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Welcome to *Issues in Brief*, a special information resource for our members. From time to time, we'll invite professional experts in our membership to share information of special interest.

## Medicaid: The Hidden Tax We All Pay

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Our businesses are suffering from double-digit increases in health insurance premiums. Yet we know from our various national indexes that the real cost of healthcare has gone up less than five percent in each of the past five years. Where is our money going? More importantly, how can we stop the hemorrhage? A significant portion of these increases is going to pay for the under-funding of our federal health programs.



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### What are some of the facts regarding Medicaid?

--Medicaid is a federal insurance program whereby the federal government matches 75 percent to the state's funding of 25 percent of the program.

--The State of South Carolina pays providers significantly *less* than the cost of delivering services.

--Many providers are mandated to treat all patients who appear at their door regardless of their ability to pay.

--Providers are forced to "*cost shift*". That is, they charge those who can pay more to compensate for those whose payment is less than cost.

--Insurance premiums are therefore the "hidden tax" that we all pay to subsidize the Medicaid program.

### What is South Carolina's Medicaid program?

In summary, ours is a *well-run* program but it is grossly *under-funded*. Consider the following:

--South Carolina's per capita funding for Medicaid recipients is *well below* the national average.

--We are sending more tax dollars to Washington than we are receiving for this program.

--Our program is a national model of efficiency. We spend only two percent for administrative costs.

--Our state is "leaving dollars on the table" that would be matched 3-to-1.

#### Why use an increase in the tobacco users fee to fund Medicaid?

We have a unique opportunity to charge those who generate the most use for this program by increasing the tobacco users fee. Consider the following:

--South Carolina's cigarette tax has not been raised since the 1970's.

--Our tax of seven cents per package is well below the national average of 59 cents per package.

--National studies have shown that for each package of cigarettes smoked, healthcare costs increase a full \$7!

--Dedicating an increase in the cigarette user's fee to fund Medicaid would be an off-line fund which would not compete with the general fund in recurring each year.

--Each dollar taxed would attract \$3 of the federal money that we are giving to other states.

--Increases in healthcare costs would be contained.

--The most disadvantaged of our citizens would have expanded access to healthcare.

#### How can you help?

Contact your State Representative, State Senator, and the Governor's office. Tell them you want an increase in the cigarette user's fee to be pledged to fully funding our Medicaid Program. Tell them you want to curb:

--Uncontrolled increases in insurance costs

--South Carolina tax dollars going to other states

--Limited health care to children and the elderly, and

--Teen smoking.

Let's contain future health insurance increases by funding state Medicaid through an increase in the cigarette user's fee.