

Talking Points – The Hospital Tax Proposal



SICK TAX OR RATE CUTS = BAD POLICY

In order to address the Medicaid shortfall, the Governor proposed a \$247 million tax on Georgia's hospitals. The Governor's other option, a 16.5 percent cut to Medicaid rates that already pay far less than the cost of care, would equal a net loss of \$364 million for Georgia hospitals. At a time when so many hospitals in Georgia are struggling financially, either of these harmful suggestions would have a grave financial impact, forcing hospitals to implement drastic measures that negatively affect our state.

SICK TAX OR RATE CUTS = UNEMPLOYMENT LINES

Georgia hospitals invest approximately 50 percent of their revenue in job creation. Net losses by "tax loser" hospitals could put as many as 1,000 Georgia jobs at risk, as these hospitals would have no choice but to reduce labor costs in order to address the added burden. Similarly, a loss of more than \$364 million as a Medicaid rate cut would jeopardize more than 5,000 hospital jobs in the state.

SICK TAX OR RATE CUTS = HIGHER COSTS

In 2007, coverage for a family of four was more than \$700 higher each year due to cost shifting from Medicaid shortfalls and caring for the uninsured. While hospitals would have to cut jobs and take other steps to absorb a tax or rate cut, they could also be forced to shift some of their losses to the commercially insured. A hospital tax could add up to 6 percent to the total cost shift to employers and their employees. The proposed rate cut to hospitals would increase the cost shift to businesses by up to 33 percent.

SICK TAX OR RATE CUTS = REDUCED ACCESS

A hospital tax or severe Medicaid rate cut would, at a minimum, cause hospitals to stop providing vital patient services and impact their ability to begin important capital projects that contributes to our state's economic development. In the worst-case scenario, a \$247 million tax or \$364 million cut could force hospitals to close their doors—which, in turn, would increase unemployment, reduce tax revenue for cities and counties, and make it harder for Georgia's communities to attract and retain businesses.

TOBACCO TAX = RESPONSIBLE POLICY

Georgia has the 5th lowest cigarette tax in the nation. An increase from \$0.37 to \$1.37 a pack would generate approximately \$400 million to \$600 million in new state revenue and could be used to draw down at least \$1 billion in federal funds—more than enough to replace the proposed sick tax.

TOBACCO TAX = INCREASED REVENUES

In a 2008 poll, 75 percent of Georgians supported a \$1 increase in the cigarette tax as a way to reduce teenage smoking and provide a new revenue source for the state to support essential state services.

TOBACCO TAX = COST SAVINGS

According to the Campaign for Tobacco-Free Kids (www.tobaccofreekids.org), Medicaid spends approximately \$527 million each year on tobacco-related illnesses (and is estimated to cost Georgia a total \$2.25 billion per year). The state and federal burden on each Georgia household is \$550 annually from smoking-related governmental expenditures.

TOBACCO TAX = HEALTHIER GEORGIANS

Studies have supported that teenage smoking goes down as cigarette prices go up. Even if the tobacco tax increase reduces smoking and reduces revenues collected from the tax, a healthier Medicaid population will result in substantial cost savings to the Medicaid program and reduce the amount needed to fund it.

TOBACCO TAX = FAIRNESS

Tobacco is the only legal product that intentionally contains chemicals to addict the user. Rather than tax hospitals, whose sole purpose it to make people well, we should tax the product that makes people sick.