

FINAL BILL REPORT

HJM 4003

As Passed Legislature

Brief Description: Requesting amending the medicaid statute to prohibit federal recoupment of state tobacco settlement recoveries.

Sponsors: Representatives Ballard, Chopp, H. Sommers, Huff, Hurst, D. Sommers, Koster, Bush, D. Schmidt, Talcott, Fortunato, Thomas, Carlson, Parlette, Pflug, Mitchell, McDonald, Rockefeller, Tokuda, Dickerson, Cairnes, O'Brien, Cody, Kenney, Wolfe, Mielke, Campbell, Ogden, Dunn, Ericksen, Skinner, Hankins, G. Chandler, Sump, Edmonds, McIntire, Haigh, Wensman, Stensen, Mulliken, Conway, Esser, Lambert and Linville; by request of Attorney General.

Background: On November 23, 1998, Washington joined 45 other states in settling litigation brought against the tobacco industry for violations of state laws concerning consumer protection and antitrust. In doing so, Washington became part of the so-called Master Settlement Agreement, which had the effect of settling ours and all the states' suits against the industry. Four of the country's largest tobacco manufacturers signed the agreement, and thus became bound by certain conditions. The financial provisions of the Master Settlement Agreement include billions of dollars paid out to the settling states in perpetuity, beginning with up-front payments of more than \$12 billion by 2003. Washington could receive approximately \$4.02 billion over 25 years.

Although the federal government did not participate in the tobacco industry lawsuit, it presently asserts that it is entitled to a significant share of the state settlement on the basis that it represents the federal share of Medicaid costs. This assertion is based on the requirement that under the Social Security Act, the federal government must collect its share of any settlement funds attributable to Medicaid. In Washington, the lawsuit was brought for violation of state law not on any federal claim. Further, Washington bore all the risk and expense in the litigation and settled without any assistance from the federal government. The state attorney general and the proponents of this measure feel that Washington is entitled to all of the funds negotiated in the tobacco settlement agreement.

Summary: It is requested that Congress and the Administration prohibit federal recoupment of state tobacco settlement recoveries.

Votes on Final Passage:

House 94 0

Senate 40 0