

tobaccoeconomics

Economic Research Informing Tobacco Control Policy

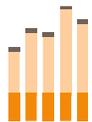
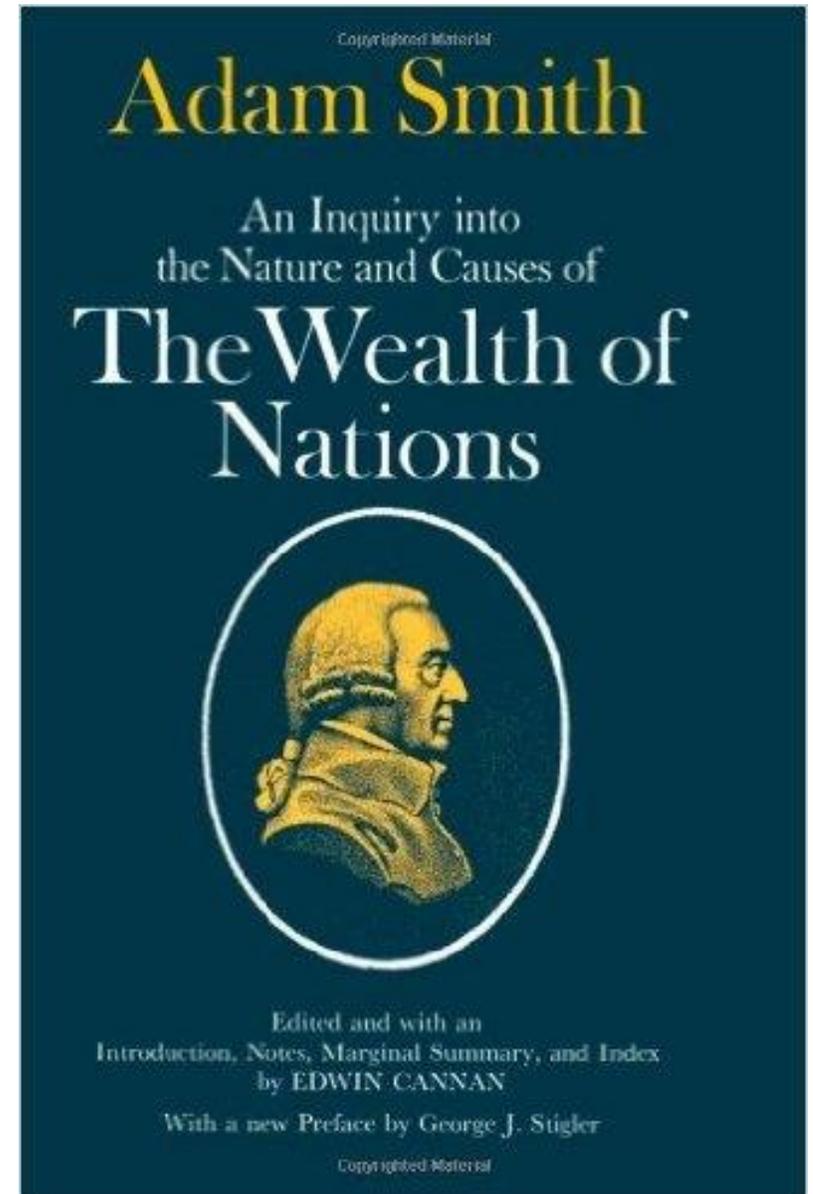
Attracting Funding for Cancer Prevention Using Economic and Fiscal Tools

Frank J. Chaloupka, University of Illinois at Chicago

World Cancer Congress

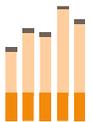
Kuala Lumpur, Malaysia, 3 October 2018

"Sugar, rum, and tobacco, are commodities which are no where necessaries of life, which are become objects of almost universal consumption, and which are therefore **extremely proper subjects of taxation.**



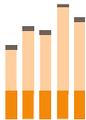
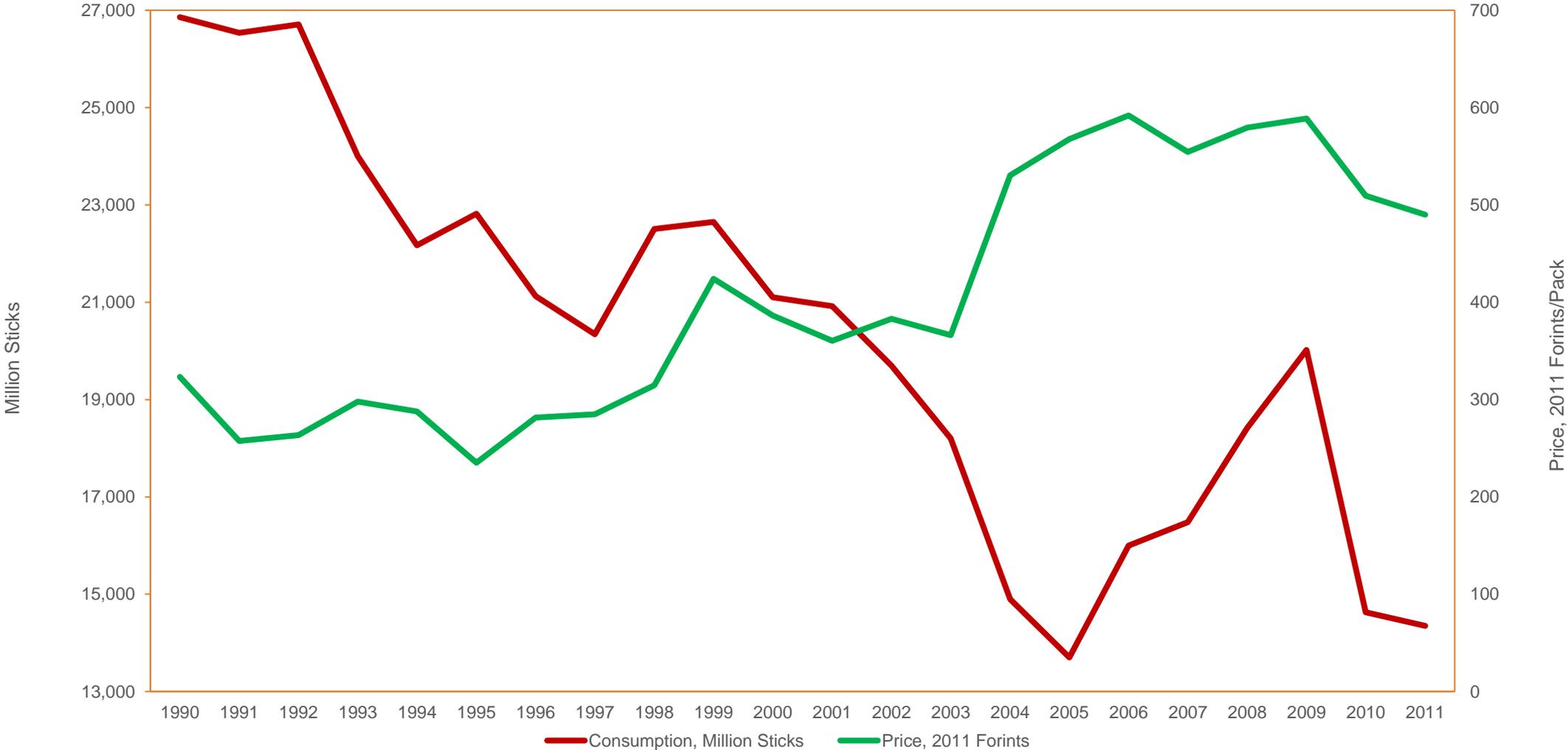
Why Tax Unhealthy Products?

