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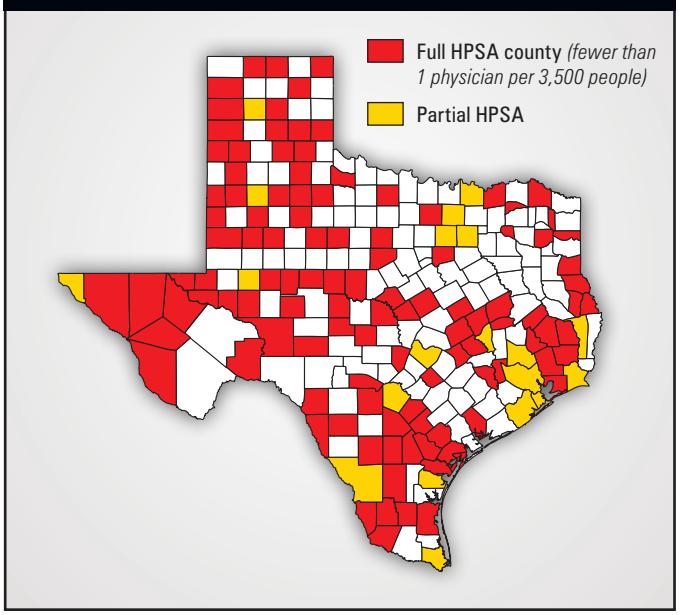
Support H.B. 1876 and S.B. 2527 and Invest in Primary Care for Better Access and Lower Costs

Texas faces a current and impending shortage of physicians—particularly primary care physicians—to meet the health care needs of our growing population. If Texas is going to address skyrocketing health care costs and improve access to care, the state must rebuild its dwindling primary care workforce. Several recent studies have conclusively shown the effectiveness of primary care physicians in lowering health care costs and improving overall quality of care.

- A recent study concluded that in an average-sized metropolitan area a 1% increase in primary care physicians led to a decrease of 503 hospital admissions, 2,968 emergency room visits and 512 surgeries.
- Costly emergency room visits in Texas increased from 5.5 million in 1992 to 8.6 million in 2003. Almost half of those visits could have been addressed for less cost in a primary care setting.
- States relying more on primary care report better health outcomes, score higher on quality rankings and record fewer Intensive Care Unit deaths, according to the Dartmouth Institute for Health Policy and Clinical Practice.

HEALTH PROFESSIONAL SHORTAGE AREAS

114 counties in Texas are classified as full HPSAs



A Critical Shortage of Primary Care Doctors

The number of U.S. medical graduates choosing to enter family medicine and general internal medicine residencies has fallen by almost 50 percent over the past 10 years. Most Texas physicians practice in urban and suburban communities, leaving rural, border and inner-city communities without adequate access to primary and preventive care. Consider the following facts:

- More than half of Texas' counties need more primary care physicians. 114 counties do not meet the national standard of one physician for every 3,500 people.
- 5.1 million Texans—about 1 in 5—live in a full or partial health professional shortage areas, or HPSAs, yet only 1 in 10 physicians practice in a non-metropolitan area.
- The national average for primary care physicians to every 100,000 people is 81. Texas averages 68 for every 100,000 people.
- Texas needs about 520 more primary care physicians to meet the HPSA threshold of one physician for every 3,500 people. If appropriately distributed to high-need areas, this increase would eliminate HPSAs in the state.
- By 2015, Texas will need more than 4,500 additional primary care physicians and other providers to care for the state's underserved population, predicted to be 5.3 million people.

Chief among the multiple factors contributing to Texas' shrinking supply of primary care physicians is the fact that the average medical school graduate carries a debt of more than $130,000. Faced with such a burden, is it any wonder an ever-growing number of them choose to pass over primary care in favor of more lucrative specialties?

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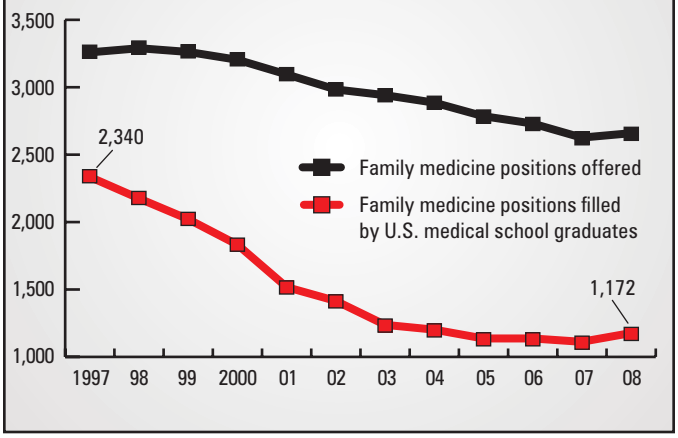
Texas Needs Bold Action to Rebuild Its Primary Care Infrastructure

Step 1. Restructure the state's loan repayment programs.

