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Sederer and Goplerud: Pay For Health Reform With an Alcohol Tax

By Lloyd I. Sederer and Eric Goplerud
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Americans like their beer, wine and spirits. Sales are good, even in bad times. And, for most people, modest consumption of alcohol can be beneficial to their health.

But there is the other side of the equation. Twenty percent of spirits consumed in America are by underage youth, which is illegal and associated with accidents, suicide and poor school performance. A third of motor vehicle accident deaths are attributed to alcohol. Fetal alcohol syndrome and many developmental disabilities are a consequence of maternal alcohol abuse. Injuries, accidents and fires add to the damage. Domestic violence, crime and sexually transmitted diseases are driven by alcohol, the universal solvent of inhibitions. Alcoholism abuse causes liver and brain damage, pancreatitis, and a host of other conditions, which build with each year of abusive drinking.

One way to reduce the harmful effects of heavy drinking is to make drinking more expensive: the more a drink costs, the less people drink. This is true of young people, pregnant women and even heavy drinkers. Research indicates that a 10 percent increase in current alcohol excise taxes -- that is a penny for a beer -- would result in less drinking, especially among underage drinkers, reducing rape, robbery, domestic violence and liver disease. A tax increase of 3 cents per beer would cut youth gonorrhea by 9 percent.

It has been 18 years since federal taxes on alcohol have changed. If all spirit taxes had increased at the consumer price index and been taxed like liquor, federal taxes on a shot of spirits would have increased by 10 cents, a beer by 21 cents, and a glass of wine by 24 cents. Making that adjustment now would raise \$101 billion over 10 years, without state tax increases. Equalizing the tax among beer, wine and spirits, without inflation, would raise \$60 billion over 10 years.

Taxes could pay for health care for the uninsured and budget-busting state Medicaid expenditures; some portion of the tax could be directed to alcohol prevention and treatment programs. We don't know any politician who likes to champion taxes. Yet, a recent Kaiser Family Foundation poll found that two thirds of Americans favor increasing beer and wine taxes to support health-care reform, and opponents changed their mind when told that taxes could pay for health care and encourage healthier habits.

Reducing the rate of growth of health-care costs will not suffice to cover health reform. More money is needed, and selected taxes work in reducing problem behaviors such as drinking. After 18 years shouldn't we be considering an alcohol tax? Can we afford not to?

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