



## **Top Ten Most Frequently-Asked Questions About the Need for a Tobacco Tax Increase**

1. What does the budget forecast for Florida look like this year and beyond?
  - With huge shortfalls in revenue being predicted, Florida is in the midst of a severe budget crisis. Drastic cuts in services and elimination of programs will strike healthcare particularly hard. Services to the Medicaid Medically Needy and those on the Medicaid Aged/Disability programs will be among the most dramatically affected with a projected 2010 reduction of over \$782 million.

2. What programs are at risk for elimination?

Over the next two years, budget reduction proposals may consider the elimination of:

- Family Planning Waiver Services;
- Eligibility for Pregnant Women;
- Medicaid Medically Needy Services to Women and Children;
- Medicaid Medically Needy Services to Adults; and
- Medicaid Aged/Disabled.

3. How are tobacco taxes used to fund the Medicaid program?

- In the mid-1980s, Florida began to tax hospitals on their net revenue and imposed a cigarette tax increase to contribute toward the Public Medical Assistance Trust Fund (Medicaid). Currently, about 25 percent of the state's tobacco taxes go into the Medicaid fund's match.

4. How much will the tobacco tax increase raise?

- A \$1.00 per pack increase in the cigarette tax will generate approximately \$1.1 billion dollars in revenue for the state.

5. How does Florida's tobacco tax compare to other states and when was the last time it was raised?

- Florida's tobacco tax is the fifth lowest in the nation at \$0.339 per pack. By comparison, 12 states charge over \$2.00 per pack with the average state tobacco

tax at \$1.19. While other states have increased their tobacco taxes multiple times to reflect healthcare cost increases, Florida has not increased its tobacco tax since 1990 – *19 years*.

6. How much of an impact does smoking have on the cost of healthcare?
  - The cost of smoking costs Florida \$6.2 billion. Each household in the state assumes a \$586 cost to pay for healthcare directly related to smoking.
  
7. Will an increase in the tobacco tax discourage young people from smoking?
  - Studies have shown again and again that an increase in price is the only factor that will reduce teen smoking. A ten percent increase in price per pack will reduce youth smoking by seven percent.
  
8. How will hospitals and communities be impacted if the Legislature cuts the Medicaid program drastically instead of increasing the tobacco tax?
  - Hospitals absorb the costs of uninsured patients. Medicaid reimburses them at rates less than the cost of providing the care and for many hospitals they are reimbursed at half their costs for providing care to Medicaid recipients.
  - Hospitals will continue to provide care for Medicaid patients that are no longer covered and now uninsured. However, this will place immense pressure on the hospital to shift the costs to others with health insurance or will be left to cut services to the community.
  - It has been estimated that the average “cost shift” to private insurance for the uninsured exceeds \$3,000 per policy annually in Florida.
  - Many of the previously covered Medicaid patients will now be treated via the emergency department, which is the most expensive setting. Most of these patients could be seen in physician offices at a fraction of the cost. Additionally, hospitals may be the only location where they will be able to receive life-saving medications and anti-rejection drugs for organ transplant patients.
  
9. How will a cut in Medicaid impact my business or me?
  - At present, smoking in Florida accounts for a \$6.47 billion loss in productivity. We all lose when so many citizens are ill. But the costs to provide direct care for needy children, pregnant women, newborn infants, ailing seniors, and hospice patients don’t go away.

- When the medically needy lose coverage, visits to emergency rooms increase. Meanwhile, the costs associated with an increase in indigent care rise and, if possible, shifted to those with health insurance coverage. In some cases, a shift in costs is not possible and services will have to be reduced.
- The loss of Medicaid state funds and matching federal funds would have a negative net impact of over \$782 million. Ultimately, the cost to care for these sick individuals would be transferred to private insurance companies and increased premiums for employers and their employees.

10. Won't convenience stores and other retailers be harmed by an increase in tobacco taxes and thereby reduced store sales?

- Studies in a number of states have shown that an increase in the tobacco tax reduces the numbers of smokers and, thereby, money previously spent on cigarettes now was spent on other products sold in those same convenience stores.
- If a pack-a-day smoker quits, he will stop spending nearly \$1,000 per year on cigarettes but use it to buy other items; if he reduces his smoking by half, he will have \$500 with which to purchase other goods and products.

11. Isn't the tobacco tax a regressive tax?

- Tobacco companies argue that an increase in the tobacco tax is regressive and places an unfair burden on low-income, minority, and youthful smokers. However, studies show that these very groups are two to three times more likely to quit smoking or smoke less with an increase in the per pack price of cigarettes.
- Higher smoking rates among low income groups means they suffer most from smoking and will, consequently, benefit most from an increase in the tobacco tax.

12. What can be done?

- Take action now! Write your legislator, your friends, and your membership organizations about the benefit of an increase in the tobacco tax to Florida's healthcare. Become a volunteer educator yourself!

Contact [www.fha.org/coalition](http://www.fha.org/coalition) to obtain additional information you can use to bring this message to the public. Time is short and the Legislature is in the mood for making cuts. Don't let these programs, so vital to Florida's well-being, be lost.