



VIEWPOINT

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Should the Poor Pay for Health Insurance for the Middle Class?

By: Marc Kilmer

Summary

Many in the Congress and United States Senate are pushing to expand the State Children's Health Insurance Program (SCHIP), and plan to pay for it by raising the cigarette tax. Such a plan will result in the poor (a disproportionate number of whom smoke) subsidizing the middle class (the beneficiaries of expanding SCHIP). Moreover, since the number of smokers is declining, a cigarette tax is a poor source of long-term revenue.

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If a politician ever suggested that taxes should be raised on the poor in order to pay for a product that people in the middle or upper class could already afford, it is not likely that this politician would have much of a future in office. So why, then, are so many members of the U.S. House and Senate rushing to support an effort to raise cigarette taxes (which hit the poor much harder than the rich) to pay for expanding federal health insurance program to include many middle class families?

At issue is the reauthorization of the State Children's Health Insurance Program (SCHIP). This is a ten-year-old federal program that gives money to states in order to provide government health care for children. Some Senators want to give more money to the program when it is reauthorized and propose using a tobacco tax increase to provide this new funding.

The reason that the program needs new money is that many states are using this federal money – intended for poor children or those near the federal poverty line – to pay for the coverage of children who are well into the middle class. Ohio, for instance, recently expanded coverage in its SCHIP program that would allow a family of four to make almost \$62,000 and still qualify for assistance. In other states, a family of four can make almost \$83,000 and qualify. Some states are also using it to pay for health care for adults.



Expanding SCHIP will result in the poor paying for middle class health insurance.

Some in Washington, D.C. – including Ohio's junior Senator Sherrod Brown -- want to reward these states for flouting the spirit of the SCHIP program by giving them more money. These politicians also want to expand the program to cover millions of new Americans. In fact, according to a recent study by the non-partisan Tax Foundation, almost 60 percent of American children would be eligible for government health care under a proposal being pushed by some Senators. Can anyone say with a straight face that this is really about "poor kids"?

And how do the backers of expanded government health care plan to pay for it? With an increase in the cigarette tax, which mainly comes from the pockets of the poor.

According to a Tax Foundation analysis, those who pay cigarette taxes are disproportionately in the lowest economic brackets.

Some supporting this tax increase contend that because smokers impose such a heavy burden on government health care programs, it is only fair for them to pay more in taxes to support them. We are talking about a health program for children here, though, and there is no indication that smoking-related illnesses contribute much, if any, to its cost.

Why tax smokers more to pay for this program, then? I think it has a lot to do with the fact that people like “free” government programs. They like the concept of government funding children’s health care, but they do not want to pay for it themselves. So they pick out a group of folks engaged in activities they do not like – such as smoking – and decide to tax them.

One thing that is often overlooked in this debate is that raising taxes on smokers will not pay the full cost of SCHIP’s proposed expansion. Health care costs generally rise year after year; tobacco tax revenues generally decline as fewer people smoke. It is highly unlikely that smokers will pay the full cost of this program. In fact, the Heritage Foundation estimates that the country will need 22 million new smokers over the next ten years to make the math work. Since the number of smokers has been declining, it is clear that this means money for the program will have to come from elsewhere.

So not only is this plan generous to the well-off at the expense of the poor, it is also fiscally unsound. Unfortunately, it sounds good when politicians say “we are going to tax smokers to pay for health insurance for children.” Like so many recent health care proposals, it is the triumph of symbolism over substance. At a time when we need real health care reform and efforts to make private insurance more attractive and affordable, we instead get a plan that will make the poor pay for health care for wealthy children. It is amazing that politicians can get away with this.

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(Marc Kilmer is a policy analyst with the Buckeye Institute for Public Policy Solutions, a research and educational institute located in Columbus, Ohio. More information is available at www.buckeyeinstitute.org. Permission to reprint in whole or in part is hereby granted, provided the author and his affiliation are cited.

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Please contact:

Joe Staudt
88 East Broad Street, Suite 1120
Columbus, Ohio 43215

Phone: (614) 224-4422
Fax: (614) 224-4644

www.buckeyeinstitute.org
jstaudt@buckeyeinstitute.org

