

TOBACCO  
INDUSTRY  
LABOR  
MANAGEMENT  
COMMITTEE

ATTACHMENT A

April 9, 1987

Health Security Action Council  
1757 N Street, NW  
Washington, DC 20036

Dear Health Security Action Council Members:

Our unions have watched with interest the growing debate about catastrophic health insurance. There is little doubt that the right kind of plan will offer direct benefits to thousands of our members -- both now and in the future.

It is clear that as the discussion intensifies, the Health Security Action Council will have an important voice in the debate. We want you to know that our five international unions strongly support the general goal of expanding health care protection. Specifically, we encourage the efforts of your group to work for a comprehensive system of catastrophic health insurance coverage.

One major question which continues to arise is the implementation of a workable funding plan for such a program. Some groups are suggesting that catastrophic health insurance should be financed through a regressive excise tax on products such as beer, cigarettes or alcohol. We strongly disapprove of these financing methods as part of any catastrophic health plan.

Funding for this program should be based upon the ability to pay. Any other funding concept undermines the philosophical basis of a progressive program of catastrophic health insurance. It is illogical to set up a system whereby those least able to pay for the program are forced to bear a disproportionate share. And yet, this would be the precise effect of funding this program through excise taxes. There is no question but that excise taxes, particularly cigarette excise taxes, are the most unfair and regressive "solution" being proposed.

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As recently as this January, the Congressional Budget Office released a report at the request of Senate Health Subcommittee Chairman, George Mitchell of Maine, on the Distributional Effects of an Increase in Selected Federal Excise Taxes. The CBO's report demonstrated the stark regressivity of all federal excise taxes. Federal excise taxes impose eight times the burden on low income individuals than they do on individuals who earn in excess of \$50,000 per year.

Interestingly, the most regressive of all excise taxes is the one on tobacco which imposes a burden on individuals that is fifteen times higher than that paid by individuals with an income in excess of \$50,000. We have attached a copy of this study for your information. The statistics referred to in this correspondence are taken directly from Table 3.

In contrast, funding catastrophic insurance through progressive income taxes instead of regressive excise taxes is entirely consistent with the view taken by the AFL-CIO. As recently as two weeks ago at a press conference during the winter meetings in Bal Harbour, Lane Kirkland reiterated the AFL-CIO's position on this matter. President Kirkland stated:

We favor and have consistently favored progressive income taxes as the primary means of raising revenue. That progressive income tax, without loopholes or opportunities for evasion by a privileged few, ought to be designed and structured in such a way as to raise the revenue that we need to meet the obligations of government.

With these thoughts in mind, the unions of the Labor-Management Committee will continue to support efforts of the Health Security Action Council to see that comprehensive catastrophic health insurance moves from a legislative idea into legal reality. And we will work to see that this program is funded in the most efficient and

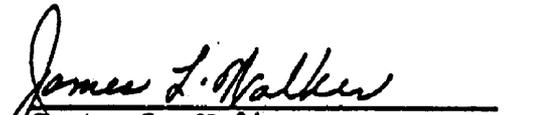
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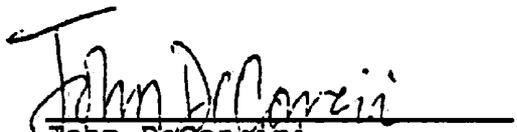
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comprehensive catastrophic health insurance moves from a legislative idea into legal reality. And we will work to see that this program is funded in the most efficient and fair methods; and not in a manner which harms those for whom the program is intended to help the most.

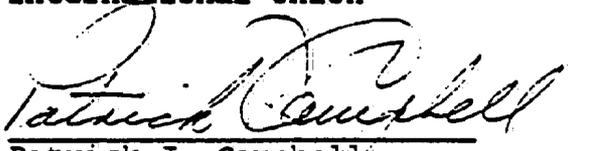
Sincerely,

  
\_\_\_\_\_  
William W. Wimpisinger  
President, International  
Association of Machinists  
and Aerospace Workers

  
\_\_\_\_\_  
James L. Walker  
President  
International Brotherhood of  
Firemen and Oilers

  
\_\_\_\_\_  
John DeConcini  
President  
Bakery, Confectionery and  
Tobacco Workers  
International Union

  
\_\_\_\_\_  
Edward J. Carlough  
President  
Sheet Metal Workers  
International Association

  
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Patrick J. Campbell  
President  
United Brotherhood of Carpenters  
and Joiners of America

Enclosure

cc: AFL-CIO Economic Policy Committee

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