- Efficient Revenue Generation
 - Historically and still the most important rationale
- To Improve Public Health
 - Given evidence on effects of taxes on consumption and consequences
- To Cover the Economic Costs
 - Given extensive economic costs from smoking, excessive drinking, poor diets, etc.



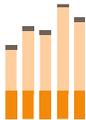
Cigarette Price & Consumption

Hungary, 1990-2011, Inflation Adjusted



Sources: EIU, ERC, and World Bank

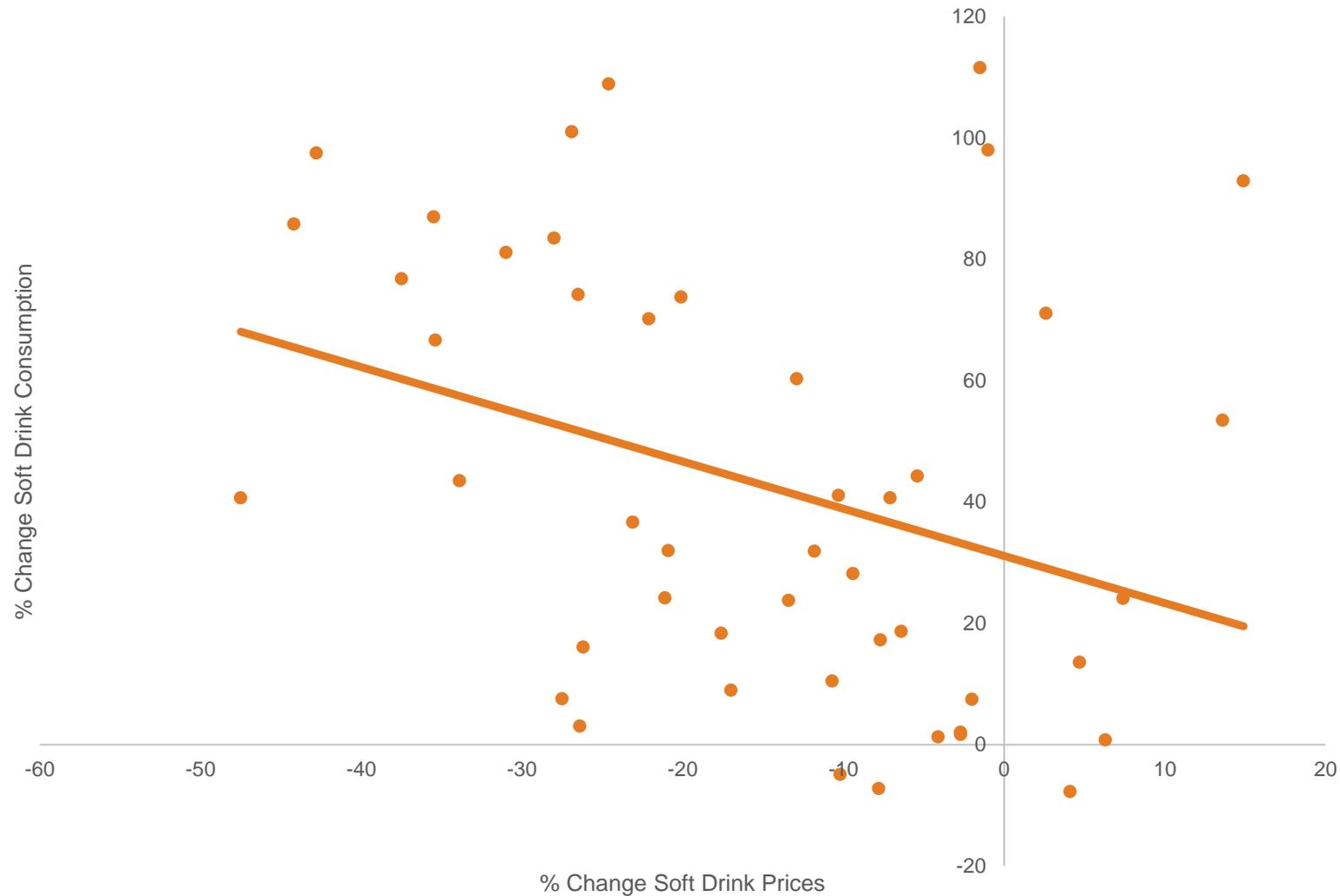
Distilled Spirits Sales and Prices Ukraine, 2002-2016, Inflation Adjusted



