



Health Policy Snapshot

Public Health and Prevention

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Does curbing tobacco use lower health care costs?

Takeaways:

- Tobacco use is the leading cause of preventable death in the United States and costs the nation \$96 billion annually in health care costs and an additional \$97 billion in lost productivity.¹
- Tobacco prevention and cessation efforts, especially well-funded and comprehensive programs, are proven to reduce tobacco use and lower associated healthcare costs, providing a strong return on investment (ROI).
- Despite revenue streams from tobacco use and high ROIs, the most successful prevention programs have been cut repeatedly over the past five years.

Overview

Over the past few years, researchers have looked at tobacco prevention and cessation programs in different states, estimated the amount of healthcare costs each program has saved, and compared that number to the cost of each program. The calculations yield a ROI ratio that highlights the need for these programs.

THE HEALTH AND ECONOMIC IMPACT OF TOBACCO USE

Tobacco use costs the United States nearly \$200 billion every year in healthcare costs and lost productivity. Cigarette smoking² contributes to 10 types of cancer, cardiovascular disease, lung disease,

cataracts, peptic ulcers, adverse surgical outcomes, low bone density and reduced fertility in women, fetal deaths and pregnancy complications, and a “diminished health status” that leads to more sick days taken and more healthcare services needed.

According to the Centers for Disease Control and Prevention, smoking³ rates are higher among people under age 65 with Medicaid insurance (31%) and those without any health insurance (32%) than among U.S. adults overall (19%). Efforts to reduce tobacco use, especially among Medicaid participants and the uninsured, could significantly reduce healthcare spending.

COMPREHENSIVE PROGRAMS HAVE THE HIGHEST ROI

California has the longest history of tobacco programming, the oldest comprehensive smoke-free workplace law, and the most money invested in tobacco control. Researchers found that the decline in smoking rates substantially reduced personal healthcare expenditures in the state. The ROI was approximately \$50 saved for every \$1 invested.⁴

Before the recent recession, the state of Washington funded a comprehensive prevention and cessation program to complement its smoke-free workplace law and high tobacco tax. Researchers narrowed the ROI calculation to include only the incidence and hospitalization data from strokes, heart disease, respiratory ailments, and the four leading types of cancer attributed to cigarettes. The ROI exceeded \$5 in healthcare costs saved for every \$1 invested.⁵

In 2006, Massachusetts began offering adults with Medicaid insurance smoking cessation medications

State	ROI	How comprehensive was the program?	What was included in ROI calculation?	Total State Expenditures on Tobacco Prevention and Cessation		
				FY2002	FY2007	FY2012
CA	\$50 saved for every \$1 invested	Most comprehensive program in the United States*	Looked at all health care expenditures	\$134.5M	\$84.0M	\$70.0M
WA	\$5 saved for every \$1 invested	Comprehensive program	Only looked at hospitalizations for seven types of major illness	\$17.5M	\$27.1M	\$0.8M
MA	\$3 saved for every \$1 invested	Medicaid-focused cessation program	Only looked at hospitalizations for cardiovascular disease	\$48.0M	\$8.3M	\$4.2M

*Elements of California's program include:

- Aggressive media campaign that de-glamorizes tobacco use and the tobacco industry
- Public policy changes that limit the availability of tobacco products and reduce exposure to second hand smoke
- Promotion of services that help smokers quit
- Youth-focused educational outreach
- Overall program funding at CDC-recommended levels

and nicotine replacement products, reaching more than a third of these adults and triggering a 26 percent drop in that segment's smoking rate. Researchers narrowed the ROI calculation even further, comparing the cost of this program with the decrease in hospital admissions for cardiovascular conditions among program participants, and determined that \$3 in medical costs were saved for every \$1 invested.⁶

REVENUES GENERATED FROM TOBACCO USE ARE NOT SPENT ON TOBACCO CONTROL

Despite the ROI provided by tobacco prevention and cessation programs, taxes and other revenues generated from tobacco are rarely dedicated to these programs. As a result, tobacco control programs are often underfunded in times of prosperity and cut during economic hardship.

In 1994, the state of Mississippi sued the tobacco industry seeking reimbursement for healthcare costs associated with cigarette smoking. This lawsuit, and subsequent suits from other states, resulted in the \$206 billion Master Settlement Agreement (MSA). Most of the MSA revenue, however, is not used to address smoking rates. In fiscal year 2012, states will receive \$25.6 billion from the MSA and tobacco

taxes but only spend \$456.7 million on prevention programs.

CONCLUSION

ROI equations need to be considered when looking at federal and state spending priorities, especially when funding streams generated by tobacco use are available for policies and programming to prevent youth smoking and help smokers quit.

WANT TO KNOW MORE?

- [Interactive Tobacco Map Provides Latest Data \(RWJF\)](#)
- [For the Public's Health: Investing in a Healthier Future \(IOM\)](#)
- [The 1998 State Tobacco Settlement 13 Years Later \(CTFK\)](#)

¹ www.pe.com/local-news/topics/topics-health-care-headlines/20120622-health-mapping-your-life-history-for-better-care.ece

² www.cdc.gov/tobacco/data_statistics/sgr/2004/pdfs/executivesummary.pdf

³ www.cdc.gov/nchs/data/series/sr_10/sr10_252.pdf

⁴ www.plosmedicine.org/article/info%3Adoi%2F10.1371%2Fjournal.pmed.0050178

⁵ <http://ajph.aphapublications.org/doi/pdf/10.2105/AJPH.2011.300506>

⁶ www.plosone.org/article/info%3Adoi%2F10.1371%2Fjournal.pone.0029665