Funding universal health care

With probability that the President will soon sign the proposed measure to raise taxes on tobacco products without changes as approved by Congress, we will be seeing taxes on the retail prices of cigarettes to gradually increase to P60 by 2023.

At the 11th hour before the 17th Congress adjourned sine die last week, Senate Bill 2233 passed after the House agreed to adopt the new tax schedule without changes, thus doing away with bicameral sessions and paving the way for its transmittal to the Office of the President.

The proposed law’s rushed journey comes with pressure from the passage of the Universal Health Care (UHC) Act by the President last Feb. 20.

While Filipinos, especially the poor, would consider the health care law as a landmark accomplishment of the Duterte administration, the cost of delivery will not come cheap.

Over the next five years starting in 2020, the UHC will need an aggregate state funding of P1.437 trillion, starting at P257.5 billion on its first year and gradually rising to P319.4 billion in 2024.

The available money, originally coming only from the Philippine Amusement and Gaming Corporation, Philippine Charity Sweepstakes Office, and the PhilHealth budget, will not be enough to fund the UHC during the first five years, and will resulted in an accumulated deficit of more than P400 billion.

For the Department of Health (DOH), the shortfall needs be filled up by additional taxes on sin products, particularly cigarettes, which is considered as one of the biggest contributors to a number of debilitating and deadly lifestyle illnesses that the government’s health services spend on.

Finding the right numbers

As in any tax initiative, one of the more important considerations will be the sustainability of a new or additional tax. When legislative discussions started during the 17th Congress, the DOH was batting for a P90 increase, which was about three times higher than current levels.

The World Health Organization, one of the supporters of higher sin taxes, supported this view, saying that taxes should at least be 70 percent of retail prices. The National Tax Research Council, whose opinion eventually prevailed, was for a gradual rise in taxes to P60 per pack.

Next year, when the new tobacco taxes are put into effect, retail prices will be at least P100 per pack, which would still be much lower than the selling price in a number of ASEAN countries, and just a fraction in many developed countries that adopt taxation as a measure to discourage tobacco use.

This should allow our government officials to relax that the additional taxes will not be far off the paper projections, and thus focus on ensuring efficient tax collections and disbursement to enable all of our countrymen to enjoy better health services.
‘Risks’ and responses

Cigarette manufacturers, understandably, have been warning of the risks of new taxes. Aside from raising the possibility of displacement of tobacco farmers, loss of jobs, and lost income by retailers, they warn also of the rise in smuggling.

The bureaucracy seems to be bent on finding money to fund an expected shortfall in its new national health care program. As Finance Secretary Sonny Domingo retorted, crop diversification funds will be made available for tobacco farmers affected by decreasing demand for cigarettes.

More importantly, the finance secretary assured that the government will find other sources of funding for the universal health care program in later years should tax collections from sin products not be enough.

Smuggling

As for the possibility of increased smuggling, our appropriate government agencies should continue to improve their capabilities to guard against cigarette products that are locally sold without having been properly taxed.

There will be attempts to illegally bring in products just to avoid taxation. Smuggling is a rich source of corruption money and it can creep into various levels of government entities involved with implementation of laws aimed at curbing the illegal activity.

All, from the lowest level of coast guards and officers patrolling our shores, customs inspectors and documentation clerks at ports of entry, up to the head of the agencies concerned, are vulnerable targets of smuggling syndicates.

This is an area where a government bent on “killing” corruption should focus on.

Substitutes

What bears more watching in the case of high retail prices of cigarettes in the local market is the threat of other substitutes, such as synthetic drugs, that could become more attractive in lieu of cigarette smoking.

The rise of synthetic opioids – like fentanyl, which is cheap and easy to produce, easy to carry and distribute, highly addictive, and very lethal – should be seriously dealt with.

Reforming a sick health care system

New tobacco taxes, as well as possible higher taxes on spirits and alcoholic beverages, only underscores our health officials’ concern to keep its citizens healthy, productive, and fit to contribute towards a more robust economic growth.

The UHC Law, when fully implemented next year, should bring welcome reforms to our health system that has been sick for the longest time. Filipinos, especially those who cannot afford to pay for doctor’s fees and other basic health services, can be at ease.

The new health care law should provide major reforms that will address the current fragmented system that resulted with grassroots health care devolved to local governments, many of which were unable to respond due to lack of funds.
As mentioned earlier, the UHC Law will not come cheap for a developing economy like ours. The ball is now in the court of our health executives who must ensure that every single centavo of taxpayers’ money will be spent on truly improving the health of the nation.

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