

WASHINGTON STATE MEDICAL ASSOCIATION

April 16, 2009

MEMO TO: Members, WSMA Board of Trustees
Presidents, County Medical Societies
Presidents, Medical Specialty Societies

FROM: Cindy Markus, MD, WSMA President

**SUBJECT: REFERENDUM ON .3% SALES TAX INCREASE – WHAT IS YOUR
RECOMMENDATION? PLEASE RESPOND BY APRIL 30**

At last Saturday's Interspecialty Advocacy Council meeting, our staff reported on discussions underway about a possible referendum on a temporary .3 percentage point increase in the state sales tax.

There was a fair amount of interest expressed on this potential referendum, and the society representatives at the meeting asked for more information on the issue, including the pros and cons of supporting such a ballot measure. Here is our current information (received earlier this week) about the possible referendum:

1. The .3% increase in the sales tax would be for three years.
2. It would raise an estimated \$615 million over the three years, which brings with it an additional \$290 million in federal money.
3. The amount to be raised "buys back" about:
 - a. 80% of hospital rate cuts;
 - b. 80% of BHP cuts;
 - c. 80% of Healthy Options cuts. (Healthy Options presently is slated for a first year reduction of 1% and a second year 0% increase. The non-cut amount was a 2.5% increase);
 - d. 80% of long term care cuts; and
 - e. 80% of mental health cuts.
4. It does not buy back the office based pediatric cuts (actually the proposed reduction in the increase enacted two years ago) or adult primary care cuts (the major groups in the coalition are hospital and long term care based labor unions, and the hospital association).
5. If passed by the legislature, it would appear on the ballot in November and require a simple majority to pass. The increased revenue would be used only to restore the cuts to health care spending.
6. A public opinion survey to measure the impact of the coalition's TV ad campaign is underway.
7. A decision to move ahead or cancel the referendum project is expected very soon and will be largely based on the polling data. There is a chance that the coalition – or members of it – may go ahead with the referendum even if the polling results are not too strong, for political reasons.

Concurrently, a bill expected to be the basis for the referendum was introduced yesterday by State Rep. Eric Pettigrew, D-Seattle, chairman of the House Health and Human Services Appropriations Committee. House leadership backs the bill, but supporters aren't sure yet if there are enough votes to get it out of the House, according to reports.

A summary review of the bill indicates it may be somewhat different in certain aspects than what we know about the referendum under discussion (for example, it does add some funds to partially restore the pediatric cuts); either way, the bill will be the vehicle, and will be subject to amendments during the remaining legislative process.

This obviously is a fluid situation.

A more formal discussion and possible decision on what position the WSMA should take should the legislature act to put a referendum on the ballot will be on the agenda for May 17 WSMA Board of Trustees meeting.

IN THE MEANTIME, THIS MEMO IS A REQUEST FOR YOUR COMMENT AND INPUT

The WSMA needs your help to determine how to position our organization with regard to this possible referendum.

We need you to communicate now with the members of your society and let us know how they feel within the next 10 days by e-mail to my return address above.

The WSMA can actively support such an initiative, be neutral or oppose it. We were asked by those at the April 11 Interspecialty Council meeting to provide you with some thoughts on the pros and cons.

Here they are:

The WSMA should support the initiative because:

- 1. It will help restore the BHP enrollment that we fought so hard for over the past few years. Advocating for the restoration of access to care is a "white hat" issue.*
- 2. The coalition would benefit from our support, and providing it will help us build relationships with the Democrats and unions that we have not had in the past.*
- 3. An increase in the sales tax is the only viable option if there is to be a tax increase because of our State's long standing opposition to an income tax, the uncertainty of so called "sin" taxes, and the huge business community outcry that would occur against any increase in the B&O tax.*

The WSMA should oppose the initiative because:

- 1. Some anticipate that restoration of health care budget cuts hospitals are facing could be several times greater than the projected value of the payment cuts for pediatric and adult services in the physician office setting. (Both hospitals and medical practices would benefit from restoration of the BHP cuts in eligibility.)*
- 2. A sales tax increase will hurt businesses at a time when businesses are struggling to survive. The business lobby and Republicans will fight this initiative.*

3. Increasing taxes is just a bad idea and the public will see this as purely an act of self interest for those supporting the referendum.

What are your thoughts and recommendations regarding a position on such a ballot measure? **Please respond by April 30.**

cc: WSMA Senior Staff
County Medical Society Staff
Medical Specialty Society Staff