



Cigarette tax for Medicaid: A win-win to improve health and fill Alabama's revenue gap

The future of Alabama Medicaid is on the line as lawmakers consider a threadbare 2017 General Fund budget. Without significant new revenue, Medicaid would not only lose the promising regional care organizations (RCOs) set to launch in October but also would cut vital services and doctor payments. Those cuts could place the Medicaid program itself – and Alabama's entire health care system – at risk.

The Alabama Health Care Improvement Task Force has proposed a solution that would:

- Increase Alabama's cigarette tax by 75 cents a pack, bringing in an estimated \$200 million in new General Fund revenue in the first year.
- Direct 90 percent of the new revenue (or \$180 million) to Medicaid.
- Direct the remaining 10 percent (or \$20 million) to the Department of Mental Health for substance abuse treatment services.

A 75-cent cigarette tax increase would be a win-win for Alabama because it would:

- Fill the Medicaid budget shortfall, strengthening the program and saving the RCO reforms that are designed to save money while keeping patients healthier.
- Encourage smokers to quit and discourage young people from starting.
- Have disproportionate health benefits for low-income Alabamians, who are more likely to respond to the tax increase by quitting smoking.
- Have a long-term positive impact on public health – and health care costs for everyone. Even if smokers quit and cigarette tax revenues drop, Medicaid would save money because fewer people would have smoking-related diseases.

BOTTOM LINE: Now is the time to raise the cigarette tax by 75 cents a pack to save Medicaid, save health care dollars and save lives in Alabama.