



# **KHPA Testimony on HB 2737 to the House Taxation Committee**

February 7, 2008

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# The Purpose of Health Reform

To improve the *health* of Kansans – not just health insurance or health care – but the *health* of our children, our families, and our communities



## Quality and Efficiency

## Affordable, Sustainable Health Care

## Access to Care

- Health Insurance Status
- Health Professions Workforce
- Safety Net Stability
- Medicaid Eligibility
- Health Disparities

- Use of HIT/HIE
- Patient Safety
- Evidence based care
- Quality of Care
- Transparency (Cost, Quality, etc.)

- Health insurance premiums
- Cost-sharing
- Uncompensated Care
- Medicaid/SCHIP Enrollment
- Health and health care spending

**KHPA: Coordinating health & health care for a thriving Kansas**

- Physical Fitness
- Nutrition
- Age appropriate screening
- Tobacco control
- Injury control

- Open Decision Making
- Responsible Spending
- Financial Reporting
- Accessibility of Information
- CMS Cooperation

- Council Participation
- Data Consortium
- Public Communication
- Community/Advocacy Partnership
- Foundation Engagement

## Health and Wellness

## Stewardship

## Public Engagement

<u>SRS</u>	<u>KDHE</u>	<u>KDOA</u>	<u>KID</u>
<ul style="list-style-type: none"> <li>•Mental Health</li> <li>• LTC for Disabled</li> <li>•Substance Abuse</li> </ul>	<ul style="list-style-type: none"> <li>•Health Promotion</li> <li>•Child, Youth &amp; Families</li> <li>•Consumer Health</li> <li>•Health &amp; Environ. Stats</li> <li>•Local &amp; Rural Health</li> </ul>	<ul style="list-style-type: none"> <li>•Aged</li> <li>•Institutional Care</li> <li>•Community Care</li> </ul>	<ul style="list-style-type: none"> <li>•Private Health Insurance</li> <li>•Business Health Partner.</li> </ul>



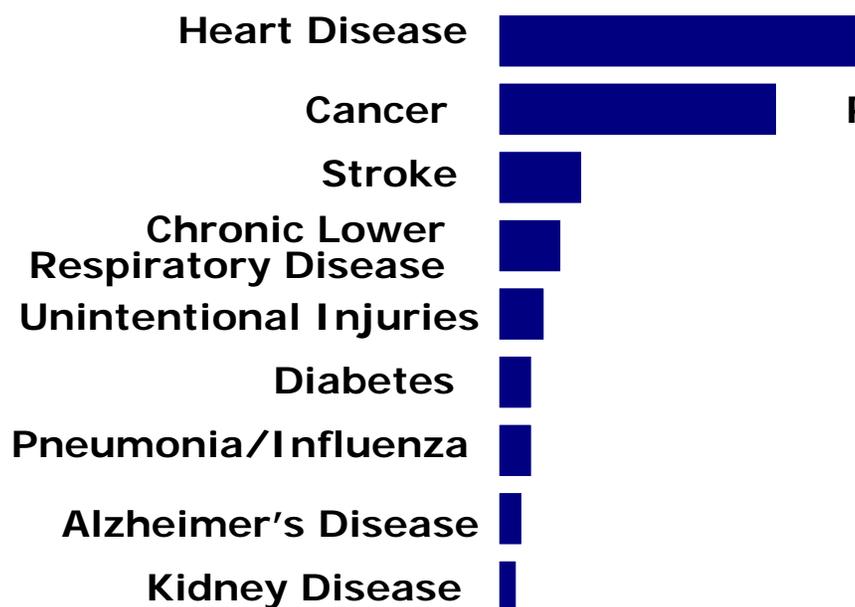
# Moving Towards Health Reform in 2007

- **Kansas Legislature:**
  - Legislators tasked KHPA with addressing ways to improve health care access and the general health of all Kansans (SB 11)
- **Stakeholder Input:**
  - Formed *Health for All Kansans Steering Committee*
  - Formed health reform Advisory Councils
  - Held 22-City Listening Tour on health reform
- **Health Reform:**
  - KHPA Board delivered health reform options to Kansas legislature on November 1



