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[Home](#) > [Opinion](#) > Tobacco-tax initiative fails to stop fraud and waste

Tobacco-tax initiative fails to stop fraud and waste

By [Larry McCarthy](#)



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It has been widely reported that as much as 10 percents--in excess of \$3 billion annually--of the Medi-Cal budget for the poor and elderly is lost to fraud and waste, year after year. Yet a new measure targeted for the November ballot would ignore this problem and simply reward a system that is out of control with waste and fraud.

Currently gathering signatures for the November 2006 ballot is an initiative that would raise over \$2 billion annually from a new tax on tobacco products, so as to increase funding for hospitals and organizations related to California's out-of-control health-care system. The fact is that taxpayers already pay more than \$40 billion annually to fund health-care programs in the state--and proponents will work hard to hide the realities of the tax dollars currently wasted due to fraud and mismanagement. Another tax increase does nothing to respond to this mismanagement of health-care dollars.

The numerous reports of this waste are disturbing, and highlight why this system must be cleaned up before any additional funding should be considered. Countless daily newspapers and other media outlets have published outrageous examples of how doctors, dentists and others file fraudulent Medi-Cal claims, bilking California's taxpayers of billions.

These include Medi-Cal claims filed for prenatal services to women who already had undergone abortions, a dentist charged for filling teeth that had been extracted, and a suspended doctor billed for hundreds of nuclear brain scans without proper equipment and expertise.

Other media outlets also have highlighted that California is the only state in the nation to pay retail prices for wheelchairs, at more than \$36,000 each. Reports of fraud and waste go on and on. (For media reports on the ongoing problems of health-industry fraud and waste, please visit <http://www.caltax.org/MediCalFraud.pdf>.)

In addition to the wrongheaded nature of this measure regarding the misuse of taxpayer funding, there are other major issues that must be considered. Law enforcement sources have identified cigarette smuggling as a source of funding for terrorists abroad. The extreme taxation imposed by this measure is certain to produce more tax fraud and smuggling by organized gangs and others whose black-market profits amount to hundreds of millions of dollars a year.

It is clear that higher taxes are unnecessary. When managed responsibly,

there is more than enough revenue to meet California's priority needs for hospital and health care. Proponents of this initiative want policymakers to raise new taxes and ignore widespread mismanagement.

This type of ballot-box budgeting through the initiative process has been identified by the nonpartisan Legislative Analyst's Office as a root cause of unaccountability, taking billions of tax dollars away from legislative oversight. This puts more public spending at risk to corruption and mismanagement, instead of being subject to state laws that require competitive bidding on contracts and guard against conflicts of interest.

This tax would be a signal to special-interest manipulators to push more and more taxes targeting California consumers. Instead of simply raising taxes, we must responsibly manage California's tax dollars. We encourage Californians across the state to reject the irresponsibility of this measure by refusing to sign petitions to place it on the November 2006 ballot.

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Larry McCarthy is president of the California Taxpayers' Association, based in Sacramento.