



May 14, 2019

Dear Members of the Pennsylvania General Assembly:

The below signed organizations urge you to ensure Tobacco Settlement Funds continue to be dedicated, as currently proposed, to health-related services and programs enumerated within the Tobacco Settlement Act (Act 77 of 2001) in the Fiscal Year (FY) 2019–2020 state budget.

During 2001, the General Assembly passed the Tobacco Settlement Act (Act 77 of 2001) creating the health-related programs funded through the 1998 Master Tobacco Settlement Agreement (MSA). The General Assembly and former Governor Tom Ridge determined that, given the enormous impact of tobacco and tobacco-related products on public health, it was appropriate to devote these funds to health-related services and programs. To quote Governor Ridge, "Every dollar must go to improve the lives and the health of Pennsylvanians. Every penny, every year."

As part of the FY 2017–2018 state budget, the Pennsylvania General Assembly allowed for the monetization of future funds received through the MSA to generate a one-time sum of \$1.5 billion for balancing the state budget. Debt payments on the bonds secured during this process are now due in the amount of \$115 million.

While the Governor's proposed budget provides funding for this debt service through sales and use tax proceeds, we understand there is consideration in the legislature to pay the debt service from MSA funds, and not replace them in any way. This puts payments to programs critical to public health initiatives, investments in health research, and the safety net for very high-needs patients in jeopardy. The program areas at risk are:

Hospitals

During 2017, the uncompensated care cost to the hospital community was valued at **\$761 million. One hundred and forty three Pennsylvania hospitals** across the commonwealth receive uncompensated care or extraordinary expense payments through the Tobacco Settlement Fund (TSF). These payments are to support the cost of care provided to patients financially unable to pay for services. Hospitals receive \$30.9 million through the TSF at the state level, which is then **matched by the federal government** to total approximately \$64 million. Together, this represents significant and much needed support to the hospital community in caring for the uninsured, underinsured, and vulnerable populations.



Medicaid/uninsured underpayments to hospitals are estimated to range from **\$1.2 billion to \$2 billion** in Pennsylvania and show that Medicaid reimburses at \$.81 of cost. While the Pennsylvania hospital community ranks in the top 15 states for economic efficiency, continuous efforts to reduce payments force an already lean system to offset these losses by other means, including cost reductions (unit closures, layoffs) that can affect access to care.

Life Science Greenhouses

Unlike other states who received tobacco settlement dollars, Pennsylvania took the innovative step of establishing various programs to promote the long-term health of the commonwealth's citizens, consistent with the spirit of the settlement, which included the formation of the three Life Science Greenhouses (LSG). Under the Tobaccos Settlement Act (Act 77), the LSGs were formed to help fund promising biomedical inventions emerging from NIH-funded research and alleviate the commonwealth's shortage of early stage capital in the private sector.

Using the initial Act 77 allocation along with subsequent appropriations from Pennsylvania, returns from investments and other resources, the three LSGs have invested a total of \$91 million in companies through FY 2018. These programs have leveraged more than \$5.04 billion in additional dollars, created 5,007 high-paying jobs, and have contributed to Pennsylvania's reputation as a leader in the biosciences.

Demand for funding remains high—the LSGs have received more than 2,800 applications requesting more than \$4B in funding since the LSGs' inception. Research funding from National Institutes of Health (NIH) remains high in Pennsylvania as well, with more than \$1.8 billion in funding during FY 2018. This demand trend will continue as our world-class research organizations continue to receive NIH investment. LSGs provide a crucial role in early-stage life science startups to advance economic growth while also addressing critical unmet medical needs. It is clear that there is a gap between need and opportunity. To remain competitive, it is crucial that Pennsylvania continues to invest at least \$3 million into the LSGs.



CURE Health Research

The Commonwealth Universal Research Enhancement, or CURE, program was created by Act 77 to support a broad range of health-related research projects conducted by Pennsylvania-based researchers, universities, medical schools, and other institutions. Administered by the Department of Health (DOH), studies funded by CURE grants aim to improve the delivery of health care, promote health, prevent disease and injury, and translate research advances to community health care practice across the commonwealth.

During the past eighteen years, the impact of the CURE program has been immeasurable. Funding for the CURE program has advanced promising medical discoveries, supported the hiring and retention of skilled workers, leveraged significant federal and private research funding for the commonwealth, and catalyzed the formation of biotechnology companies in Pennsylvania. Most importantly, its depth and breadth of research discoveries have included new developments in smoking cessation, genome-based therapeutics, heart and lung disease, nutrition and obesity, addiction, as well as pancreatic, liver, breast and lung cancers and leukemia.

Since enactment of the Tobacco Settlement Act during 2001, the share of the Master Settlement Agreement payment dedicated to the CURE program has decreased from 19 percent to its current level of 13 percent. It is vitally important to sustain the current level of CURE funding and to protect the integrity of the program as it was intended under Act 77. **The continued diversion of CURE funds would represent lost economic opportunity, as well as an impediment to advances in biomedical research and patient care.**

Tobacco Use Prevention and Cessation Programs

Pennsylvania's Tobacco Prevention and Cessation programs work. Last year, with the commonwealth's investment of \$15.5 million in tobacco prevention and cessation programs, 15,775 people used the Pennsylvania Free Quitline, more than 2,600 enrolled in regional tobacco cessation programs, almost 10,000 employees were protected by new or strengthened worksite policies, and 22,350 residents were newly protected by smokefree multiunit housing policies. Evidence-based, statewide tobacco control programs



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that are comprehensive, sustained, and accountable have been shown to reduce tobacco use rates, as well as tobacco-related diseases and deaths. Research shows that the more states spend on comprehensive tobacco control programs, the greater the reductions in tobacco use. The longer states invest in such programs, the greater and quicker the impact. Pennsylvania cannot afford to jeopardize funding for tobacco prevention and cessation programs that save lives and reduce smoking-related health care costs.

We the undersigned urge lawmakers to preserve these critical dollars from the Tobacco Settlement Fund for our valuable contributions to the commonwealth's care of its citizens. Please contact us with any questions or concerns, and let us know if you agree.

Sincerely,

American Cancer Society
American Lung Association
Bio Advance
Healthcare Council of Western Pennsylvania
Life Sciences Greenhouse of Central Pennsylvania
Pittsburgh Life Sciences Greenhouse
Pennsylvania Alliance to Control Tobacco
Pennsylvania Cancer Alliance
Safety-Net Association of Pennsylvania
The Hospital and Healthsystem Association of Pennsylvania
The Urban Health Care Coalition of Pennsylvania