



May 9, 2018

Dear Legislator,

On behalf of National Taxpayers Union (NTU) and our supporters across Delaware, I write to offer our comments on SB 176, which will be marked up in the Senate Health, Children & Social Services Committee later today. The nationwide opioid crisis, which has been especially harmful to Delaware, requires a timely and vigorous response from all levels of government. Nonetheless, as you deliberate the many issues surrounding SB 176, it is our hope that you thoroughly consider both the intended and unintended fiscal consequences of this legislation before it is enacted into law.

Advocates for the bill hope that the proposed new tax per morphine milligram equivalent will generate revenue necessary (an estimated \$24 million over three years) to provide care to those suffering from addiction and fund prevention as well as emergency response programs. Yet even though SB 176 states that the tax on manufacturers is intended “to pay for a proportionate share of the cost of preventing and treating opioid addiction,” it states elsewhere that proceeds from the tax will in part “[p]rovide opioid addiction treatment to *all* Delawareans who have opioid addiction.” Although the tax will be levied on manufacturers, the costs are likely to be passed down to insurers and consumers -- many of whom may have a legitimate need for relief from chronic pain conditions. Even if this effect is minimal, and manufacturers “absorb” most of the tax, they could do so at the expense of other pursuits, including research in developing alternative pain medications with less risk of addiction.

Instituting this tax will raise the price of medication; however, it is unlikely to inhibit abusive behavior. Many addicts exhibit inelastic demand, meaning they will still buy despite paying a higher price. A [recent study](#) examined the impact of opioid taxes and found they lead to higher insurance premiums and out-of-pocket costs for consumers and increase health care costs for governments. Since more than 200,000 Delawareans receive health benefits through the state government, the new tax would be charged on medications for which the state’s Medicaid program makes reimbursements. This would increase outlays for Delaware’s Medicaid program, which already totals 20 percent of state spending.

The nationwide drug epidemic is an urgent matter. However, as you work towards finding an appropriate balance among the matters of prevention, rehabilitation, and enforcement, we sincerely hope that you carefully evaluate what SB 176 will mean for taxpayers, patients, and the economic and fiscal health of Delaware. Thank you for your consideration of our comments on this sensitive matter, and should you need any additional information or taxpayer perspectives, please consider NTU a resource.

Sincerely,

Pete Sepp
President