

## **An Act establishing Medicare for all in Massachusetts**

### **Section 19. Funding Sources**

(a) The Trust shall be the repository for all health care funds and related administrative funds. A fairly apportioned, dedicated health care tax on employers, workers, and residents will replace spending on insurance premiums and out-of-pocket spending for services covered by the Trust. The Trust shall enable the state to pass lower health care costs on to residents and employers through savings from administrative simplification, negotiating prices, discounts on pharmaceuticals and medical supplies, and through early detection and intervention by universally available primary and preventive care. Additionally, collateral sources of revenue – such as from the federal government, non-residents receiving care in the state, or from personal liability – shall be recovered by the Trust. The Trust shall be funded by dedicated revenue streams and its budget shall not affect other public health programs run by the state. Lastly, the Trust shall enact provisions ensuring a smooth transition to a universal health care system for employers and residents.

(b) The following dedicated health care taxes will replace spending on insurance premiums and out-of-pocket spending for services covered by the Trust. Prior to each state fiscal year of operation, the Trust will prepare for the Legislature a projected budget for the coming fiscal year, with recommendations for rising or declining revenue needs.

(1) An **employer payroll tax of 7.5 percent** will be assessed on employee W-2 wages, exempting the first \$20,000 of payroll per establishment, replacing previous spending by employers on health premiums. An **additional employer payroll tax of 0.5 per cent** will be assessed on establishments with 100 or more employees;

(2) An **employee payroll tax of 2.5 percent** will be assessed, exempting the first \$20,000 of income, replacing previous spending by employees on health premiums and out-of-pocket expenses; all W-2 wages will be combined for each taxpayer and one \$20,000 exemption will be allowed;

(3) A **10 percent payroll tax on the self-employed**, including general partnership income and other income subject to self-employment tax for Federal purposes, will be assessed, exempting the first \$20,000 of payroll per self-employed taxpayer; income from all sources subject to tax in this section shall be combined and allowed one \$20,000 exemption per taxpayer; and

(4) For the purposes of sections (2) and (3) above, each taxpayer will combine all income reported on from IRS Form W-2s and self-employment income and be allowed one \$20,000 exemption. The exemption will apply first to W-2 income and then to self-employment income.

(5) A **10 percent tax on taxable unearned income** and all other income not specifically excluded will be assessed on such income above \$20,000. Exclusions not taxed: Social Security, Supplemental Security Income (SSI), Social Security Disability Income (SSDI), unemployment benefits, workers compensation benefits, sick pay, paid family and medical leave, capital gains resulting from the sale of owner-occupied two- or three-family rental property, and defined contribution and defined benefit pension payments. Capital gains from the portion attributed to a primary residence in excess of the exclusion allowed by Massachusetts law will be subject to the tax. The \$20,000 exemption for this section shall be applied to each individual taxpayer.

(c) An employer, private or public, may agree to pay all or part of an employee's payroll tax obligation. Such payment shall not be considered income to the employee for Massachusetts income tax purposes.

(d) Default, underpayment, or late payment of any tax or other obligation imposed by the Trust shall result in the remedies and penalties provided by law, except as provided in this section.

(e) Eligibility for benefits shall not be impaired by any default, underpayment, or late payment of any tax or other obligation imposed by the Trust.

(f) It is the intent of this act to establish a single public payer for all health care in the Commonwealth. Towards this end, public spending on health insurance shall be consolidated into the Trust to the greatest extent possible. Until such time as the role of all other payers for health care has been terminated, health care costs shall be collected from collateral sources whenever medical services provided to an individual are, or may be, covered services under a policy of insurance, health care service plan, or other collateral source available to that individual, or for which the individual has a right of action for compensation to the extent permitted by law.

(g) The Legislature shall be empowered to transfer funds from the General Fund sufficient to meet the Trust's projected expenses beyond projected income from dedicated tax revenues. This lump transfer shall replace current General Fund spending on health benefits for state employees, services for patients at public in-patient facilities, and all means- or needs-tested health benefit programs.

