

## ***Tax Reform Over-Simplified***

Kenneth R. "Ken" Plum

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Governor Mark Warner has appointed a small group of experts to work with him on developing a tax reform package to be considered by the 2004 session of the General Assembly. At the same time a legislative panel under the leadership of Delegate Harry Parrish is tackling this thorny issue. An abundance of political operatives are standing on the sidelines with simplistic, sound-bite answers to the problem.

Some attempt to divert attention from the issue by raising other questions. They would rather talk about issues like fraud and abuse in the Medicaid system. They overlook the fact that Virginia has one of the most aggressive and successful Medicaid Fraud Control Units in the country in the Attorney General's office. Last year it recovered a record \$12 million for the Medicaid fund.

Virginia's business leaders have been quick to warn against further cuts in Medicaid. As the Virginia Foundation for Research and Economic Education (Virginia FREE) stated in its recent annual evaluation report: "Inadequate Medicaid funding poses another long-term challenge for Virginia. For two years in a row, state budget shortfalls have resulted in Medicaid payments to healthcare providers way below national averages and often below the costs incurred to provide services. The cost of providing health care to Medicaid patients does not simply disappear when the Medicaid program is inadequately funded. Instead, it results in a hidden health care tax that increases the costs of businesses and their employees." Virginia FREE is funded by the largest businesses in the state.

An article in *Virginia Business* magazine made the argument that Medicaid funding by the state brings in additional federal matching funds. For every dollar Virginia spends on Medicaid, the federal government contributes 51 cents.

Medicaid serves the health and long-term care needs of the poorest citizens: long-term nursing home residents, low-income families with children, and pregnant women without health care. More than 600,000 Virginians receive services under current eligibility standards that are among the strictest in the country, leaving at least 300,000 people with incomes at or below the federal poverty level uninsured and ineligible for Medicaid. Virginia's rates for reimbursement are 47th lowest among the states.

The Campaign for Tobacco-Free Kids in Washington, D.C., estimated that in 1998, the last year for which they have developed numbers, smoking caused \$313 million in Medicaid costs per year in Virginia. It is truly ironic that the same people who argue for additional cuts to Medicaid also argue against an increase in the cigarette tax. As the President of the Republican Club of Greater Reston wrote recently, the cigarette "sin tax proposal failed in the 2003 General Assembly for the principal reason that it increased the tax burden: an anathema to the majority party." Virginians pay 2 ¢ cents per pack state tax on a pack of cigarettes; in D.C. the tax is 65 cents and in Maryland a dollar.

Virginia FREE's report raised the question, "Do we want to continue shifting costs in the health care arena by squeezing Medicaid reimbursements and covering these losses with higher health insurance premiums?" I join those who hope that wiser heads prevail in the 2004 General Assembly.