

Office of the Governor

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NEWS RELEASE

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<!-- INSERT TEXT OF NEWS RELEASE HERE <CENTER>**GOVERNOR ENACTS
PERMANENT SOLUTION TO PROBLEM OF FUNDING HEALTH CARE FOR THE
UNINSURED**

Gov. Christie Whitman today signed legislation that put to rest the vexing question of how to pay for health care for the state's uninsured. The Governor ended the state's reliance on unemployment insurance contributions and established a permanent revenue source to fund charity care.

The legislation signed today will provide a total of \$489.1 million in funding for charity care and additional subsidized health care programs in FY 1998 and will establish a permanent funding mechanism to support the programs. The Governor enacted an increase in the state cigarette tax from 40 cents to 80 cents per pack, with new revenue dedicated to funding charity care and the construction and renovation of New Jersey's public schools.

"The charity care provided by New Jersey hospitals and our subsidized health insurance programs are critical to the health and well being of our families and our children in need," said Gov. Whitman. "With the signing of these laws today, we now have a permanent revenue source to fund the charity care program, and we are putting an end to reliance on unemployment insurance. We have ensured the continuation of this vital program for New Jerseyans in need."

"The new laws establish a funding mechanism for two programs that are essential to the health, safety and development of New Jersey's most important residents, our children," said the Governor. "Our new KidCare program will ensure that New Jersey's children receive the medical care and attention that they need. And by dedicating \$50 million annually from the cigarette tax to facilities construction for our public schools, we ensure that our children will always have a safe and adequate learning environment."

The Governor signed S-2358, sponsored by Senators Robert Littell (R-Sussex/Hunterdon/Morris) and Peter Inverso (R- Mercer), Assembly Speaker Jack Collins (R- Salem/Cumberland/Gloucester) and Assembly Minority Leader Joe Doria (D-Hudson), which provides funding for charity care and other health care programs.

The bill provides for the following funds:

- \$320 million each year for charity care subsidies for hospitals. Charity care is reimbursement for New Jersey hospitals that donate free medical care to uninsured citizens in need;
- \$101.5 million annually for the Hospital Relief Fund. The fund provides subsidies to hospitals that render care to a high percentage of patients with HIV, mental illness, tuberculosis, substance abuse and neonatal complexity. The state funding will be matched annually by \$101.5 million in federal funds;
- \$20 million annually for Health Access New Jersey, the state's subsidized health insurance program for uninsured residents who do not qualify for

Medicaid; and

- \$47.6 million in 1999 for the Governor's KidCare program to provide children's health coverage and \$23.8 million for the balance of fiscal year 1998. These funds will be matched by \$44 million in federal funds in 1998 and \$88 million in fiscal year 1999. An amount will be appropriated for each succeeding fiscal year to enable the state to receive available matching funds.

The bill phases out, over a five year period, the current reliance on unemployment insurance (UI) contributions to support the programs. Reliance will be decreased from \$288 million in 1998 to \$233.9 million in 1999, \$178.6 million in 2000, \$94.9 million in 2001 and \$66.5 million in 2002.

The bill also provides that \$42.9 million in General Fund revenues will be deposited in the Health Care Subsidy Fund for the remainder of FY 1998. In subsequent years, the General Fund contribution will increase to offset the decrease in funds from the UI contributions.

The Governor also signed A-2157, sponsored by Assembly Speaker Jack Collins, Assembly Member Kip Bateman (R- Morris/Somerset) and Senator Jack Ewing (R-Morris /Somerset), which increases the state sales tax on cigarettes from 40 cents to 80 cents per pack. The bill also raises the tax on other tobacco products from 24 percent to 48 percent.

The law provides that the first \$155 million collected from the tax each year will be deposited into the Health Care Subsidy Fund to support charity care and related programs. The next \$50 million collected from the cigarette tax will be deposited into the School Construction and Renovation Fund to address school facility needs.

The act will take effect on January 1, and will apply to tobacco products delivered on or after that date.