(h) The Trust shall receive all monies paid to the Commonwealth by the federal government for health care services covered by the Trust. The Trust shall seek to maximize all sources of federal financial support for health care services in Massachusetts. Accordingly, the Executive Director shall seek all necessary waivers, exemptions, agreements, or legislation, if needed, so that all current federal payments for health care shall, consistent with the federal law, be paid directly to the Trust Fund. In obtaining the waivers, exemptions, agreements, or legislation, the Executive Director shall seek from the federal government a contribution for health care services in Massachusetts that shall not decrease in relation to the contribution to other states as a result of the waivers, exemptions, agreements, or legislation.

(i) As used in this section, "collateral source" includes all of the following:

(1) insurance policies written by insurers, including the medical components of automobile, homeowners, workers' compensation, and other forms of insurance;

(2) health care service plans and pension plans;

(3) employee benefit contracts;

(4) government benefit programs;

(5) a judgment for damages for personal injury;

(6) any third party who is or may be liable to an individual for health care services or costs;

(j) As used in this section, "collateral sources" does not include either of the following:

(1) a contract or plan that is subject to federal preemption; and

(2) any governmental unit, agency, or service, to the extent that subrogation is prohibited by law.

(k) An entity described as a collateral source is not excluded from the obligations imposed by this section by virtue of a contract or relationship with a governmental unit, agency, or service.

(l) Whenever an individual receives health care services under the system Trust and the individual is entitled to coverage, reimbursement, indemnity, or other compensation from a collateral source, the individual shall notify the health care practitioner or facility and provide information identifying the collateral source other than federal sources, the nature and extent of coverage or entitlement, and other relevant information. The health care practitioner or facility shall forward this information to the Executive Director. The individual entitled to coverage, reimbursement, indemnity, or other compensation from a collateral source shall provide additional information as requested by the Executive Director.

(m) The Trust shall seek reimbursement from the collateral source for services provided to the individual, and may institute appropriate action, including suit, to recover the costs to the Trust. Upon demand, the collateral source shall pay to the Trust Fund the sums it would have paid or expended on behalf of the individuals for the health care services provided by the Trust.

(n) If a collateral source is exempt from subrogation or the obligation to reimburse the Trust as provided in this section, the Executive Director may require that an individual who is entitled to medical services from the collateral source first seek those services from that source before seeking those services from the Trust.

(o) To the extent permitted by federal law, contractual retiree health benefits provided by employers shall be subject to the same subrogation as other contracts, allowing the Trust to recover the cost of services provided to individuals covered by the retiree benefits, unless and until arrangements are made to transfer the revenues of the benefits directly to the Trust.

(p) The Trust shall retain:

(1) all charitable donations, gifts, grants, or bequests made to it from whatever source consistent with state and federal law;

(2) payments from third party payers for covered services rendered by eligible practitioners to non-eligible patients but paid for by the Trust; and

(3) income from the investment of Trust assets, consistent with state and federal law.

(q) Any employer who has a contract with an insurer, health services corporation, or health maintenance organization to provide health care services or benefits for its employees, which is in effect on the effective date of this section, shall be entitled to an income tax credit against premiums otherwise due in an amount equal to the Trust Fund tax due pursuant to this section.

(r) Any insurer, self-insured employers, union health and welfare fund, health services corporation, or health maintenance organization which provides health care services or benefits under a contract with an employer or group of employers, which is in effect on the effective date of this act, shall pay to the Trust Fund an amount equal to the Health Care Trust employer payroll tax based on the number of employees of each employer.

(s) Six months prior to the establishment of the Health Care Trust, all laws and regulations requiring health insurance carriers to maintain cash reserves for purposes of commercial stability (such as under Chapter 176G, Section 25 of the General Laws) shall be repealed. In their place, the Executive Director of the Trust shall assess an annual health care stabilization fee upon the same carriers, amounting to the same sum previously required to be held in reserves, which shall be credited to the Health Care Trust Fund.