

## March 2010 Legislative Update from Sen. Matthew Houde, District 5

Below please find the latest update from Concord. As always, please do not hesitate to contact me to discuss these or any other issues of interest.

- The fate of the LLC tax

Every day the “LLC tax” (technically, the extension of the interest and dividends tax to LLC distributions) looks less and less likely to remain in effect. Several bills have been heard (in both the Senate and the House), which would either repeal or essentially eliminate the tax. Additionally, the Governor has indicated that he will support repeal – provided it is done as part of a wider review of state business taxes and solutions to the state’s revenue problems. (It was estimated that the LLC tax would generate \$15 million/year.)

- Health care legislation

Two bills concerning health care coverage will be voted on in the Senate soon: SB 390, which concerns “cafeteria plans”, and SB 505 – relative to health care cost containment. We have seen the challenge the federal government is having addressing health care reform; as such, the state shouldn’t sit on the sidelines or wait for progress on that front.

SB 390, a bill I sponsored with the support of the Dartmouth Institute for Health Policy and Clinical Practice, would provide employees of businesses that do not currently offer health care coverage the opportunity to obtain it. Briefly, SB 390 would require\* employers to set up a cafeteria plan, which enables employees to pick and choose from coverage options. See [http://en.wikipedia.org/wiki/Cafeteria\\_plan](http://en.wikipedia.org/wiki/Cafeteria_plan) for more information about cafeteria plans in general. With cafeteria plans, employees pay for the coverage (with pre-tax dollars) through payroll deductions – at a significantly reduced rate from the individual insurance market. The cost to the employer of setting up a plan is small; it ranges from \$0 (if the employer sets it up him/herself) to \$250 (if the employer hires an outside HR consultant to do so). Those costs - and more - would be recouped since the employer would be contributing less to federal employment taxes.

\*The debate surrounding the bill is whether employers who do not currently provide coverage should be *required* to set up such plans or *enabled* to set up such plans. I’ll keep you posted...and please let me know if you have particular thoughts on that topic.

As introduced, SB 505 would have established a commission to set rates that hospitals could charge for services. (The commission would set rates for hospital services much like the Public Utilities Commission sets the rates various utilities can charge.) This bill has generated a fair amount of interest - perhaps you heard NHPR’s program the “Exchange” cover it recently. By way of background: today, a procedure in one hospital may cost a significantly different amount than the same procedure at another hospital. And that single procedure within the same hospital may cost a different amount for different patients (privately insured, those insured through a state or federal program, and

the uninsured). There are several reasons this can happen, including the patient mix a hospital serves (a larger Medicaid population results in less reimbursement for the hospital); the amount of uncompensated care the hospital provides; and the location and nature of the hospital.

The cost of health care is not determined by hospitals alone, of course. Insurance companies play a role, as do pharmaceutical companies and the government. Some were concerned that this bill only addressed one component – i.e., hospital rates. In light of that concern, an amendment has been offered that would remove the ability of the commission to actually set rates; instead, the commission would only be able to recommend them. Whatever happens, I believe it is good to start the conversation and to move forward to address this pressing issue.

- School building aid

State grants to communities renovating or building new schools have grown by 150 percent in the last decade, from \$18.5 million in 1999 to \$46.2 million in the latest budget. (In total, the State is obligated to pay just over \$600 million for previously approved projects with an additional cost of \$200 million for debt service.) A committee that had been examining this issue found the current situation unsustainable. The committee recommended that the Legislature temporarily suspend building aid for new projects approved after June 30, 2010 so that (1) sustainable alternatives could be discussed, and (2) pending projects could still get local approval before any suspension went into effect. Again, the committee did not propose changing current grant allocations - recognizing that communities were counting on the state's contributions when building projects were approved. I know that school districts in Senate District 5, including Lebanon, have been seeking to get voter approval for projects with a sense of urgency in light of the proposed moratorium.

- Budget

As I've said before, the challenging economic climate we are in creates an increased need for services (more people receiving Medicaid and unemployment benefits). Meanwhile, the state has generated less revenue than projected to address these needs. As a result, the Legislature (and Governor) continues to look for ways to close the gap. As was the case last year, the Legislature has heard bills proposing gambling as a solution. It remains a controversial issue, and the majority of people I have heard from in Senate District 5 do not support it. That being said, cuts alone cannot close the gap without severely hurting those in need of services; it is likely that we will need to find additional revenue as well. I welcome your thoughts and suggestions regarding this ongoing issue...

Regards,  
Matthew Houde  
NH Senate – District 5  
[matthew.houde@leg.state.nh.us](mailto:matthew.houde@leg.state.nh.us)