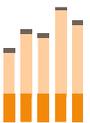
Sources: Chaloupka, et al., forthcoming

Soft Drink Prices & Consumption

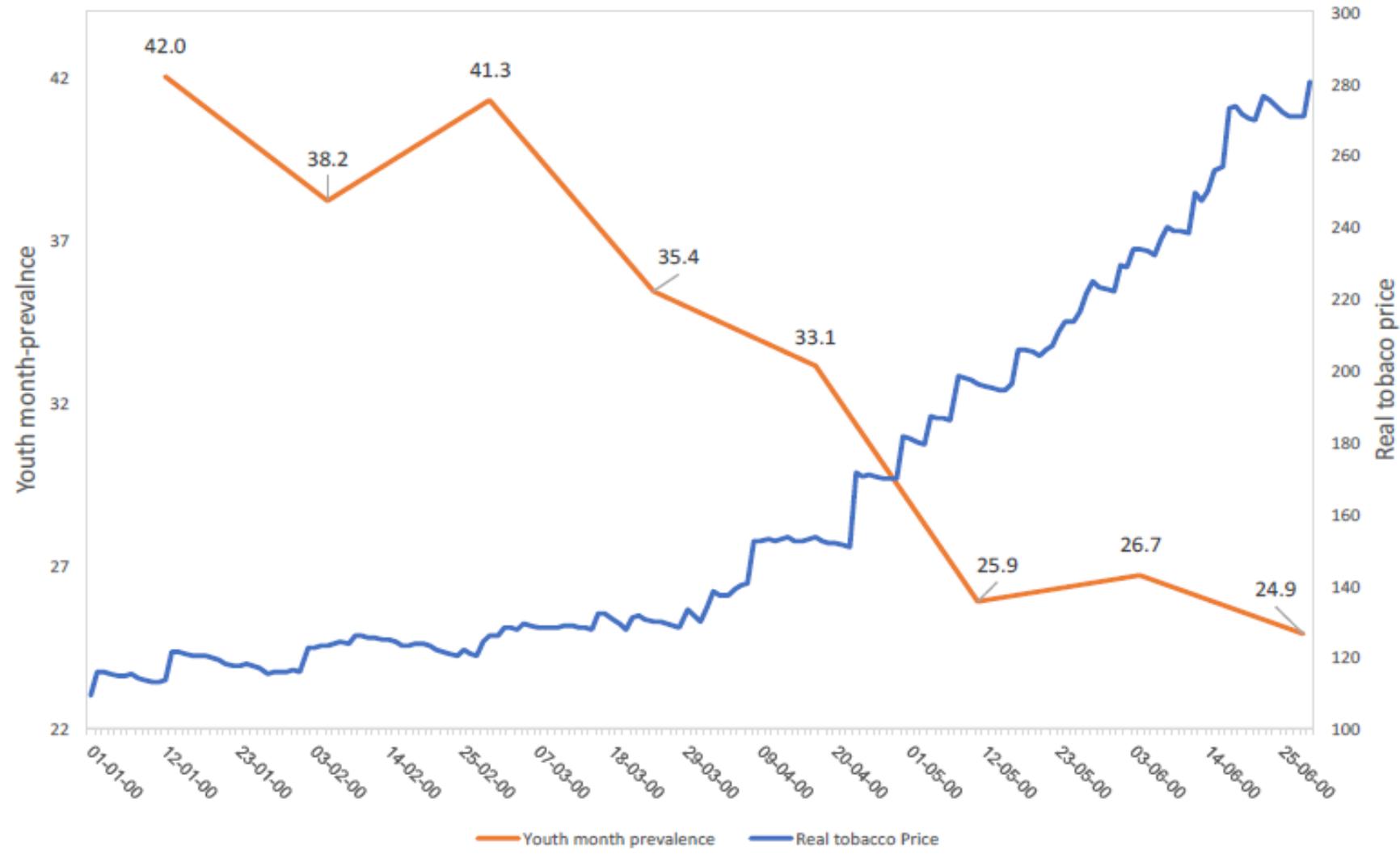
Percentage Change, 2000-2014, Selected Countries



Source: Euromonitor, 2015, and author's calculations

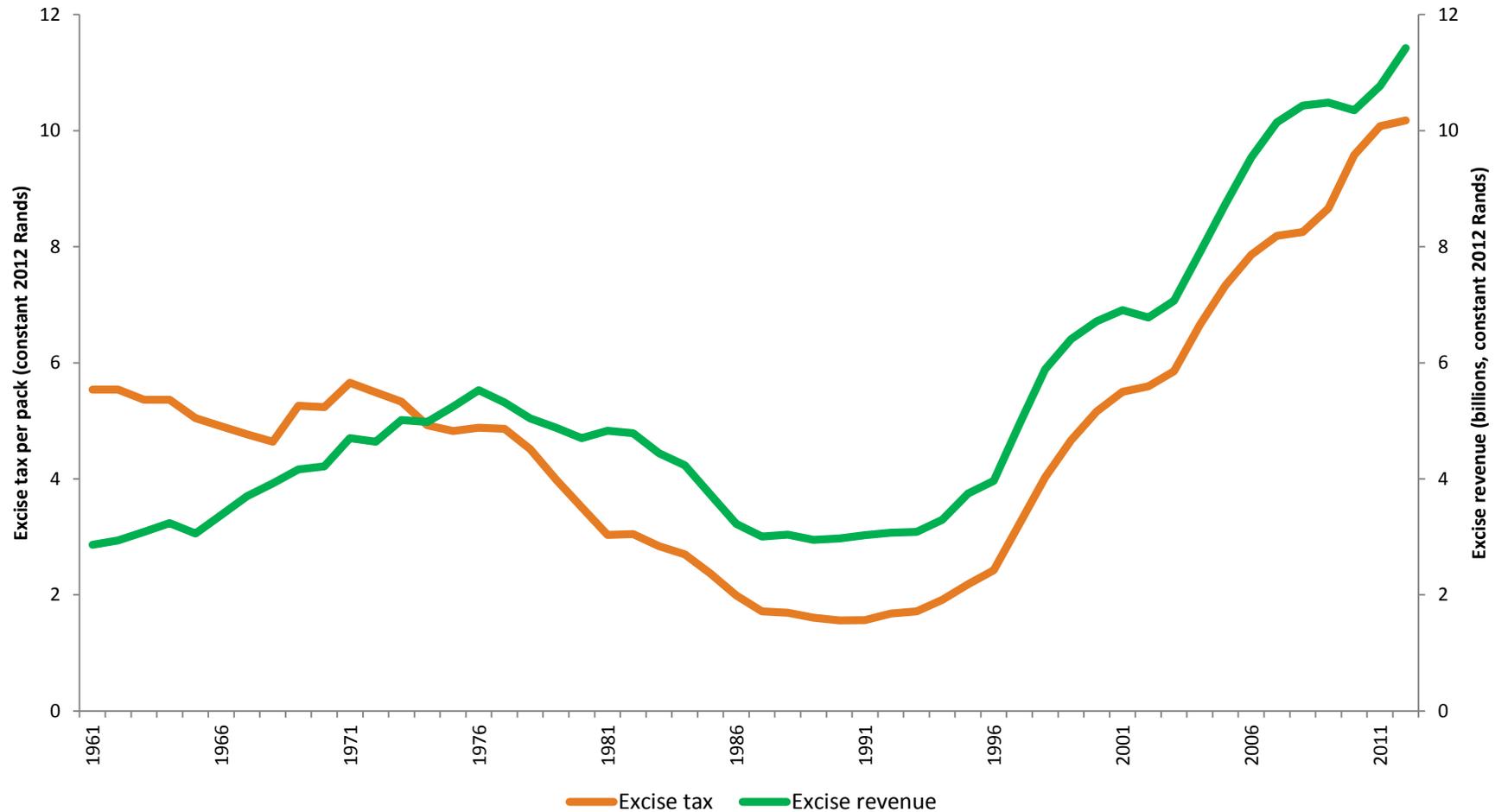


Cigarette Price & Youth Smoking Prevalence Chile, 2000-2015

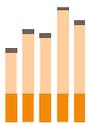


Taxes & Tax Revenues, South Africa

Excise Tax per Pack and Excise Tax Revenue
South Africa, Inflation Adjusted, 1961-2012

