

LEGISLATIVE ANALYST'S OFFICE

The Fiscal Impact Of Tuberculosis In California

Tuberculosis (TB) cases and costs are on the rise in California. The costs in public funds will likely exceed \$33 million in the current year. Of this amount, \$25 million (federal, state, and county funds) is for treatment and \$8 million (federal and state funds) is for prevention. (Data are not available on county funds for prevention.) As Figure 1 shows, the costs for treatment increased significantly between 1988 and 1992. The increase in

costs is due both to a general increase in the number of TB cases (5,400 new cases in 1992) and a particular increase in the number of high-cost drug-resistant cases.

According to the Department of Health Services, unless current control efforts are expanded, these costs could reach \$160 million by the year 2000.

What is Tuberculosis and Why are Costs on the Rise?

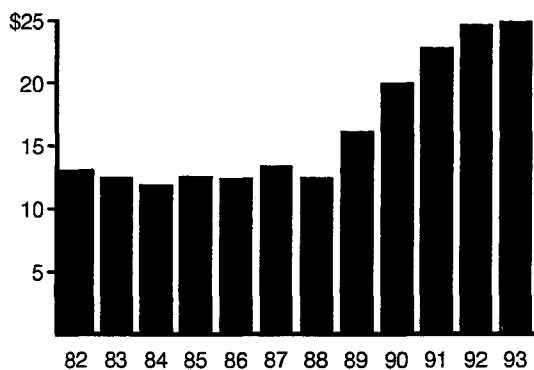
Tuberculosis is an infectious disease spread through the air. A person can be infected with TB, but not experience any symptoms of the disease. There is disagreement within the medical community regarding the efficacy of existing vaccines for the prevention of TB. As a result, the primary means to prevent the spread of TB is to treat infected individuals through medication. Some cases of drug-resistant TB, however, can not be treated successfully.

After years of decline, tuberculosis case rates (new cases per 100,000 population) in

Figure 1

California Tuberculosis Treatment Costs Combined State, Local, and Federal Costs 1982 Through 1993

(In Millions)

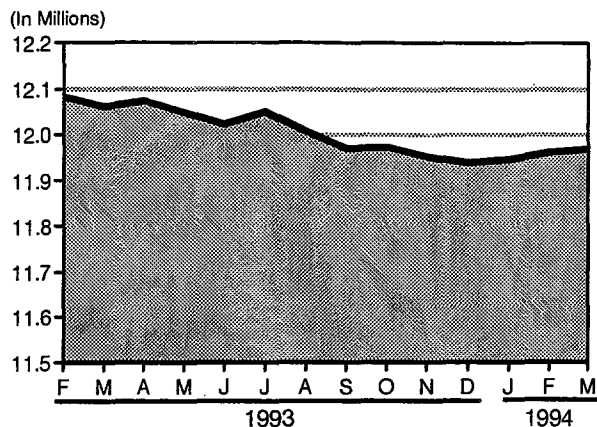


CONTINUED ON BACK PAGE.

ECONOMIC UPDATE

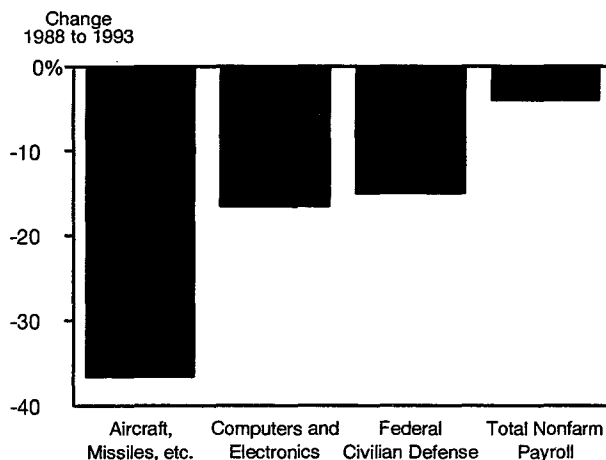
California Payroll Employment May Have Hit Bottom

- Nonfarm payroll employment data from the Employment Development Department (seasonally adjusted) shows the first sustained rise since the state's peak in 1990.
- While the state has experienced three consecutive months of job growth, the number of jobs gained has been relatively small.



