



The Daily Astorian



Astoria, Oregon

Wednesday, October 24, 2007

Money, emotions tied up in proposed tobacco tax

Measure 50 would direct increased revenue to health care for uninsured

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ALEX PAJUNAS — *The Daily Astorian*

John Harper, owner of Under the Bridge Cigarettes in Astoria, Seaside Tobacco Outlet and Scappoose Smoke Shop, says Measure 50's proposed cigarette tax increase of 84.5 cents per pack will cause him a 10 percent loss in business.

Measure 50 is a contentious one, pitting proponents of expanding state-paid health insurance against tax activists, small businesses and the tobacco industry.

But at the heart of the debate are an estimated 117,000 Oregon children who lack insurance, including more than 5,000 in Clatsop, Tillamook, Columbia and Lincoln counties.

The Nov. 6 measure, one of five on Clatsop County ballots, would increase Oregon's tobacco tax and dedicate the additional revenue to providing health care for uninsured youths, low-income adults and other "medically underserved Oregonians," as well as funding programs aimed at reducing tobacco use.

In response, big tobacco companies have plowed more than \$10 million into efforts to block the proposed tax increase, making Measure 50 the most expensive campaign in Oregon's political history.

In Clatsop County, health providers say most uninsured children come from working families, many of which earn too much to qualify for public health programs, but not enough to cover the costs of private insurance or premiums required by employer-sponsored plans.

"It's the working class that's really getting squeezed here," said Dr. Mark Stefanelli, whose clinic, Seaside Urgent Care, accepts children without insurance. "We have a lot of low-paying jobs in this county. Tourism is the biggest industry. ... Most of the construction jobs don't offer insurance, and that carries over to children."

Uninsured children are half as likely to receive preventive care and half as likely to see a doctor over the course of a year, according to the Oregon Health Policy and Research Office.

"Because they can't afford it, often (parents) don't bring them in until the kids are sicker," Stefanelli said. "I really feel for these kids; they're in a real bind."

And when there's a big health problem, costs also become a major concern, he added. "They end up having to pay emergency room bills, and that's tough."



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Jim Coffee, executive director at Coastal Family Health Center, believes "when a family doesn't have insurance, seeing the doctor falls really far down on the list of needs."

In Astoria, almost a fifth of children receiving care last year at Coastal Family Health Center were uninsured, with many coming from working families. At times, center employees' families have fallen in that category as well. While the company offers health insurance for its workers, they have to pay extra to cover their families - up to \$7,000 a year.

"For people to buy individual plans is really expensive; to buy a group plan is really expensive as well," said Jim Coffee, the center's executive director. "It becomes a really unaffordable benefit."

He was surprised when he moved to Oregon from the Boston area four years ago, around the time voters shot down a tax package that would have buffered cuts to the Oregon Health Plan, which supplies health coverage to the state's poorest residents. In Massachusetts, a state plan is open to all uninsured children, regardless of family income, although some pay higher premiums or co-payments. It's funded through a special tax on cigarettes, according to the Boston Public Health Commission.

"When a family doesn't have insurance, seeing the doctor falls really far down on the list of needs; when kids are sick, they don't go to school, and their grades fall," said Coffee. "It's really important, at least as a starting point, that kids in Oregon have health insurance, that they can see a health provider."

Under Measure 50, families that earn up to twice the federal poverty level, about \$41,000 for a family of four, could get benefits or state subsidies to add children to their employers' plans. Uninsured families earning up to three times the poverty level, about \$62,000 for a family of four, could get subsidized coverage through a state plan. Oregon would still need a waiver from the federal government to extend coverage to families earning more than 2.5 times the poverty rate.

Also known as the Healthy Kids Plan, the measure would boost state revenue by \$152.7 million this two-year budget period and \$233.2 million the next - estimates that include a projected decline in tobacco sales resulting from higher prices. Money would come from the proposed cigarette tax increase, which at 84.5 cents per pack would bring Oregon's tax to almost \$2.03, about the same as Washington's. At the current rate, consumers can buy a pack in Oregon for an average \$4.31, compared with \$5.86 in Washington.

But raising the rates would have a big impact on some small businesses, said John Harper, who owns Under the Bridge Cigarettes in Astoria, Seaside Tobacco Outlet and Scappoose Smoke Shop. Stores like his have taken a big hit in recent years, said Harper, as the smoking population has shrunk.

"Tobacco is a dying breed," he said. "We're in a tough industry as it is. A lot of us have spent a lot of years trying to build our businesses into something; taxing a minority of people continues to drain on our livelihood."

Harper feels raising the price will push smokers to other markets rather than cutting down on tobacco use, diminishing business Astoria and neighboring communities get from across the river.

"We are in a lower-tax state, and that drives business into the community from Washington," he said, adding he's also concerned revenue could shrink over time as smokers either quit or shift to other markets. "Tobacco revenue will decline over time, which is going to force an unstable funding position. People will have to come up with more money to continue the (children's health care) program; that's common sense."

But proponents of the plan say tying tobacco revenues to providing health care services actually makes a lot of sense.

Tobacco contributed to 6,933 deaths in Oregon in 2003, and racked up an estimated \$2 billion in costs the year before in direct medical expenditures and lost productivity because of early death or disability, state figures show. That levels out to \$11.16 per pack in public costs, according to the U.S. Centers for Disease Control and Prevention.

Right now, said state Sen. Ben Westlund, who supports Measure 50: "We're all paying." At a public forum in Astoria last week, he said smokers should shoulder more of burden. "We should tax specific substances based on their social costs."

As smokers quit or cut back, Westlund said, they would rely less on state money and therefore offset any decline in tobacco tax revenue. "Where the additional money comes from is the dollars we save on health care services," he said

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