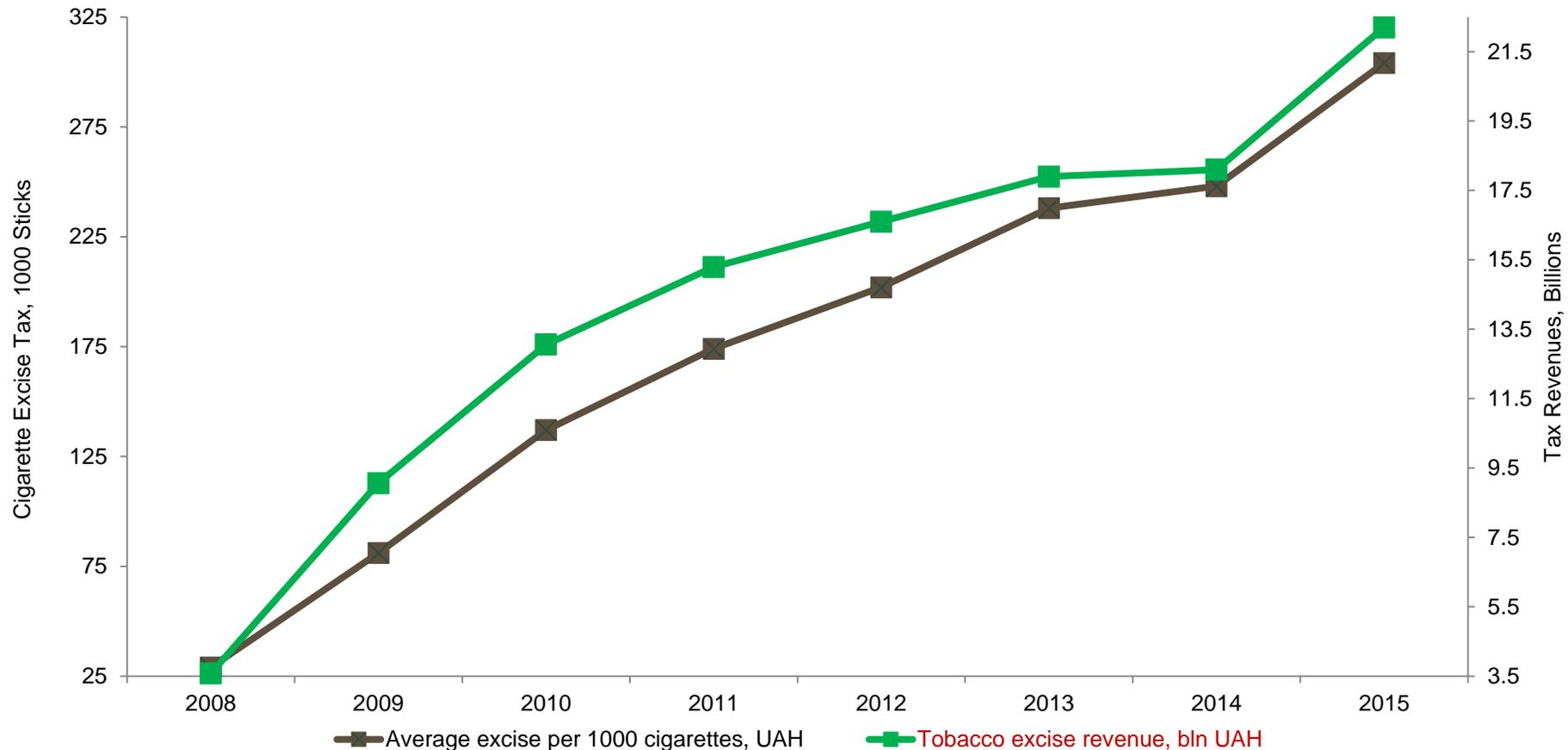


Sources: Blecher & Van Walbeek, 2014

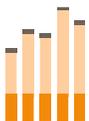


Cigarette Taxes and Cigarette Tax Revenues Ukraine: 2008-2015

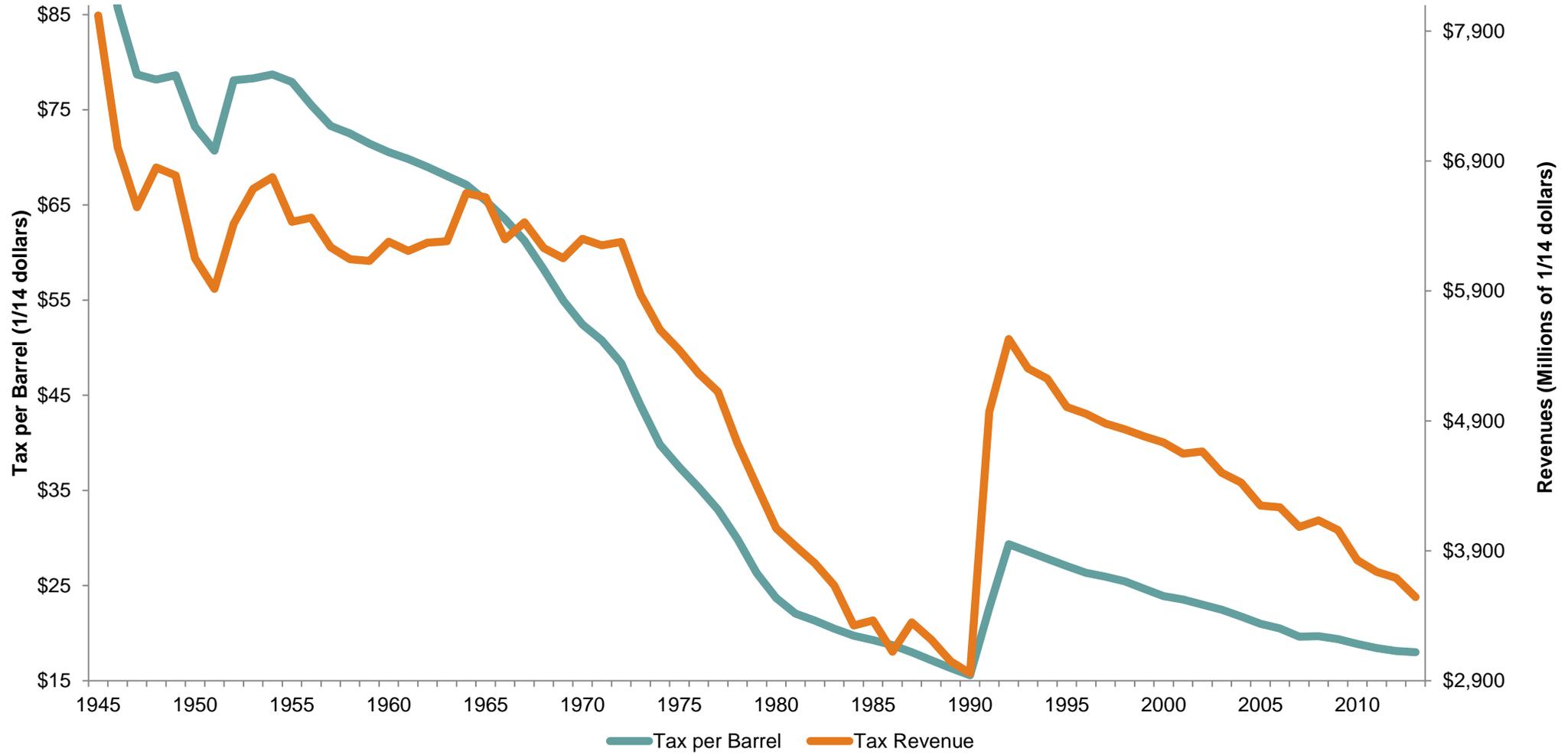
Average excise rate for cigarettes – increased 10-fold
Cigarette Tax Revenue – increased 6-fold



