesses: And if Massachusetts is our guide ... much worse. When the Bay State imposed its own “*MassHealth Tax*” a few years ago, as a blatant money grab, is now very clear that this corporate Medicaid tax has proven to be an “absolute disaster” for Massachusetts, harming small and large businesses alike, according to the National Federation of Independent Businesses (NFIB). Several MA lawmakers have filed bills to immediately repeal the MassHealth Tax even before the December 31, 2019 sunset date, because its negative impacts have been so severe for some.

The negative impact has been so burdensome for some Massachusetts’ businesses, that lawmakers had to scramble to implement a “*hardship waiver*” to save them from closing their doors or moving out of state. For certain high-turnover industries, with a high-proportion of part-time workers, the MassHealth Tax has been devastating. Temp agencies and large company-owned restaurant and grocery chains (like Starbucks, Chipotle, Cracker Barrel, Dave’s, and Stop & Shop) would be especially hard hit.

Unwanted and Unintended Consequences Are Likely: Such oppressive legislation may actually end up working against some of those it is intended to help. As with the pending pay equity legislation, I have personally been told my many employers that they may simply avoid the potential costs and legal risks by hiring fewer women, minorities, or low-income workers. PROOF? NFIB reports that seasonal job-providers in MA were less likely to hire workers during the summer months and holiday season in fear of triggering the new tax.

Even though the current provision would apply to larger businesses only ... how long would it be before this destructive tax will be applied to smaller and smaller employers?

In summary, this Medicaid tax has been a nightmare for employers in Massachusetts. Rhode Island must not follow this same path.

Thank you. If I can answer any questions, please contact me at mstenhouse@RIFreedom.org or 401.429.6115.