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Summary

Measure 50 on the November ballot would lock a tobacco tax into the state Constitution to provide health insurance to low-income children. But once the Healthy Kids Plan is in place, it may make no difference whether enough tobacco tax money exists to fund the program or not. Any shortfalls will lead to cries for other funding sources for a program that by then will be embedded in Oregon's bureaucratic infrastructure.

Word Count 497

“[I]f raising the tobacco tax really does lead to lower rates of smoking, Measure 50 will generate a declining revenue source which likely will fall short of paying for the new Healthy Kids insurance program it was designed to fund.”

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The “Perfect Logic” of Taxing Smokers

By Steve Buckstein

Oregon voters will be asked this November to lock a tobacco tax into the state Constitution in order to provide health insurance to low-income children. The campaign organization supporting Measure 50 argues that taxing tobacco users is “perfectly logical” because it can help kids get insurance while at the same time discouraging people from smoking. While both sides of this equation may be worthy goals by themselves, pursuing them together through Measure 50 is not really “logical” at all.

First, the state estimates that it can purchase health insurance policies for some 100,000 low-income children for about \$160 per month. Underwritten policies for children often can be purchased in the private market for a fraction of this price, yet the state does not seem interested in pursuing cost-savings here, likely because these expensive policies will be paid for by an unloved minority group: smokers.

The legislators who voted to put Measure 50 on the ballot did not seem to care that the 20 percent of adult Oregonians who smoke are, on average, lower income, less educated, less healthy and less likely to be insured themselves.

Second, if raising the tobacco tax really does lead to lower rates of smoking, Measure 50 will generate a declining revenue source which likely will fall short of paying for the new Healthy Kids insurance program it was designed to fund. Measure supporters will find themselves torn between two conflicting goals. Fewer smokers will make supporters happy, while less money for kids' health insurance will make them sad, or will it?

The unspoken truth here is that once the Healthy Kids Plan is in place, it may make no difference to supporters whether there is enough tobacco tax money to fund it or not. Any shortfalls simply will lead to cries for other funding sources to feed a program that by then will be firmly embedded in our state's bureaucratic infrastructure.

Third, passage of Measure 50 will bring upward pressure on all health insurance premiums and all health care costs. Providers (hospitals, doctors and the like) will have even less reason to mitigate cost increases once they have access to a huge new pot of money and patients courtesy of a dedicated tobacco tax locked into the Constitution. If the state were truly interested in cost-control here, it would design a program that lets recipients shop for coverage and gives them financial incentives to keep costs down. Health Savings Accounts and similar high-deductible plans could help achieve this goal, but it clearly does not seem to matter when the rallying cry is “it's for the children.”



Finally, whether you smoke or not (and I never have) Measure 50 is simply not fair to smokers. Berate their habit if you must, but there is no “logical” reason to tax just them in order to provide health insurance to any particular group. Governor Kulongoski labeled his program “The Healthy Kids Plan.” It just as easily could be labeled “The Make Smokers Poorer Plan.”

Steve Buckstein is Senior Policy Analyst and founder of Cascade Policy Institute, a think tank based in Portland, Oregon. For other Cascade publications on health care and economic opportunity in Oregon, visit www.cascadepolicy.org.

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