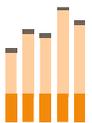
Source: Syvak and Krasovsky, 2017



U.S. Federal Beer Tax and Tax Revenues 1945-2013, Inflation Adjusted



Source: *Brewers Almanac*, 2013, ATTTB, 2014, and author's calculations



Tobacco Taxes and Revenues

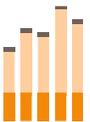
- The Addis Ababa Action Agenda states:
“... price and tax measures on tobacco can be an effective and important means to reduce tobacco consumption and health-care costs, and represent a revenue stream for financing development in many countries”



FINANCING FOR
DEVELOPMENT

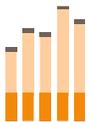
13-16 JULY 2015 • ADDIS ABABA • ETHIOPIA

TIME FOR GLOBAL ACTION



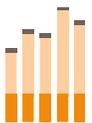
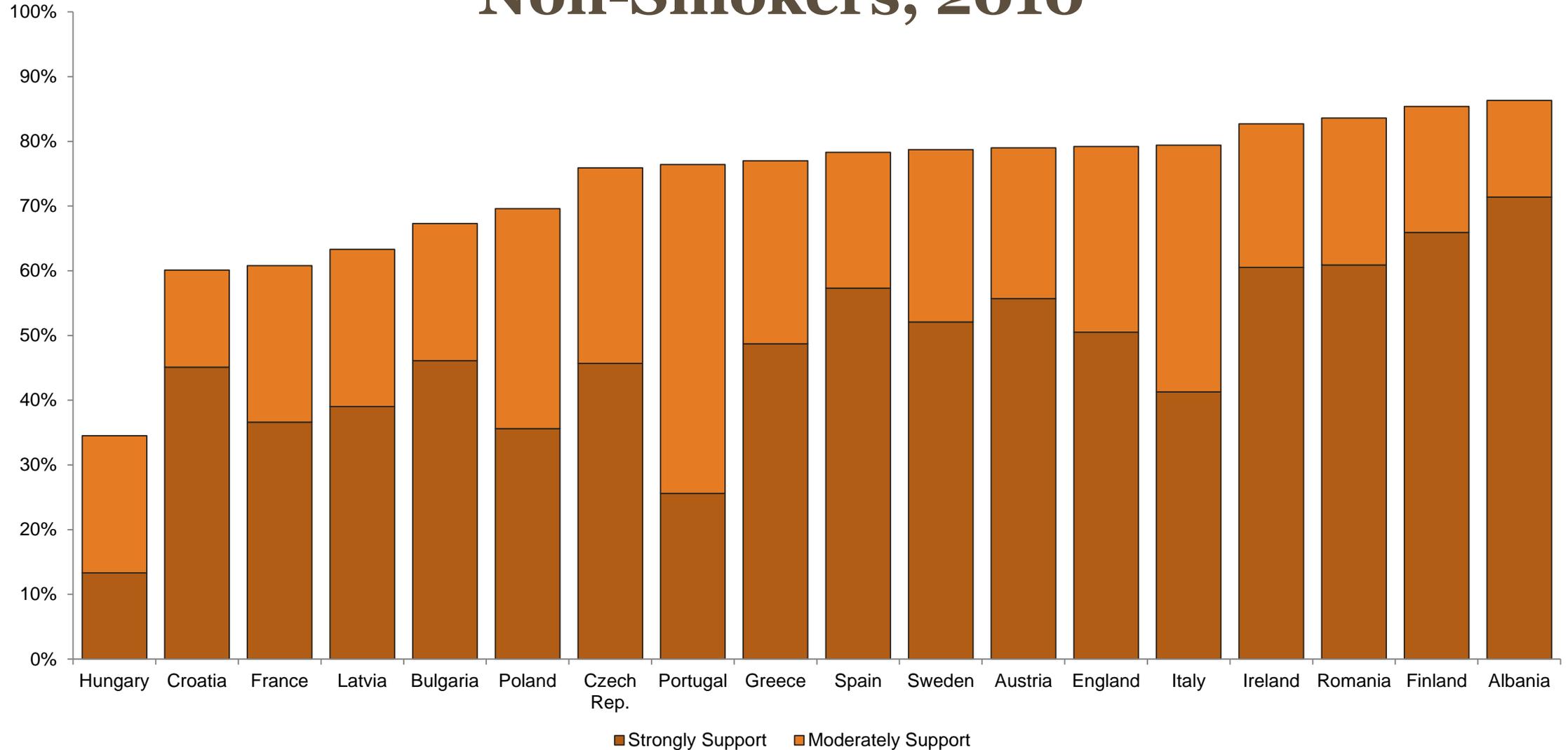
Tobacco Taxes Popular

- Tobacco Excise Tax Increases:
 - Generally supported by the public
 - Including significant number of smokers
 - More support when framed in terms of impact on youth tobacco use
 - More support when some of new revenues are used to support tobacco control and/or other health-related activities
 - Greater support than for other revenue sources
- Comparable evidence for alcohol tax increases and new sugary drink taxes