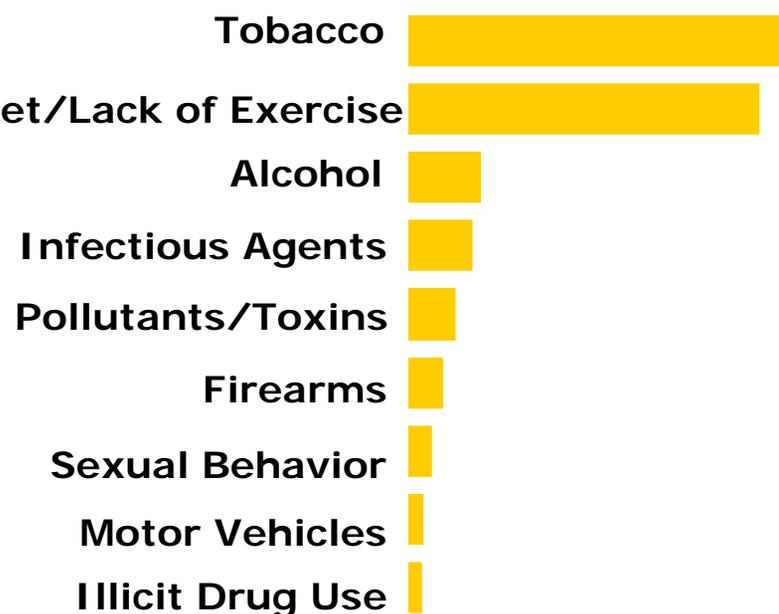
# Causes of Death United States, 2000

## Leading Causes of Death\*



Percentage (of all deaths)

## Actual Causes of Death†



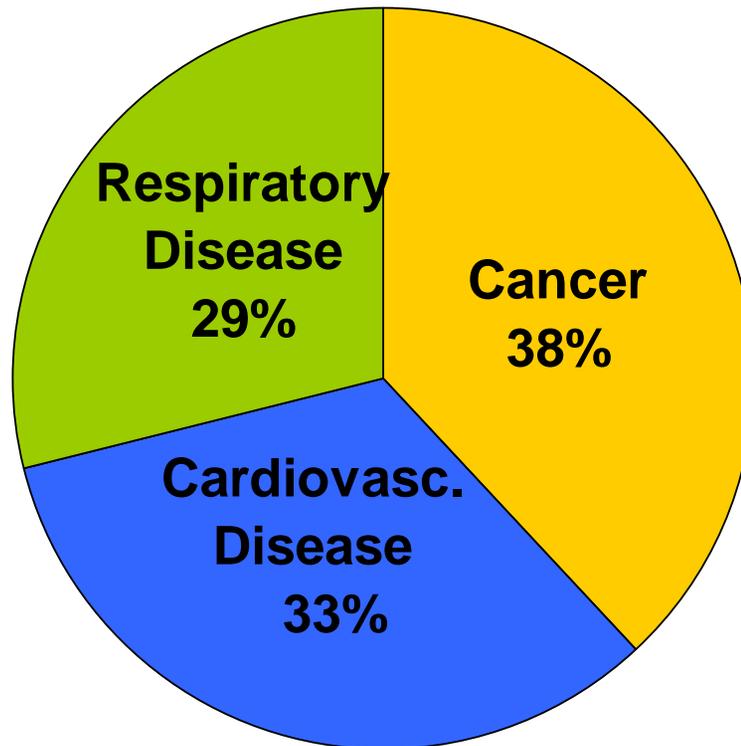
Percentage (of all deaths)

\* National Center for Health Statistics. Mortality Report. Hyattsville, MD: US Department of Health and Human Services; 2002

† Adapted from McGinnis Foege, updated by Mokdad et. al.

# Smoking Kills Kansans

**Average of 3,900 Deaths per Year  
in Kansas Due to Smoking**





# Tobacco Costs Kansans

- **Smoking is the #1 preventable cause of death in Kansas**
  - Causes 4,000 deaths annually in Kansas
  - Estimated 54,000 Kansans currently younger than 18 years old will die prematurely due to smoking
- **All Kansans pay for smoking-related health care services**
  - Health care costs due to smoking are \$7.18 per pack of cigarettes, most of which is paid by non-smokers
  - Costs \$927 million in health care costs yearly; \$196 million in Medicaid program alone
  - Annually costs taxpayers \$582 per household to pay for government expenditures on smoking-related health care services



# Secondhand Smoke Impacts Kansans

- **Secondhand Smoke Kills**
  - In Kansas, estimated 220-630 people die every year due to secondhand smoke and smoking while pregnant (includes adults, children, and infants)
- **Exposure to Secondhand Smoke**
  - In US, 126 million nonsmokers are exposed to secondhand smoke
  - Estimated 161,000 Kansas children exposed to secondhand smoke at home
  - In KS, 28% of workers are NOT protected by worksite nonsmoking policies



