

Joint Committee on Ways and Means

Carriers – House: Rep. Kotek  
Rep. Greenlick  
Carrier – Senate: Sen. Carter

Revenue: Revenue statement issued

Fiscal: Fiscal statement issued

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Action: Do Pass the A-Engrossed Measure as Amended and Be Printed B-Engrossed

Vote: 12 – 8 – 1

House – Yeas: D. Edwards, Galizio, Nathanson, Nolan, Shields  
– Nays: Garrard, Hanna, Jenson, Morgan  
– Exc:

Senate – Yeas: Bates, Carter, Gordly, Johnson, Schrader, Verger, Westlund  
– Nays: Morse, Nelson, Whitsett, Winters  
– Exc: Devlin

Prepared By: John Britton, Legislative Fiscal Office

Meeting Date: 4/20/07

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**WHAT THE MEASURE DOES:** This measure creates the Healthy Kids Program and increases tobacco taxes for distribution to the Healthy Kids Program Fund, the Tobacco Use Reduction Account, the Rural Health Revolving Account and the Healthy Kids Safety Net Fund. Directs Department of Human Services (DHS) and the Office of Private Health Partnerships (OPHP) to implement the Healthy Kids Program. The Healthy Kids Program would provide funding to expand health insurance coverage for eligible children in households with incomes up to 300% of the federal poverty level. Households with incomes above 300% of the federal poverty level would be allowed to purchase Healthy Kids insurance coverage, but there would be no state subsidy to assist them. The measure would provide about \$8.6 million of new funds for tobacco prevention and education programs. Effective date is 91<sup>st</sup> day following sine die.

**ISSUES DISCUSSED:**

- Overall revenue amounts produced from tobacco tax increases in HB 2201
- Distribution of the revenue and the anticipated costs of the Healthy Kids Program
- Lower consumption of tobacco resulting from the higher tobacco tax rates as well as higher funding for tobacco prevention and education programs
- Health care system primary care capacity constraints
- Sustainability of the Healthy Kids Program given gradual reductions of tobacco tax revenue and increasing health costs
- The unused tobacco tax revenue remaining in the Healthy Kids Program Fund at the end of the 2007-09 biennium that could be used for future Healthy Kids Program costs
- The difference between the co-chairs budget and the Governor’s budget with respect to the new tobacco tax revenue
- Amendments
- Definition of rural within the committee’s amendment

**EFFECT OF COMMITTEE AMENDMENT:**

The Committee amendment removes the durational residency requirement for eligibility; directs DHS (rather than OPHP) to verify that beneficiaries of Healthy Kids are “legal residents”; allocates 1.097% of gross new tobacco tax revenue to the Rural Health Revolving Account; allocates 2.874% of gross new tobacco tax revenue to a newly established Healthy Kids Safety Net Fund; requires managed health care organizations with whom DHS contracts for enrollees to reimburse qualified community health centers; and changes the allocation of remaining tobacco tax proceeds to the Tobacco Use Reduction Account and the Healthy Kids Program Fund.

**BACKGROUND:**

The Governor’s recommended budget for the Department of Human Services and the Office of Private Health Partnerships includes expenditure limitation to implement the Healthy Kids Plan. This plan expands health insurance coverage for children by raising the income eligibility ceiling to 300% of the federal poverty level. Currently, eligibility

is limited to children in homes with incomes below 185% of the federal poverty level. Enrollment is expected to reach nearly 43,000 average monthly cases during the 2007-09 biennium and 99,784 average monthly cases during the subsequent biennium. The Governor's budget for 2007-09 also included \$18 million of new tobacco tax revenue for tobacco prevention and education programs. This measure allocates \$8.6 million for these efforts during the 2007-09 biennium.

Both DHS and the OPHP, in their 2007-09 budget presentations, provided information on the Healthy Kids Program, and the DHS Public Health Division discussed its tobacco prevention and education programs. In addition, the Human Services Subcommittee of the Joint Committee on Ways and Means held a public hearing and a work session on the measure.