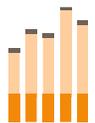
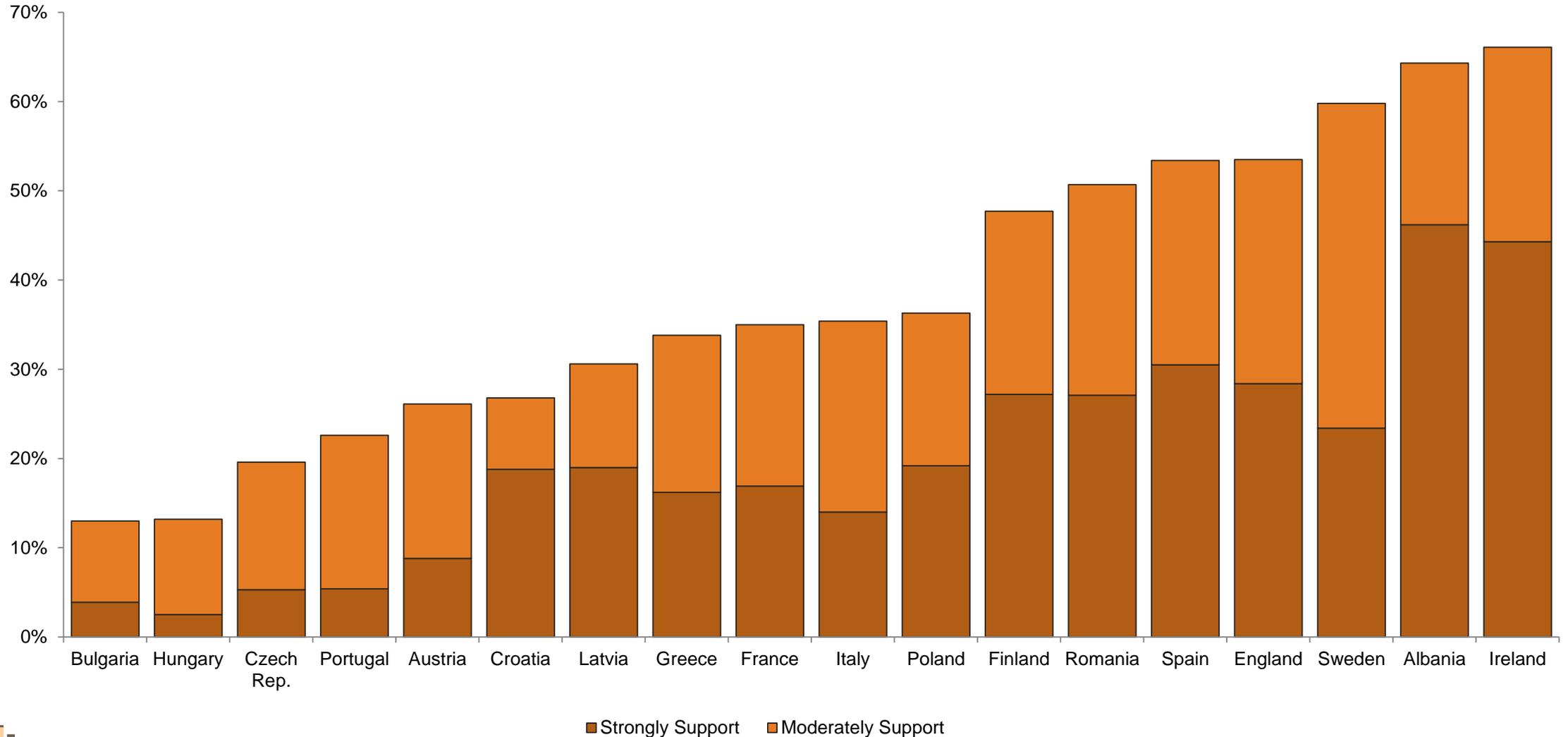
Support for 20% Price Increase

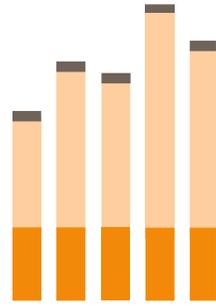
Non-Smokers, 2010



Support for 20% Price Increase

Current Smokers, 2010

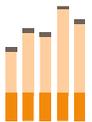




California's Comprehensive Tobacco Control Program

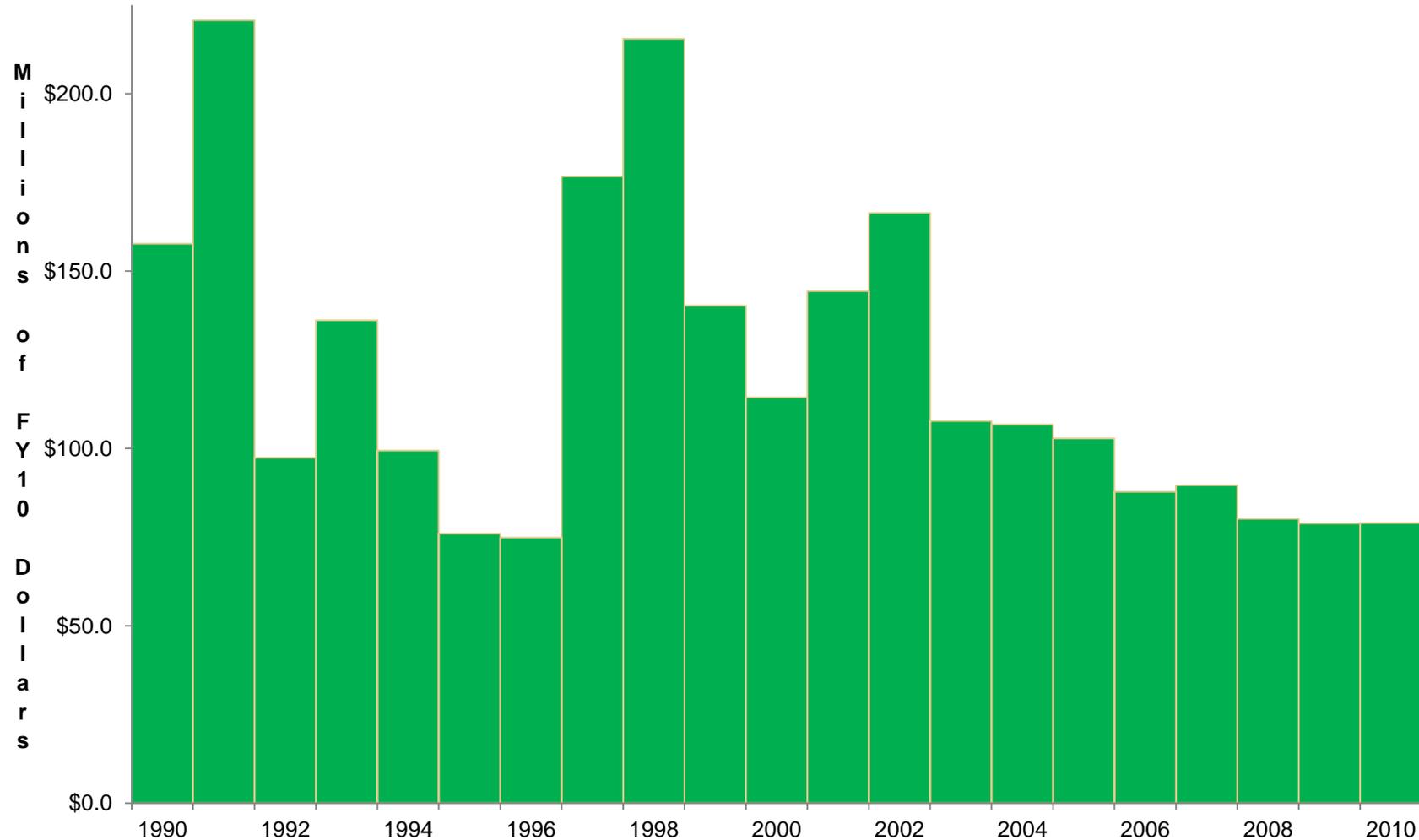
California's Comprehensive Tobacco Control Program

