

Taxes and "Social Costs"
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Issue Manager: Calvin H. George

In May, the Clinton Administration decided to focus on one domestic policy objective at a time. Announcement of a health care reform plan was delayed until after passage of a budget reconciliation bill.

The likely scrapping of the Btu tax in the Senate caused both political grief and a practical search for substitute revenues and/or spending cuts. The continued presumption that an increase in the cigarette excise tax was being held for health care reform appeared to keep the industry out of the equation, though the possibility of turning to tobacco excises in reconciliation loomed as a threat, however remote.

At the same time, reliable information from a number of sources pointed to a continued lack of consensus, as well as some confusion, on potential financing mechanisms for health care reform. Issue staff worked with Public Affairs senior management, Federal Relations and State Activities staffs, consultants and company legislative representatives to position the industry to take advantage of the Administration's difficulties on reconciliation and strengthen the options available for defending against a "monster" tobacco excise increase whenever it is proposed.

Highlights of ongoing efforts in each major area of work follow.

Work with allies

- Worked with consultants to develop messages and identify appropriate messengers to contact selected House Ways and Means and Senate Finance Committee, first-term, Southern and other members of Congress during the Memorial Day recess regarding a reliance on excises for health care reform, with a particular emphasis on the job loss impact of such a policy.

Also worked with consultants to assist allies in conveying similar messages to administration officials working on health care reform.

- Worked with consultants to assist state fair tax coalitions and other allies in Illinois, Indiana and Michigan promote progressive financing solutions to state budget problems as opposed to tobacco excise tax increases.

Earmarked taxes and health care reform

- Worked with consultants to monitor the Clinton Administration's development of a health care reform plan, including the Administration's consultations with organized labor and other interest groups. As appropriate, consultants assisted allies in making their opposition to a tobacco excise tax increase known.
- Worked with consultants to assist the Coalition of Labor Union Women (CLUW) in sponsoring a "Women's Convergence for National Health Care" conference, which brought 500 women from across the country together in Cleveland, Ohio to focus on women's health care needs and solutions.

The conference, scheduled to coincide with the original deadline of the President's Task Force on Health Care Reform to develop its plan, sent a telegram to the first lady listing women's demands for health care reform and including progressive financing as a criteria for reform. The progressive financing message was also included in the presentations of several speakers and in conference materials.

- Worked with consultants to assist New Jersey Citizen Action organize and hold a health care reform rally in Trenton, which brought together 1,600 people calling for universal access to and fairly financed and affordable health care services. The rally generated significant media coverage, including front page of The Newark Star-Ledger, an Associated Press story that was picked up across the state, several television stories and more than 25 radio talk show interviews.
- Worked with consultants to assist the A. Philip Randolph Institute in distributing to key members of Congress copies of the Economic Policy Institute's recent study on the distribution of health care spending by family income group and calling for progressive financing of health care reform.
- Worked with Public Affairs senior management and consultants to develop talking points for responding to recent Office of Technology Assessment (OTA) claims about smokers' health care costs to the government. A "white paper" critiquing the OTA report is expected to be available for legal review in June and to be published shortly thereafter as a working paper by George Mason University's Center for the Study of Public Choice.

Other activities

- Worked with consultants to provide assistance to tobacco manufacturing employees visiting Washington to make their

views on a cigarette excise tax increase known to selected members of Congress.

- Worked with consultants to review, edit and obtain legal clearance on five additional op-eds by economists from across the country commissioned to write about the inappropriateness of using tobacco excise tax increases to finance health care reform. As of the end of May, 17 op-eds had been submitted, one published and four accepted for publication at a later date.
- Worked with Public Affairs senior management, Federal Relations staff and consultants to develop potential anti-excise tax increase print and broadcast ads, for which appropriate sponsors and suitable placements can be identified once the full nature and timing of the federal excise tax threat becomes clearer.

Needs Attention Next Month

Begin drafting 1994 "priorities" document and budget for taxes and "social costs" issue area.

Develop additional tools for refuting and/or minimizing "social costs" arguments and studies being used to justify a "monster" tobacco excise tax for health care reform.

Edit and obtain legal clearance on balance of op-eds on health care reform and tobacco excise taxes.