Texas' existing loan repayment programs are disparate and underfunded. The repayment amounts have not changed since the programs' inception in 1985, and fall far short of meeting the state's current needs.

By consolidating the state's loan repayment programs into one entity and structuring a new, substantial investment in debt relief for primary care providers across four years of service, Texas can greatly increase access to primary care services in areas with the most need.

NUMBER OF FAMILY MEDICINE RESIDENCY POSITIONS FILLED BY U.S. MEDICAL GRADS



A new consolidated loan repayment program for primary care health professionals should:

1. **Combine the state's health professional loan repayment programs into one consolidated program housed at the Higher Education Coordinating Board and allow DSHS to screen eligible program participants.**
2. **Expand the professions eligible for loan repayment to include all those eligible for National Health Service Corps loan repayment.**
3. **Provide loan repayment to physicians, dentists and other health professionals for up to four years, escalating awards with additional years of service: Y1-$25,000, Y2-$35,000, Y3-$45,000, Y4-$55,000.**
4. **Require a minimum two-year service obligation for all professionals.**

Step 2. Fund the state's loan repayment program.

Currently, the tax on smokeless tobacco products is based on price, not unit. The excise tax on these products is not applied consistently, which creates a tax loophole that promotes the use of cheap smokeless tobacco and deprives the state of excise tax revenue.

Most excise taxes are applied on a per-unit basis rather than on a product's retail value, including cigarettes and cigars. This means all products are taxed equally, regardless of their price, ensuring these products fully compensate society for their negative impacts.

Closing this smokeless tobacco loophole would simultaneously bring a measure of tax fairness to the market, reduce smokeless tobacco consumption thereby improving the health of Texans, and raise a significant amount of new revenue which could be used to increase access to primary care in underserved areas.

Texas can put in place an innovative physician supply line to the state's most underserved areas, remove one of the most significant barriers to physicians choosing to practice primary care, and strengthen the state's primary care network, which will reduce hospitalizations and costly trips to the emergency room. A consolidated and robust loan repayment program targeted to increase the primary care workforce is the right investment for our medical students, our economy and generations of Texans to come.

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Support H.B. 1876 and S.B. 2527 and Invest in Texas' Primary Care Infrastructure

What This Legislation Does

Restructures and streamlines the state's existing health care related loan repayment programs and provides a new, substantial investment in debt relief for primary care physicians, dentists and other health care providers who agree to serve in medically underserved communities.

Why Texas Needs H.B. 1876 and S.B. 2527

Texas faces a current and impending shortage of physicians—particularly primary care physicians—to meet the health care needs of our growing population. The number of U.S. medical school graduates choosing to enter family medicine and general internal medicine has fallen by almost 50 percent over the past 10 years. Poor distribution of the physicians we do have only worsens the problem, leaving rural, border and inner-city communities without adequate access to primary and preventive care. Currently, more than half of Texas' counties need more primary care physicians. 114 counties in Texas are classified as full Health Professional Shortage Areas.

Chief among the multiple factors contributing to Texas' shrinking supply of primary care physicians is the fact that the average medical school graduate carries a debt of more than $130,000.

How H.B. 1876/S.B. 2527 is Funded

This bill closes a loophole in how the state taxes smokeless tobacco products. The current excise tax or sin tax placed on smokeless tobacco is based on the manufacturer's list price, not on a per-unit basis, like cigarettes and alcoholic beverages. Moving the tax on smokeless tobacco products to a per-unit tax and applying the tax equally and consistently to all smokeless tobacco products would simultaneously bring a measure of tax fairness to the market, while reducing smokeless tobacco consumption, thereby improving the health of Texans. In addition to the direct public health benefit, the bill raises a significant amount of new revenue to increase access to primary care in underserved communities throughout Texas.

Why Restructure the Way Smokeless Tobacco is Taxed?

According to the National Cancer Institute, smokeless tobacco contains 28 cancer-causing agents and leads to several health problems, from gum disease and tooth decay to heart problems and oral cancer. The Texas Department of State Health Services reports that teens are twice as likely to use smokeless tobacco as adults. The current method Texas uses to tax these products allows cheaper brands to pay substantially less for the harm they cause.