- Proposition 99 – Tobacco Tax and Health Protection Act easily approved by CA voters in Nov. 1988
 - 25 cent increase in cigarette tax (to 35 cents per pack)
 - 20% of revenues earmarked for tobacco-related education efforts
 - Countermarketing, community programs, support for cessation, and more
 - Broad focus
 - Strong industry denormalization approach
 - 5% for tobacco-related research
- Additional 50 cent per pack tax increase approved in Nov. 1998
 - Helped restore program funding
- Relatively well funded but ups and downs as governor cut program funding in early years, the restored after opposition
 - Eventually declines as tobacco use declines
 - Well below CDC recommended levels in recent years

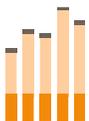


Program Funding

CATCP Funding, Inflation Adjusted, FY1990-FY2010

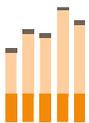
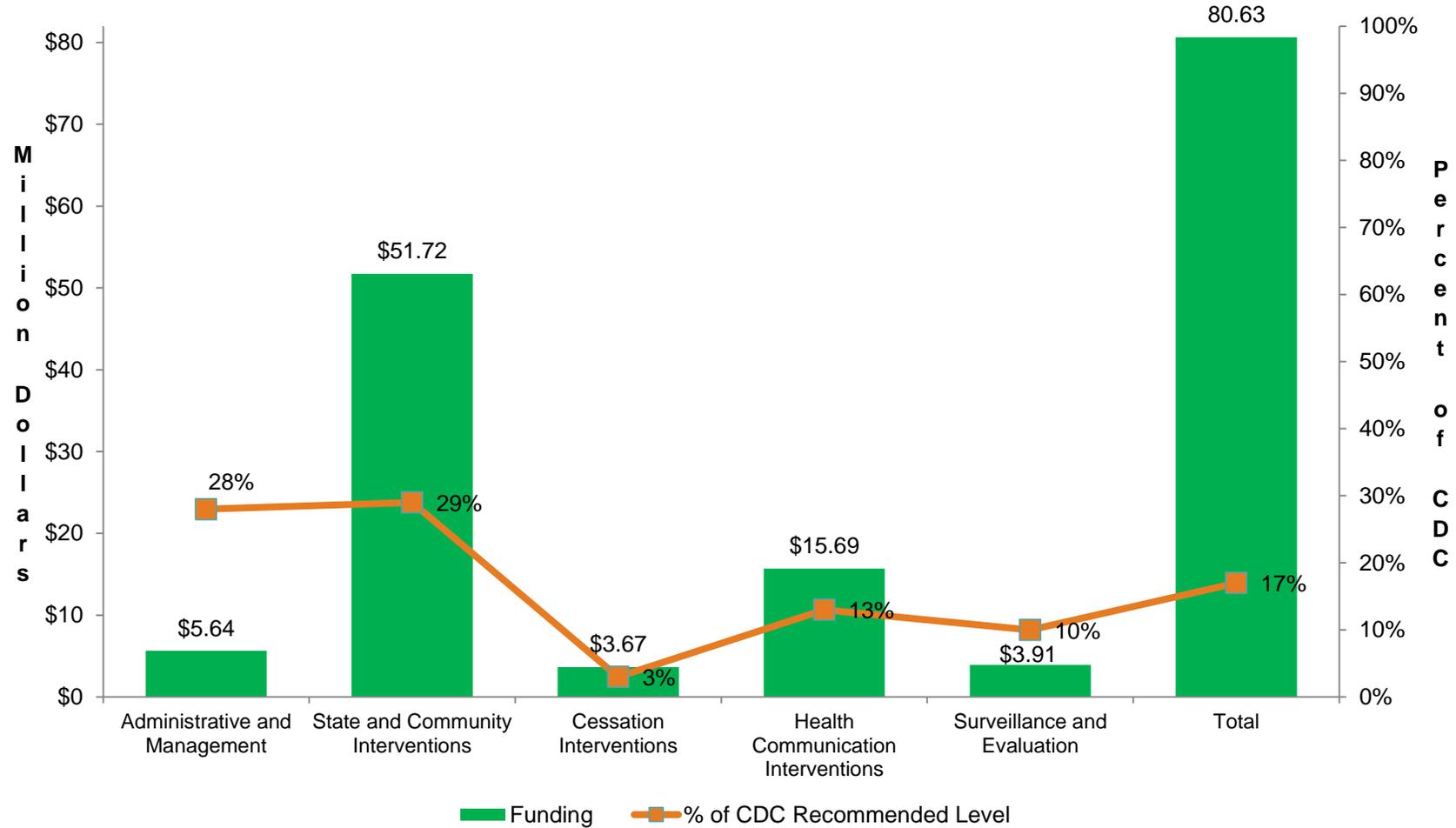


