

# Baker budget includes \$300m from new fee on businesses



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**Governor Charlie Baker addressed a joint session of the Legislature during his State of the State address.**

**By Priyanka Dayal McCluskey, Joshua Miller and Laura Krantz | GLOBE**

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Governor Charlie Baker, who won election with a no-new-taxes pledge, proposed a \$40.5 billion state budget Wednesday that relies on hundreds of millions of dollars in revenue from what the business community calls a new tax.

Baker, the former chief of a major health insurer, devoted much of his fiscal muscle to changes in health care.

Looking to check ballooning medical costs, Baker is proposing a steep new levy on businesses with more than 10 employees; he expects it to raise \$300 million a year.

The annual fee of \$2,000 per employee, based on a complex formula, would apply to companies whose health coverage offerings don't meet a set of state requirements.

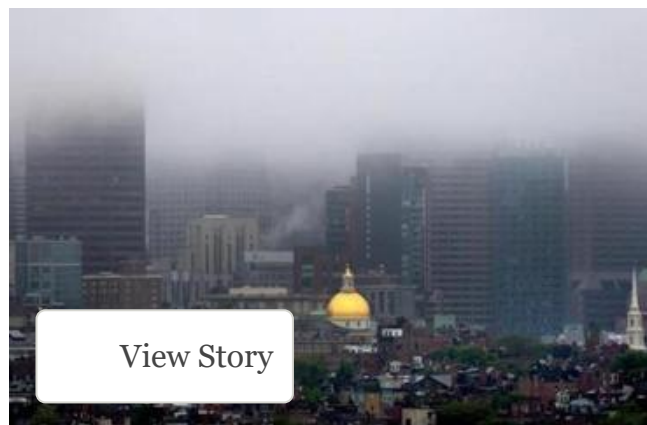
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Officials say the assessment would help address a troubling trend that is driving up the state's costs: the shift of hundreds of thousands of residents from employer-sponsored health coverage to taxpayer-funded MassHealth, the state Medicaid program.



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Baker framed the proposed penalty on businesses as a matter of fairness.

“If you’re not going to cover your employees, and they are going to end up on MassHealth, then you need to be making a contribution to the cost of their health care,” he told reporters.

Baker’s proposal is almost seven times higher than the \$295-a-year fee businesses faced under the state’s 2006 landmark health care law signed by Governor Mitt Romney; that fee was repealed in 2013.

Business groups called the idea an expensive tax that would unfairly punish employers.

“Employers are really being asked to carry the baggage and solve a problem that they didn’t create,” said Christopher P. Geehern, spokesman for Associated Industries of Massachusetts, a business group.

The penalty would apply to employers whose health insurance is used by less than 80 percent of their workers. James E. Rooney, president of the Greater Boston Chamber of Commerce, said that threshold could hurt businesses that offer good benefits, simply because their employees choose to get coverage through a spouse’s health plan — not because they’re on MassHealth.

“That’s our struggle with this: The penalty that will result on good employers, in some cases, large employers,” Rooney said.

And while Baker sought to offset the penalty with hospital price caps and other measures to rein in health care costs for small businesses, Bill Vernon, state director for the National Federation of Independent Business, said: “The tax is

immediate; the cost savings are out in the future. Most small-business owners are pretty cynical about the state doing something about the cost of health insurance.”

Baker seemed to acknowledge that his proposal would be unpopular with the business community. “This may or may not be the right decision,” he said. “I’m open to debating it and discussing it.”

MassHealth insures 1.9 million low-income people and is expected to shoot past the 2 million mark next fiscal year — accounting for almost a third of the state’s population. The MassHealth budget is projected to grow 6.6 percent, accounting for 40 percent of the state’s total spending.

Baker is also calling for sharp limits on hospital prices — a position that worries the hospital industry. The governor’s plan would allow no annual rate increase for the state’s most expensive health care providers. Mid-priced providers would be limited to 1 percent increases, and the lowest-priced providers would not be capped. Primary care and behavioral health providers would be exempt from the caps.

“As the state considers how to move forward, it should do so collaboratively with hospitals and with the utmost caution so that it does not imperil the ability of hospitals to serve their communities and to maintain their role as safety nets for all,” Lynn Nicholas, president of the Massachusetts Health & Hospital Association, said in a statement.

Baker’s budget also proposes a tax on people who use services like Airbnb — or get any short-term rental — from landlords who have a high-volume rental business.

Such landlords would have to collect the state’s 5.7 percent room occupancy tax, which hotel guests have long had to pay. Baker, who insists it’s not a new tax but an expansion of an old one for the sake of fairness, expects the proposal would bring in \$12 million in the new fiscal year.

Baker has already signed other new fees into law, including a 20-cents per-ride fee

The budget plan, for the fiscal year that begins in July, represents a \$1.7 billion, or 4.3 percent, increase over this fiscal year's projected spending, the administration said.

Officials also claimed a victory in nearly eliminating a frequent Beacon Hill gimmick: paying for recurring costs — like schools and transportation — with revenue that doesn't come back year after year, such as from the sale of buildings or cash meant for the state's rainy day fund.

Among other key points of Baker's budget proposal:

- \$10.3 million more for the higher education system, including \$5 million for the University of Massachusetts, a 1 percent increase for the state's five-campus flagship system. The remainder would be split between the 24 state universities and community colleges.
- About the same amount of money to address the opioid addiction crisis.
- Cuts in money for private lawyers to represent poor people in court.
- A less than 1 percent increase for the long-troubled Department and Children and Families.
- \$4 million for expected expenses to regulate the new recreational marijuana market.

Reaction to the budget proposal was mixed.

Al Norman, executive director of Mass Home Care, an association of nonprofits that help elderly people stay in their homes, said the Republican has "produced a decent budget for elderly home care."

Secretary of State William F. Galvin groused that Baker's budget lowballed funding and would hurt his ability to prepare for the 2018 election.

The governor's budget also proposes changes in eligibility requirements for a program that helps poor families with children. The change would mean fewer families qualify. Baker proposed a similar change last year. The Legislature rejected it.

Deborah Harris, senior staff attorney at the Massachusetts Law Reform Institute, said the effort would put poor families out on the streets.

Yet Baker, who trumpeted his progress tackling homelessness in a televised speech Tuesday, is also proposing \$11 million more for a housing voucher program for poor people.

Baker wants the state to spend almost \$100 million in the new fiscal year on the Massachusetts Rental Voucher Program, which offers rental subsidies to families and individuals who meet certain income criteria, based on where they live.

Baker also wants to raise how much money people already using the voucher program can make before they get kicked off. That's because, administration officials say, finding better-paying jobs should not result in punishment.

Kelly Turley, who leads legislative advocacy for the Massachusetts Coalition for the Homeless, said letting people make more money before losing the housing voucher "would be a positive step to promote housing stability for those households able to increase their income yet still in need of assistance in the face of steep market rate rents."

The budget debate now moves to the Legislature.

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