



TO: House Committee on Taxation

FROM: Chad Austin
Senior Vice President, Government Relations

DATE: March 15, 2018

RE: House Bill 2231

The Kansas Hospital Association appreciates the opportunity to comment in support of House Bill 2231. The proposed legislation increases the tax on tobacco related products. KHA and its members support this legislation with the contingent that the additional funds are used solely for health and healthcare related programs.

The increase in the tobacco tax makes for good fiscal policy. Each year, hundreds of millions of dollars are spent on health care related expenditures to treat tobacco-related diseases. This does not include the lost revenue from tobacco users who are unable to work due to tobacco-related illnesses, nor does it include related costs to employers for such expenses as decreased productivity from absenteeism due to illness and increased health insurance for workers. The added revenue from the tobacco tax could go a long way in supporting health care activities in the state. Further, if the funds are used in the KanCare program, it would allow the state to obtain a federal matching share, more than doubling the impact of those dollars in Kansas.

Kansas hospitals recognize the potential challenges of the state's current financial situation. However, we also believe that the health care delivery system in Kansas is facing greater uncertainty. Therefore, KHA would suggest that any additional revenue from an increase in the tobacco tax should be put towards KanCare expansion. Under expansion, a Kansas-specific solution would be developed that builds upon the existing KanCare program. The goal of KanCare expansion would be to protect Kansas and invest in our state, our citizens and our communities. This Kansas solution would involve a budget-neutral managed care program that provides access to health care coverage while employing personal responsibility through rewarding healthy outcomes and responsible health choices.

Finally, but perhaps most importantly, the tax increase is a good health policy. The costs to Kansas of tobacco products are very real, in human as well as financial terms. Studies have suggested that every ten percent increase in tobacco tax results in a reduction of youth smoking by 7 percent and overall consumption by 4 percent. The correlation between reduced tobacco consumption and better health is clear.

The Kansas Hospital Association urges your support of House Bill 2231. Thank you for your consideration of our comments.