



TO: Senate Assessment and Taxation Committee

FROM: Chad Austin
Senior Vice President, Government Relations

DATE: March 24, 2015

RE: Senate Bill 233

The Kansas Hospital Association appreciates the opportunity to comment regarding the provisions of Senate Bill 233, which would enact a \$1.50 per pack increase in the tobacco tax. KHA and its members support this legislation with the caveat that the additional funds would be used solely for health and healthcare related programs.

The increase in the tobacco tax makes for good fiscal policy, especially this year, when state finances are particularly tight. Each year, more than \$900 million is spent on health care related expenditures to treat tobacco-related diseases. This does not include the lost revenue from tobacco users who are unable to work due to tobacco-related illnesses, nor does it include related costs to employers for such expenses as decreased productivity from absenteeism due to illness and increased health insurance costs for workers. The added revenue from the tobacco tax could go a long way in supporting health care activities in the state. Further, if the funds are used in the KanCare program, it would allow the state to obtain a federal matching share, more than doubling the impact of those dollars in Kansas.

Kansas hospitals recognize the seriousness of the state's current financial situation and the need to make adjustments to the budget. However, we also believe that the health care delivery system in Kansas is facing greater uncertainty. Therefore, KHA would suggest that any additional revenue from an increase in the tobacco tax should be put towards KanCare expansion. Under KanCare 2.0, a Kansas-specific solution would be developed using the existing KanCare program. The goal of KanCare 2.0 would be to protect Kansas and invest in our state, our citizens and our communities. This Kansas solution would involve a budget-neutral managed care program that provides access to health care coverage while employing personal responsibility through cost sharing and rewarding healthy outcomes and responsible health choices

Finally, but perhaps most importantly, the tax increase is a good health policy. The costs to Kansas of tobacco products are very real, in human as well as financial terms. Studies have suggested that every ten percent increase in tobacco tax results in a reduction of youth smoking by 7 percent and overall consumption by 4 percent. The correlation between reduced tobacco consumption and better health is clear.

The Kansas Hospital Association urges your support for Senate Bill 233. Thank you for your consideration of our comments.