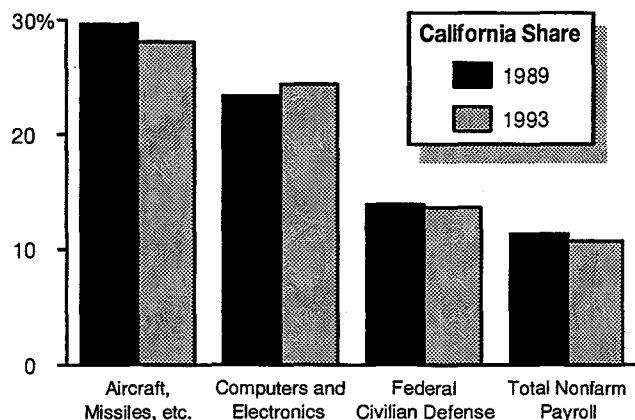
Jobs in the State's High-Tech Sectors Have Declined Dramatically

- From 1989 to 1993, California's defense-based and commercial high-tech jobs declined significantly, which has been a major cause of the state's economic problems.
- Aircraft, missiles, space vehicles, and search and navigation equipment manufacturing jobs have declined 37% during this period, which has helped reduce total jobs by 4%.



California's High-Tech Shares Fell Most in Defense Manufacturing

- One of the concerns about the state's economy is whether its competitive advantage in these high-tech sectors relative to the rest of the nation has also declined.
- The chart indicates that California has lost some of its share of the nation's defense-related manufacturing jobs, but has increased its share of the more commercially oriented computer and electronics sectors.



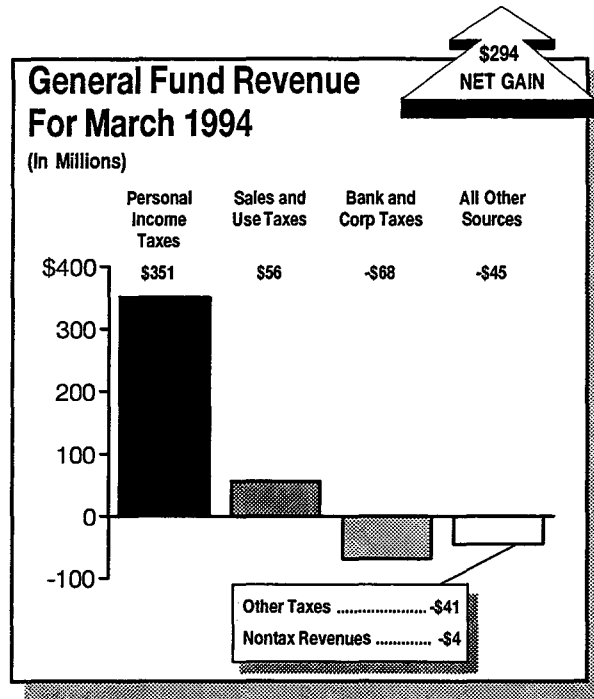
REVENUE Update

March Revenue Higher Than Forecast

General Fund revenues in March were \$294 million (13 percent) higher than the Department of Finance's forecast. As a result, cumulative revenues for the fiscal year are now slightly above (0.02 percent) the year-to-date level projected in the Governor's Budget. While somewhat encouraging, these March revenue figures should be viewed with caution. A significant portion of the net gain for the month may represent a short-term cash flow gain. In addition, March is not a significant revenue month.

Personal Income Taxes Up. The state government's largest source of revenue was well above target in March, producing \$618 million in net collections. This was \$351 million or 133 percent above forecast. Two components of the tax were responsible for this gain. Specifically, withholding payments were \$115 million above and refunds were \$256 million below projections. The low level of refund payments may be offset by higher payments in later months, however. For example, suspension of the renters' tax credit may have resulted in later filing than in past years, particularly by lower-income taxpayers. The level of withholding payments, however, is consistent with a stronger economy than expected at the end of 1993.