By making the taxing method for smokeless tobacco consistent with that of other tobacco products, we can ensure that all tobacco manufactures pay an equal share for the health problems they cause. Just as important, equalizing the sin tax on inexpensive smokeless tobacco products will discourage many Texans—especially teenagers—from using these products.

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Restructuring the Smokeless Tobacco Tax

How Smokeless Tobacco is Currently Taxed in Texas

The State of Texas imposes an excise tax on certain products to compensate society for the harm they cause. This "sin tax" is typically applied to products with negative health consequences like beer, wine, liquor, cigarettes and cigars.

While most excise taxes are applied equally on a per-unit basis, the excise tax on smokeless tobacco is calculated on 40 percent of the manufacturer's list price. The current method Texas uses to tax smokeless tobacco products allows less expensive brands to avoid paying their share of the harm they cause and deprives the state of excise tax revenue.

Restructuring Texas' Tax on Smokeless Tobacco

H.B. 1876 and S.B. 2527 would restructure the way Texas taxes smokeless tobacco by imposing a $1.10 per ounce tax on all smokeless tobacco products and set a minimum weight of 1.2 ounces for each product. This would result in a $1.32 per can tax being applied equally and consistently to all smokeless tobacco products.

The bill also includes a provision to increase the per-unit tax by 3 cents each year over four years, ultimately raising the tax on smokeless tobacco products to $1.46. This level would bring the tax on smokeless tobacco products in line with the current tax on cigarettes, which is $1.41.

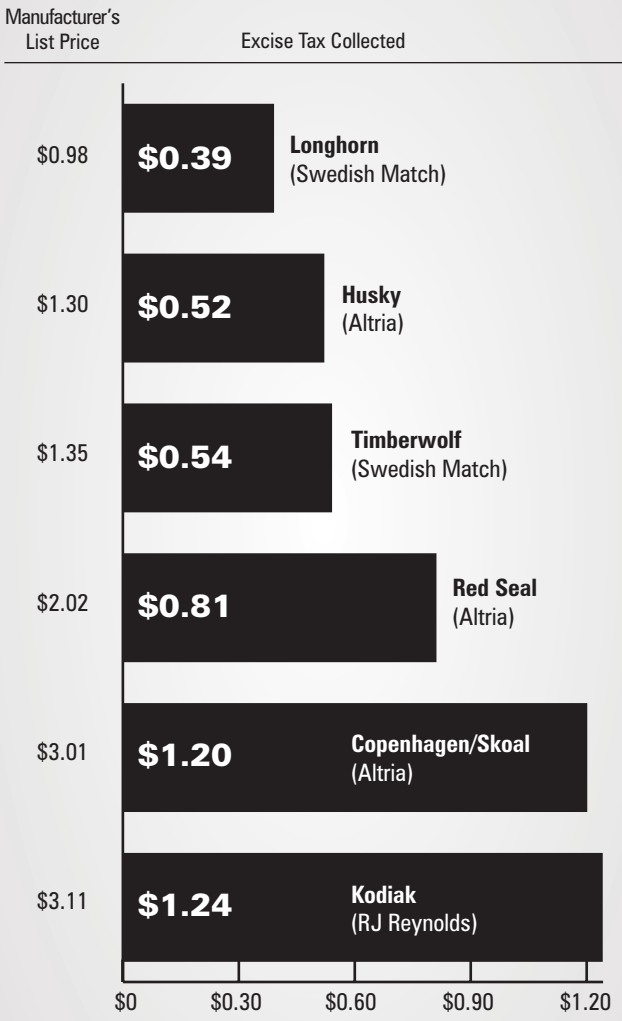
Protects Existing Revenue Allocations

This legislation protects and increases existing tax revenue streams currently allocated to both general revenue and property tax relief. Closing the smokeless tobacco tax loophole would not deprive general revenue or property tax relief allocations of any funding.

H.B. 1876/S.B. 2527 Is an Investment in Texas' Health Care Workforce Infrastructure

Texas can put in place an innovative loan repayment program for physicians, dentists and other health care providers to serve the state's most underserved areas. It will remove one of the most significant barriers to physicians choosing to practice primary care and strengthen the state's primary care infrastructure, thereby reducing unnecessary hospitalizations and costly trips to the emergency room. This bill is the right investment for Texas to ensure patients are able to access and receive the right care at the right time in the right setting.

TEXAS' CURRENT TAX METHOD MEANS EQUIVALENT PRODUCTS CARRY DIFFERENT TAX BURDENS



Why should these smokeless tobacco products be taxed differently for the harm they cause Texans?

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