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Arizona's "Fat Tax" Punishes the Poor

by Naomi Freundlich

The *Wall Street Journal* calls it the "Medicaid Fat Fee," *Time* magazine refers to "Arizona's Flab Tax" while Arizona's top health officials say a proposed penalty that would be levied on certain Medicaid recipients "is a way to reward good behavior"—a stick without the carrot approach.

At issue is the latest plan to help Arizona make up for its $1.15 billion budget shortfall and planned 28% cut to the state's Medicaid program. The idea is to require certain childless adults—those who are obese and fail to follow a doctor-ordered weight-loss plan; those who are chronically ill with a condition like diabetes and don't adhere to recommended treatment; and smokers—to pay a $50 surcharge.

If instituted, the plan is projected to add about $500 million to fill the budget deficit. It would also signal the first attempt ever to penalize Medicaid recipients for what the state deems "unhealthy behaviors" that drive up health care costs. "If you want to smoke, go for it," said Monica Coury, spokeswoman for Arizona's Medicaid program. "But understand you're going to have to contribute something for the cost of the care of your smoking."

Despite support from Gov. Jan Brewer and the GOP-heavy Arizona state legislature, the proposed "fat tax" has its detractors, especially among advocates for the poor. In an interview on Southern California Public Radio (SCPR), Arthur Caplan, Director of the Center for Bioethics at the University of Pennsylvania said of the plan "I don't think it's fair, I think it's a bad idea." Caplan says singling out the "poorest of the poor," (in Arizona we're talking about a family of two earning under $15,000/yr) is "regressive, short-sighted and cruel… It's just easy to pick on the poor who do stigmatized things."

Arizona, like many states, finds itself in a Medicaid crisis. As unemployment rates rise and more people lose their private coverage, the joint state-federal program has seen an increase in enrollees. The cost of care continues to rise and many state Medicaid programs are riddled with fraud, waste and poorly-coordinated care. Providers are often difficult to find—especially the primary care doctors who would be enlisted to oversee obesity and smoking cessation programs as well as care for the chronically-ill.

In January, Governor Brewer suspended Medicaid coverage for organ transplants (stranding nearly 100 patients on the transplant waiting list) and faced national criticism for that and other actions—including dropping coverage for 350,000 single adults and freezing enrollment in KidsCare, the state's CHIP. In April, a new budget signed by Brewer restored Medicaid coverage for most organ transplants. And if the surcharges go into effect, Brewer claims that 135,000 of the single adults kicked off Medicaid rolls can be reinstated.

But is taxing the "poorest of poor" the only way to rescue Medicaid in Arizona? There are many problems with this plan, first and foremost it has not been fleshed out enough to answer some vexing questions. For example; Why not fine people who practice other unhealthy behaviors like not wearing sunscreen or drinking too much alcohol? Who will decide if chronically-ill patients are adhering to treatment? What criteria will the government use to decide who is obese and not following doctor's weight-loss advice?

In Arizona, 25.5% of residents were obese as of 2009, according to figures from the federal Centers for Disease Control and Prevention. There are no figures for what percentage of Medicaid recipients in the state are obese, but other data from the CDC has shown, for example, that nationally 42.0% of women with income below 130% of the poverty level are obese (vs. 29% of women with incomes above 350% of the poverty line). Poor people are more likely to consume foods that are high in calories as well as sugar, fat and salt because they are cheaper than whole grains, vegetables and more healthy choices. The point is that in this country, obesity is paradoxically a symptom of poverty, not easily solved by taxing those who are poor and overweight and have little access to healthy foods and diet doctors.

Smoking is another behavior associated with being poor. About 46% of Arizona's Medicaid recipients smoke daily, according to a 2006 state survey. The stress of poverty is surely an important reason for this high smoking rate, but as health disparities research points out, the poor also have little access to smoking cessation programs. And perversely, Caplan adds, smokers don't actually cost Medicaid more in health care costs in the long run because they die younger, before they require extended treatment for dementia and other diseases of old age. Taxing tobacco products would generate more income for the state and the associated price increase acts as a far greater deterrent to smoking.

Finally, taxing the chronically-ill for not maintaining recommended treatments seems the meanest cut of all. Many of these Medicaid recipients are unable to afford all their prescribed medications; they have trouble finding doctors who will care for them or see them at regular intervals, and many suffer from chronic and under-treated mental health problems. To me it seems like kicking a man (or woman) when he's already down to fine a diabetic, say, who also suffers from depression and intermittent homelessness.

Conservatives like Michael Tanner, a senior fellow at the Cato Institute, say that Arizona's proposal to punish Medicaid enrollees for unhealthy behaviors is likely to be adopted by other states. "I see absolutely nothing wrong with people taking responsibility for the choices they make," he told SCPR. Alternatives that include taxing junk food, banning toys from fast-food "Happy Meals," and eliminating "food deserts" in poor neighborhoods are methods that expand what Tanner calls "the Nanny state," rather than fostering the all-important virtue of personal responsibility.

Decades of research show the link between poverty and poor health—cheap food is unhealthy food; stress leads to unhealthful behaviors like smoking; and rates of poorly controlled diabetes, hypertension and serious mental health problems are far higher among the disadvantaged. Will using fines to encourage dieting, smoking cessation and better disease management do anything than further punish the poor for deeply-seated social problems? I think not.

Under Brewer's leadership, Arizona has instituted a number of controversial and stilted policies that single out the vulnerable groups in that state; immigrants, the poor and even children. Perhaps this is out of fiscal desperation. But the latest move on Medicaid is as Caplan says, unfair, cruel and short-sighted. Health care costs are out of control because Medicaid rolls are rising, prices for drugs, hospitalization and medical procedures continue to grow unchecked, and waste, fraud and over-treatment remain largely unaddressed. "We have a broken system that's gouging us on prices and we're talking about taxing the poorest of the poor to pay for it," says Caplan. This is a policy that should end in Arizona before it becomes a strategy embraced by other struggling states.

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