

Pa. smokers, employers would pay for health insurance expansion

By Martha Raffaele The Associated Press

HARRISBURG -- Smokers and businesses that do not provide employee health insurance would pay higher taxes under Gov. Ed Rendell's plan to extend Pennsylvania's health-insurance program to about 800,000 adults who lack coverage.

The proposal, which Rendell unveiled Wednesday, would impose a "fair share" tax on employers who do not provide health insurance equal to 3 percent of their payroll, increase the state's \$1.35-per-pack cigarette tax, and tax smokeless tobacco and cigars for the first time. That money would be supplemented with federal matching dollars, Rendell said.

Rendell acknowledged that the Legislature has been reluctant to tax smokeless tobacco and cigars, but said it was only fair to tax all tobacco products.

"How can we sit there and tax cigarette smoking and not tax smokeless tobacco and cigar smoking when we know the health risks and the cost to the overall public health system are just as great?" Rendell said during a news conference to announce the details of his proposal.

Officials would not immediately

say how much the proposed insurance expansion would cost or elaborate on the size of the proposed tax increases, saying that Rendell would provide those details in his Feb. 6 budget address.

Unlike Massachusetts, which last year became the first state to mandate universal health coverage, Pennsylvania would not immediately require all residents to carry insurance. Earlier this month, California Gov. Arnold Schwarzenegger advanced a similar initiative.

Pennsylvania officials would consider requiring health insurance for residents with incomes exceeding 300 percent of the federal poverty level -- about \$60,000 for a family of four -- but only after they evaluate the effect of Wednesday's proposal, Rendell said.

"We may not have to mandate," Rendell said. "We'll see how successful we are in getting everybody in. The more people we include in the entire system, the lower the cost will be for all of us."

Rendell's proposal includes other measures intended to reduce the cost and improve the

quality of health care, such as expanding the state Insurance Department's authority to regulate rate increases for health insurance, loosening regulations to allow nurse practitioners to perform more medical procedures, and tightening regulatory controls on the growth of expensive new services at hospitals.

Under the health-insurance provisions of Rendell's plan, the state would partially subsidize insurance costs for small businesses that cannot afford to offer coverage to low-wage workers. It also would expand coverage for individuals under the state's AdultBasic insurance program, which covers adults between 19 and 64 years old who cannot afford private health insurance but make too much to qualify for Medicaid.

The program currently limits eligibility to adults with incomes at or below 200 percent of the federal poverty level -- about \$40,000 for a family of four. Rendell proposes to expand eligibility for state subsidized insurance to people earning up to 300 percent of the federal poverty level. Those people would pay monthly premiums ranging from \$10 to \$60.

Businesses that employ fewer than 50 people and pay an average wage below the state average of about \$39,000 would pay monthly insurance premiums of \$130 per employee under the plan. Employees of those businesses would pay between \$10 and \$70 per month, depending on their income, if their earnings fall below 300 percent of the federal poverty level.

Those same small businesses would be exempt from paying the new "fair share" payroll tax.

AdultBasic was established in 2002 using more than \$76 million of the state's share of a national settlement with major tobacco companies. It was expanded in 2005 under a deal with the state's four Blue Cross/Blue Shield companies to contribute money from their cash reserves.