The California Tobacco Tax: What Happened After The Voters Passed The Initiative

The California Medical Association put a million dollars, as well as a lot of time and energy, into the fight against big tobacco to pass the tobacco tax (Proposition 56) on last November's ballot. Total contributions for the pro-Prop 56 campaign were $35 million, and victory was declared on election day with 64% of the vote in support of the initiative. Naively I had thought that the next step would be hearing about how the monies would be dispersed to increase provider rates in order to improve ongoing access to services for those who need them. The process since November has been much more complicated than that, and at the last CMA Board of Trustees meeting this was the item discussed for over an hour; read on to hear more of the details of the battle that ensued and more about one part of the work that CMA does on your behalf.

In January, Governor Brown decided to allocate the estimated $900 million in ongoing revenue from Proposition 56 to provide General Fund Relief, despite the words of the initiative stating that the money must go for health care needs. With no funding for provider rate increases, the California Medical Association, the California Dental Association, and Planned Parenthood launched a digital and media campaign. In February through April, the need for increased provider reimbursements was raised on the Capitol through CMA and other Specialty Society Advocacy days, as well as the CDA and Planned Parenthood Lobby Days, and the media also covered the issue extensively. But in the May Revise (of the budget), the Governor continued with his plan for no increase in funding for providers. The coalition of CMA, CDA, and Planned Parenthood continued its efforts, with Planned Parenthood reporting over 15,000 emails sent in a couple rounds of advocacy. The results of these extended advocacy efforts were that legislature rejected the Governor's proposal, and Prop 56 was removed from the main budget bill to be considered in a separate bill, AB 120. AB 120 provided physicians with guaranteed allocation of funds – with Federal matching this will be $750 million for physicians and there is the potential to increase physician and dental supplement payments further. Not a bad return on investment for the one million put in.

At its July Meeting, the Board of Trustees also reviewed the DHCS proposed allocation of these funds. The funds are not large enough to make a meaningful difference in payments if applied to all codes, but several psychiatric codes were slated for 20-40% increases in payment including 90863 (Pharmacological Mgmt w/PSYTX), 90791 (Psychiatric Diagnostic Evaluation), and 90792 (Psych Diag Eval w/Medical Svcs).

The funds from the tobacco tax will be renegotiated in two years. Risks to future provider payments could come from federal health care reform, or recession in the state. And of course, the hope is that the $2/pack tax will cause consumption of cigarettes to go down, which will decrease the revenues generated over time. The election of the next Governor could be crucial in how this funding is distributed in the future.

The discussion from the Board was quite interesting. Discussion of legal action was considered. The need for increases for pediatric and emergency service codes was expressed. We also need to increase providers in the pipeline (there is a shortage that could persist even with increases in payments). One of the most important points made was that we can not really balance the health care budget needs of California through "sin taxes". In the past 9 years, Medi-Cal payments have not only not kept up with inflation, but were cut by 10% in 2013. Hospitals are getting paid more, drug costs have gone up, but not provider rates. Even if we were to tax soda, and then go after other unhealthy habits, the overall money raised is a small portion of what is needed to adequately fund healthcare. What we need for the future is a governor and legislature that will work to increase overall funding of needed care, instead of leaving California among the lowest in the United States.

I look forward to the ongoing discussion of provider payments and access to care in the upcoming Board of Trustees meetings. Please feel free to contact me if you have ideas you would like to share on this or other topics that may be of interest to the California Medical Association.