

ANALYSIS OF HOUSE BILL 2541

Use of potential tobacco settlement funds.

PURPOSE:

To dedicate potential tobacco settlement funds to the Health Services Account and grant health carriers credit for taxes owed the account.

BACKGROUND:

Potential Tobacco settlement

In 1997, 40 state attorneys general presented a comprehensive tobacco settlement to the President and Congress. This was the culmination of several years of effort to recoup from the tobacco industry the related costs of publicly funded medical service. If enacted, states could receive an amount in excess of \$360 billion over 25 years. Although Congress is presently considering various proposals, the outcome of these negotiations is uncertain as indicated by the attached summaries of recent news stories.

The Health Services Account

The Health Services Account [HSA][RCW 43.72.900] was created in 1993 as part of the Washington Health Services Act, the goal of which was to provide universal access to a comprehensive uniform benefits package funded through a combination of employer sponsorship and expanded public subsidies for low income individuals. Although much of the 1993 Act was repealed, the HSA and its five statutory functions were maintained: (1) Maintaining and expanding health services access for low-income residents; (2) maintaining and expanding the public health system; (3) maintaining and improving the capacity of the health care system; (4) containing health care costs; and (5) improving the regulation, planning, and administering of the health care system.

Revenue for the HSA comes from taxes on a variety of products and services including: non-profit hospitals revenue, tobacco, beer, alcohol, premiums and prepayments made to health maintenance organizations [HMOs], and health care service contractors [HCSCs]. (Commercial insurers were paying a premium tax into the general fund at the time of enactment.)

The tax on HMOs and HCSCs took effect January 1, 1996; however, it was assumed that efforts to expand access would not initially match available funds, therefore these revenues were deposited into the General Fund until March 1, 1996.

SUMMARY:

All tobacco settlement receipts received by Washington State must be deposited in the Health Services Account.

Receipt are defined as . . .money received by the state under a legal settlement, an act of the United States Congress, or both, for losses resulting from tobacco use.–

Based on calculations by the Insurance Commissioner, health maintenance organizations and health care service contractors (other types of insurers do not pay a HSA tax) will receive a credit from the HSA tax owed up to the amount of tobacco settlement funds deposited in the HSA. Unused credit amounts may be carried forward to subsequent years.

EFFECTIVE DATE:

Ninety days after adjournment.