# Tobacco Use in Kansas: Starting Young

- **Adolescents (50% of smokers begin by age 14)**
  - Middle Schools:
    - 6% current smokers
  - High Schools:
    - 21% current smokers
    - 15% currently use smokeless tobacco
  - Increasing tobacco fee deters youth from smoking
    - 10% increase in tobacco use fees = 7% reduction in youth smoking and 4% decrease in overall consumption
- **Adults**
  - 20% are current smokers



# KHPA Reform Priorities

- **Promoting personal responsibility (P1)**
  - Responsible health behaviors
  - Informed purchase of health care services
  - Contributing to the cost of health insurance, based on ability to pay the cost of health insurance, based on ability to pay
- **Prevention and medical homes (P2)**
  - Focus on obesity, tobacco control, chronic disease management and incentives for primary care medical homes
- **Providing and protecting affordable health insurance (P3)**
  - Focus on small businesses, children, and the uninsured



# Priorities: Systems Reform and Better Health

<h2>Transforming Medical Care</h2>	<h2>Improving Public Health</h2>	<h2>Expanding Affordable Insurance</h2>
<ul style="list-style-type: none"> <li>•Transparency project: health care cost and quality</li> <li>•Health literacy</li> <li>•Medical home definition</li> <li>•Medicaid provider reimbursement</li> <li>•Community Health Record (HIE)</li> <li>•Form standardization</li> </ul>	<ul style="list-style-type: none"> <li>•Increase tobacco user fee</li> <li>•Statewide smoking ban</li> <li>•Partner with community organizations</li> <li>•Education Commissioner</li> <li>•Collect fitness data in schools</li> <li>•Promote healthy foods in schools</li> <li>•Increase physical fitness</li> <li>•Wellness for small businesses</li> <li>•Healthier food for state employees</li> <li>•Dental care for pregnant women</li> <li>•Tobacco cessation in Medicaid</li> <li>•Expand cancer screening</li> </ul>	<ul style="list-style-type: none"> <li>•Aggressive outreach and enrollment of eligible children (target population: 20,000)</li> <li>•Premium assistance for low income adults without children (target population: 39,000)</li> <li>•Small business initiatives (target population: 15,000 young adults and 12,000 employees of small businesses)</li> </ul>



# Why Invest More in a Broken System? Need for System Transformation

## Issue:

- Fragmented system, hard to navigate, with administrative waste
- Lack of consumer information
- Chronic disease related to poor health behaviors in families, schools, workplaces
- Uninsured

## Answer:

- Medical home to coordinate care & use of evidence based medicine
- Health care cost and quality transparency
- Personal responsibility, healthy behaviors, and discourage use of tobacco
- Increase access to affordable insurance



# Financing Health Reform

- KHPA's 21 Health Reform recommendations are paid for (minimum of five years) through:
  - **Increased tobacco user fee**
    - Fifty cent increase in cigarette tax, increases annually to reflect an assumption for inflation
    - Smokeless tobacco products user fee increase to 47%
    - Revenue dedicated to the "Health Reform Fund"
  - **Increased federal matching dollars**
- Hidden tax in Kansas – cost shifting
  - Around 7% of medical expenditures for the uninsured are paid through increased payments by insured
  - Reducing the number of uninsured reduces the need to cost shift
- Cost containment - built into majority of proposals
  - Long term cost containment linked to improved health status



# Health Reform Fund Projections

***Majority of Kansas adults (64%) support an increase in the tobacco user fee***

-Sunflower Foundation Poll, 2007

## **Tobacco User Fee Revenue Estimates:**

- 2009: \$61.57 Million
- 2010: \$68.62 Million
- 2011: \$68.24 Million
- 2012: \$67.80 Million
- 2013: \$67.37 Million
- 2014: \$66.95 Million



# Tobacco Taxes in Other States

*Handout: “Map of State Cigarette Tax Rates”*

- Average State Cigarette Tax:
  - **\$1.11 per pack**
- Average Cigarette Tax in Non-Tobacco States:
  - **\$1.22 per pack**
- State Taxes Per Pack
  - **Kansas: \$0.79; Ranks 33<sup>rd</sup> Nationally**
  - Border States:
    - Colorado: \$0.84
    - Iowa: \$1.36
    - Missouri: \$0.17
    - Nebraska: \$0.64
    - Oklahoma: \$1.03