Sales Tax Close to Budget Estimate. In March, sales and use tax collections were \$56 million above forecast, which brought the cumulative performance relative to forecast to a positive \$29 million. This suggests that underlying consumer spending is in line with budget projections.



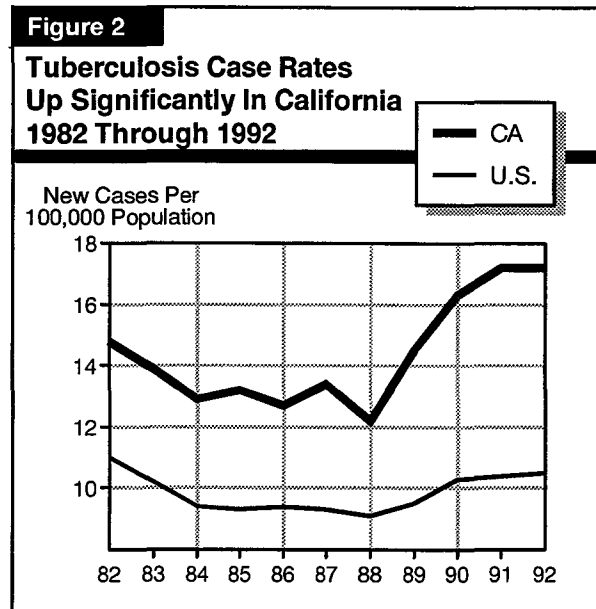
Bank and Corporation Taxes Below Forecast. Bank and corporation taxes continue to perform below expectations. March receipts were \$68 million below forecast resulting in a cumulative shortfall of \$174 million.

Other Revenues Are Weak. March collections were \$45 million below forecast leaving a fiscal year shortfall of \$88 million. This shortfall is of particular concern, because insurance tax refunds of \$45 million scheduled for earlier months have yet to be paid.

Epidemic

CONTINUED FROM FRONT PAGE

the United States increased by 15 percent between 1988 and 1992, as shown in Figure 2. During the same time period, California experienced a 41 percent increase in TB case rates. California has the third highest TB case rate in



the nation, up from tenth highest in 1988.

While anyone exposed to TB can become infected, some groups are at higher risk, either because they have a higher probability of exposure to the disease or they have pre-existing conditions that accelerate the progression from infection to active disease. The recent growth in TB cases in California is largely attributable to increases in these higher risk populations: people with weakened immune systems, such as HIV infected persons; immigrants from countries with high rates of TB infection; the homeless; institutional populations; and individuals with inadequate health care.

The increase in the costs for TB treatment is due primarily to the rise in the number of

cases. Another factor is the complexity of treatment involved in the rising number of drug-resistant cases. Five years ago, California had no reported cases of drug-resistant TB. In 1992, approximately 70 cases (1.3 percent of total cases) were reported. Since treatment of drug-resistant TB averages \$95,000 per case compared to \$3,000 for standard TB treatment, these cases cost about \$6 million more to treat than if they were not drug-resistant. There is a potential for an even greater impact on future costs. We note, for example, that 20 percent of total TB cases in New York were drug-resistant in 1992.

Governor's Proposal

The Governor proposes to increase prevention and treatment spending by \$17.4 million, from \$33 million in 1993-94 to \$50.4 million in 1994-95. The proposal implements a strategic plan developed by the California Tuberculosis Elimination Task Force in January 1994. The strategic plan contains the following three-year goals:

- Increase identification and reporting of TB disease.
- Ensure proper and complete treatment of TB patients.
- Prevent persons with TB infection from developing TB disease.
- Control TB transmission in high-risk settings.
- Improve TB education programs.

The proposal is currently under review in the Legislature. The proposed activities appear to be reasonable, given the recent trend in treatment costs and the potential for this problem to intensify in the future.

Contact—Tina Bass—445-6061