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Tax to Pay for Health Plan in Illinois Faces Resistance

By **SUSAN SAULNY**

CHICAGO, May 4 — Gov. Rod R. Blagojevich, a second-term Democrat, decided months ago to push a new health care initiative that would be among the most comprehensive in the country. It would offer not only insurance to everyone in Illinois, but also wellness training, special attention to chronic disease and streamlined administration.

Unlike efforts in other states, the plan would not simply shift or borrow money from existing programs but would be financed largely by a new tax on gross business receipts.

“Every so often, the stars align,” Mr. Blagojevich said Tuesday, explaining his timing by alluding to the domination of elected Democrats in positions of power in Illinois government. “You either seize the moment or squander it.”

In this case, timing may not be everything. Although Democrats control the General Assembly, legislators have had a lukewarm response to the health plan, and several leaders who usually find themselves allied with the governor have expressed outright opposition to the new tax. Among them are Mr. Blagojevich’s former running mate, Lt. Gov. Pat Quinn, and the Rev. Jesse Jackson, the civil rights leader.

The proposed tax would apply to the gross receipts of businesses that make more than \$2 million a year, and would range from 0.08 percent for businesses like retailers or wholesalers to 1.95 percent for service businesses. (Retail sales of food and medicine are exempt.)

In addition to his health care plan, Mr. Blagojevich would like to use part of the revenue from the tax to finance improvements in education. He estimates that the tax would generate more than \$7 billion a year in net revenue. As the tax code is written now, he argues, big businesses are not carrying their share of the tax burden in Illinois.

The proposal has created outrage in the business community, and its unpopularity is threatening to doom the entire health care initiative.

“I’ve told the governor it’s time for ‘Plan B’ because a strategic retreat from the G.R.T. is better than overwhelming defeat,” said Mr. Quinn, using a common acronym for the tax. “It’s the wrong remedy

for a serious issue. I think we can do much better than that.”

Mr. Jackson has taken to the radio waves, denouncing the tax plan as wrongheaded.

“It would come through the small-business community like a tsunami,” he said in an interview. “For a substantial number of small businesses and many of our established businesses, the tax would be higher than the profit. That is the real problem with it.”

“We all want health care,” Mr. Jackson continued. “But business closure is not good health.”

Some corporations have threatened to move out of the state should the tax become real. The Illinois Chamber of Commerce has begun a campaign against both the health care plan and the tax, and the state treasurer, Alexander Giannoulis, an early critic of the receipts tax, said his office had been receiving many complaints.

National health care advocates are not surprised by the backlash. From California to Pennsylvania, states, in the absence of federal action, have taken on health care issues, searching for ways to expand insurance coverage for the nation’s nearly 46 million uninsured. While many proposals are being talked about, only three states have been able to reach the kind of consensus necessary to enact sweeping change: Maine, Massachusetts and Vermont.

If it became law, the Illinois proposal, officially called Illinois Covered, would be among the most ambitious, health care experts said. It addresses not only the state’s 1.4 million uninsured, but also middle- and working-class families who may be underinsured, regardless of health status.

Illinois Covered creates a statewide pool of low-rate insurance plans that anyone can buy. It also offers rebates for middle-income families to help them pay premiums for the state’s program or private coverage, and extends access to coverage for those of very low income through a mechanism similar to Medicaid. It would also allow parents to keep adult children on their family policies until age 29, among other benefits.

“You could say it’s ‘courageous’ or you could say it’s ‘not politically feasible,’ but many who look at state reforms say the key is, ‘is the financing adequate?’ ” said Diane Rowland, executive vice president at the Kaiser Commission on Medicaid and the Uninsured, a national health research group. “It’s not just how you propose to cover people, but are the dollars there to make the coverage real? This proposal seems to be addressing both sides of the equation, talking about coverage while being honest about financing.”

The savings generated by revamping the system would be significant, one independent study has found. Kenneth E. Thorpe, chairman of the Department of Health Policy and Management at the Rollins School of Public Health at Emory University, concluded that from 2008 to 2011, each dollar

spent on Illinois Covered would generate more than \$2 in savings. Mr. Thorpe estimated total savings to be \$15.6 billion. The plan would cost about \$7 billion.

Alan Weil, the executive president of the National Academy for State Health Policy, called the plan ambitious in its reach. "If this happens, I'd put it in the same category as Massachusetts as far as a comprehensive plan designed to reach everyone," Mr. Weil said. "That would put it very much in the lead."

He added, "The big step is getting something enacted."

Mr. Blagojevich has won unlikely battles in the past. In 2005, he defeated a chorus of critics and signed into law a measure that was, at the time, the broadest plan to insure children by any state. This year, the Kaiser Family Foundation credited Mr. Blagojevich with starting a national movement to provide health care to all children.

At a news conference here on Tuesday, [AARP](#), a lobby for older Americans, supported the Blagojevich plan.

"We're proud to be able to stand by your side," said Bob Gallo, the state director for AARP. "Quite frankly, it's a plan that's long overdue."

The governor responded: "We need you in this fight for us. We're up against powerful forces who don't like what we're trying to achieve."

With only about a month until the end of the regular legislative session, Mr. Blagojevich has much convincing to do in Springfield, the capital, but he has made it clear that he will not budge on any aspect of the health care plan. He did say, however, that he would listen to "good ideas" about the proposed tax.

"If I had a magic wand, I'd wave it and create money for health care policy, but I don't," he said.

Later he added, "The fairness of what I'm proposing is why I'm all for it."

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