# Benefits of Increased Tobacco Tax in Kansas

## Tobacco Tax Revenue

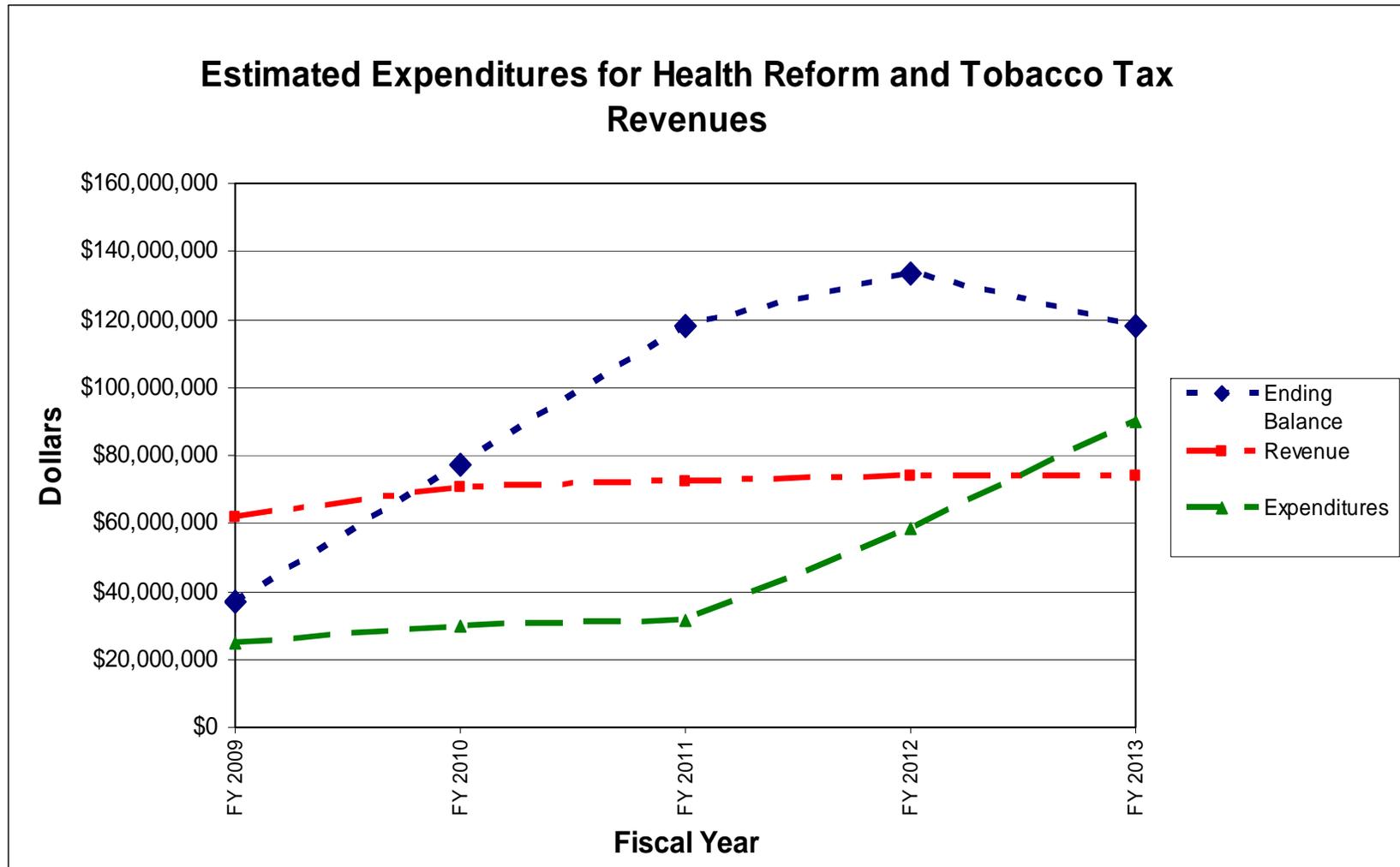
- 2002 - \$48 Million
- 2003 - \$129 Million  
**(169% increase)**

## Number of Packs Sold

- 2002 – 200 Million
- 2003 – 164 Million  
**(18% decrease)**

- Decreases the number of cigarettes sold
- *Provides a reliable and steady revenue source...Because tobacco is so addictive, no state has ever “out taxed” a tobacco revenue stream*

# Five Year Trend



*Coordinating health & health care  
for a thriving Kansas*



<http://www.khpa.ks.gov/>