From The HIP

HEALTHY INDIANA PLAN

Governor Mitch Daniels

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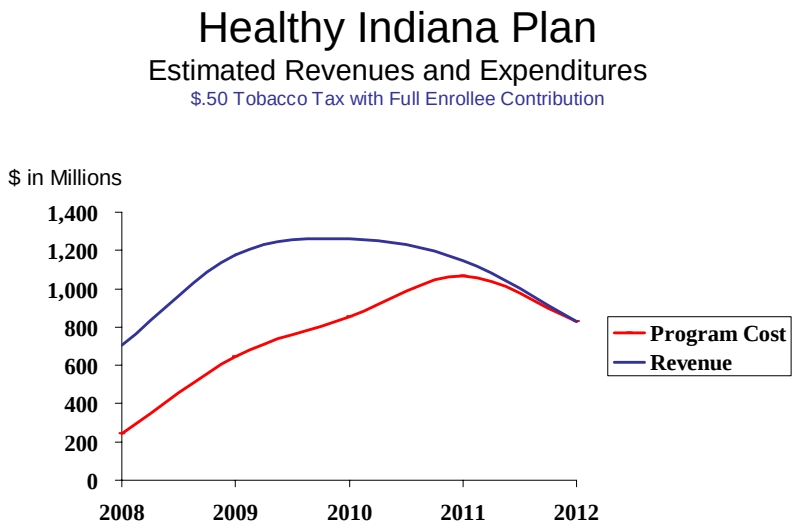
Now that we are moving further and further into the legislative process, one question keeps popping up again and again: **"If we expect the cigarette tax to reduce smoking and pay for healthcare, won't we eventually run out of money when people quit smoking?"** The question seems logical enough, but the facts paint a much different picture.

Year to year, state tobacco tax revenues are more predictable and less volatile than many other state revenue sources, such as state income tax or corporate tax revenues, which can vary considerably each year because of nationwide recessions or state economic slowdowns. In sharp contrast, large drops in tobacco tax revenue from one year to the next are quite rare because of the addictive power of cigarettes.

Every single state that has raised the amount of its cigarette tax has seen a substantial increase in revenue AND a reduction in state smoking rates. Statistics clearly show that the increased tax always brings in more new state revenue than is lost through the related reductions in the number of packs sold and taxed in the state.

The chart below shows both future revenue and the future cost of the HIP through 2013:



A new program will take time to get participants enrolled, creating excess funding in the first few years of the program. This carryover money will be used to fund future years. Since, this is not an entitlement program, the number of participants can be capped or benefits can be modified to assure that the program remains financially viable over the long-term.

Although the day might come when smoking rates are so low state cigarette tax revenues start shrinking, those smoking declines will produce greater reductions in state smoking-related expenditures. For example, smoking reductions among pregnant women and lower income households translate directly into reduced smoking-caused expenditures by Medicaid. Decreasing smoking rates among workers directly reduces public and private sector employers' health insurance costs while also reducing worker productivity losses from smoking-caused job performance declines, work absences, and early retirement.

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BILL WATCH

- HB 1008 is on the house floor today. There are at least 14 amendments submitted. The bill was heard in the Ways and Means committee on Tuesday, and the cigarette tax portion of the bill was amended to $0.25, down from the $0.545 that had passed out of the Public Health Committee.
- The author of HB 1008, Representative Charlie Brown, stated, as he has for years, that he is in favor of a $1.00 increase. The Ways and Means vote was 12-11.
- SB 503 passed out of the Senate with only one small amendment, which will keep money dedicated to the plan in the plan's account. No money may revert back to the general fund. Bills will switch houses next week, and both bills will be back in committee for further amendment opportunities.

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