

Healthcare Access a Focus of Alabama Tax Reforms

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Alabama has some of the nation's highest rates of diabetes and obesity, and earlier this year it faced a crisis when its largest [mental health provider](#) suddenly closed, which many advocates blamed on chronically low pay rates.

Since then, Republican Governor Robert Bentley has vowed to turn around his state's healthcare woes. But he's faced what some have called the worst budget crisis since the Great Depression, and that required introducing a budget with \$300 million in tax increases. Needless to say, that hasn't gone over well in the Deep South.

But Bentley is undeterred. This week, he endorsed fellow Republican [John Kasich](#) of Ohio for the GOP nomination for president, a nod to Kasich's ability to score a resounding re-election victory after expanding Medicaid, in part to take mental health services out of the jails and prisons.

And then Bentley publicly asked recalcitrant lawmakers in his own party what they would do to close the budget gap without the new taxes. He called on the 38-member Alabama Health Care Reform Task Force to aid him in the cause, asking them to button-hole legislators to support his plan that would add revenues to the general fund.

"If they're not going to support \$300 million in taxes, I want to know what they want to cut," Bentley said of the legislators. "I want to know their list."

The healthcare group began meeting in April to create a list of recommendations that will go before the legislature when they return in February. First up is the special session next month, because without the new revenues, Alabama's already bare bones healthcare infrastructure could take another hit. Bentley and the lawmakers must agree on a way to fill the gap before the budget year that begins on October 1.

Elements of Bentley's tax plan include:

- Eliminating Alabama's income tax deduction for FICA taxes, which would bring in an estimated \$182 million.
- Raising the [cigarette tax](#) by 25 cents per pack, with a phase-in schedule of 15 cents the first year, and

another 10 cents the next. Once completed, the new tax of 67.5 cents per pack would raise \$66 million per year.

- Raise a business tax to bring in \$30 million.
- Transfer revenue from the use tax, \$225 million, from the Education Trust Fund to the general fund.

Earlier this year, state officials said that Alabama's Medicaid costs are increasing despite the fact that the state has not pursued Medicaid expansion to those earning up to 138% of the federal poverty line. Bentley previously hinted at the possibility of expansion but it has not been pursued.

In Alabama and a few other states with high poverty levels, it is believed that interest in the Affordable Care Act and greater awareness of Medicaid eligibility rules led some uninsured to learn that they could participate in the program for the poor; they simply had never applied.

This week, Health Officer Don Williamson, who chairs the health care task force, said the Medicaid agency needs a \$60 million increase in General Fund dollars to keep operations level. That amount will replace a \$50 million supplement from hospitals and repayments to the federal government.

Alabama is in the process of converting to a managed care system for Medicaid, which legislators approved in 2013. Even though the federal government supports moving away from fee-for-service toward value-based models of care, the move will still require a CMS waiver. Among the items that the federal government will examine is whether the state has adequate budget levels to support services.,