Source: ImpacTeen Project, 2010



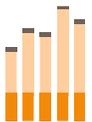
CA Tobacco Control Program

CA Program Funding, by Category, FY2009

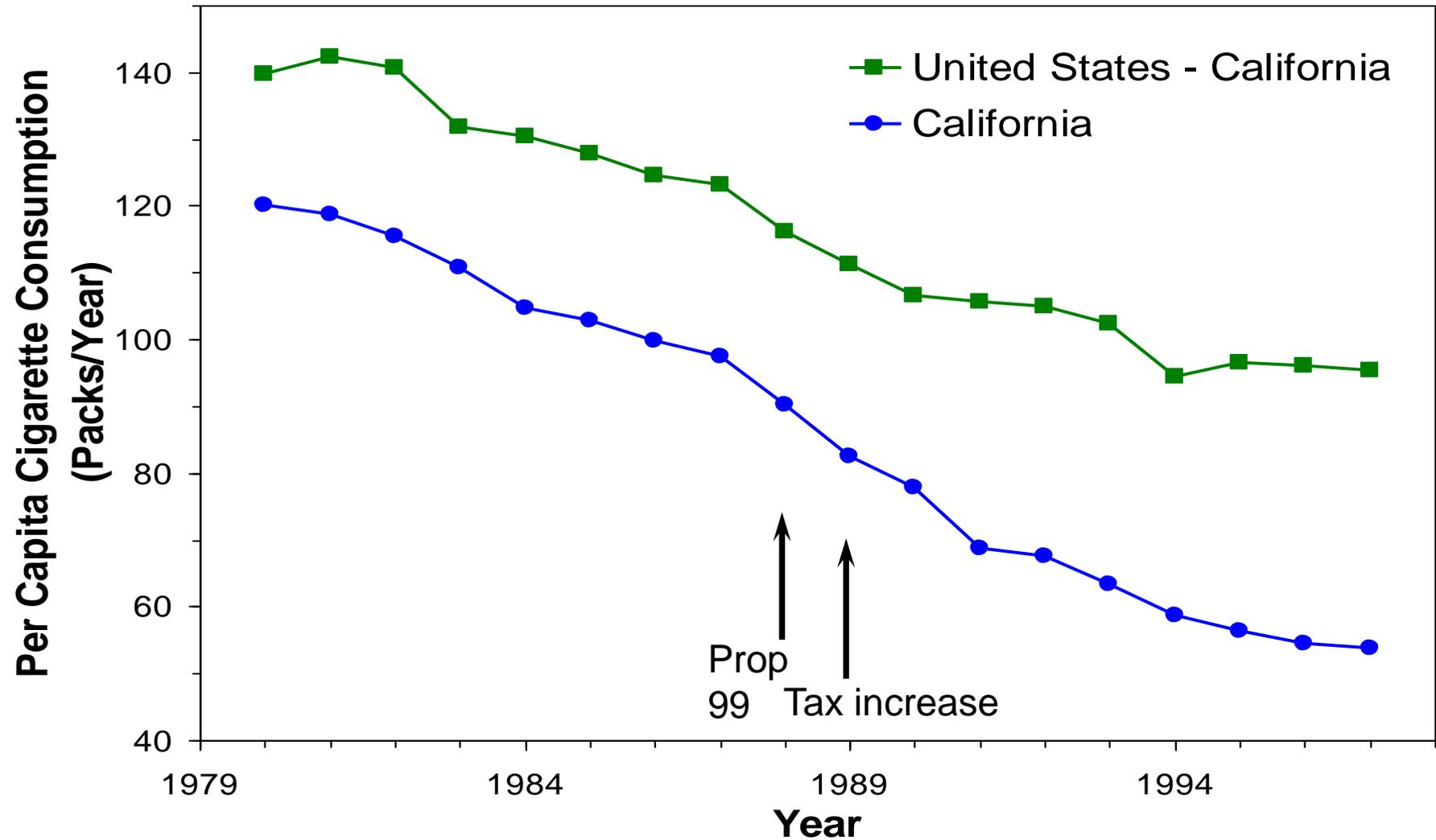


California's Comprehensive Tobacco Control Program

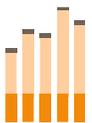
- Very effective in reducing tobacco use and its consequences
- Reductions in CA greater than rest of the US:
 - Cigarette consumption
 - Adult and youth smoking prevalence
 - Health consequences of smoking (lung cancer, cardiovascular disease, others)
 - Health care costs



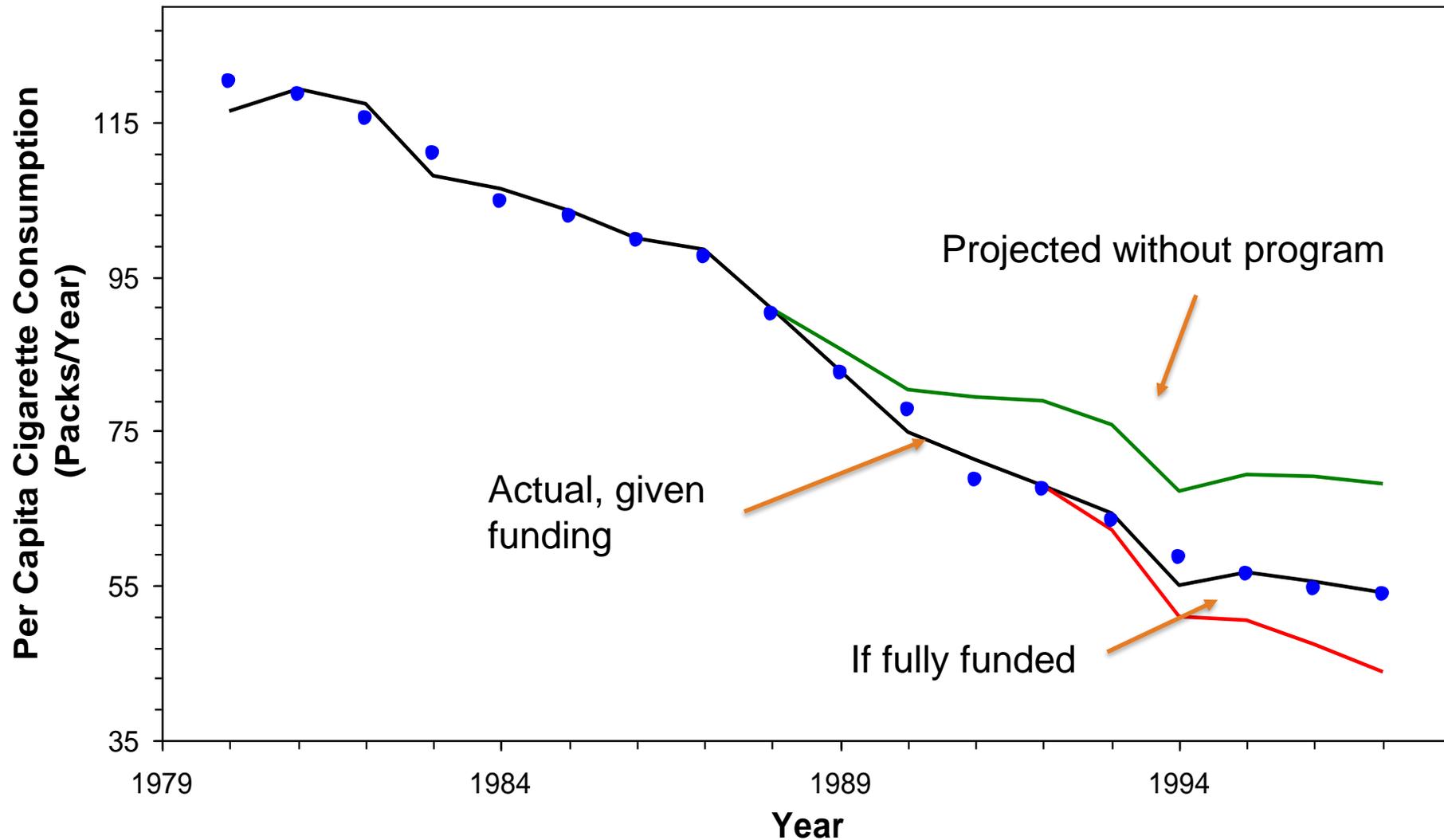
California, Per capita cigarette consumption



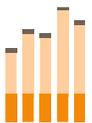
Source: Glantz, 2011



California - Consumption Fit

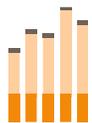
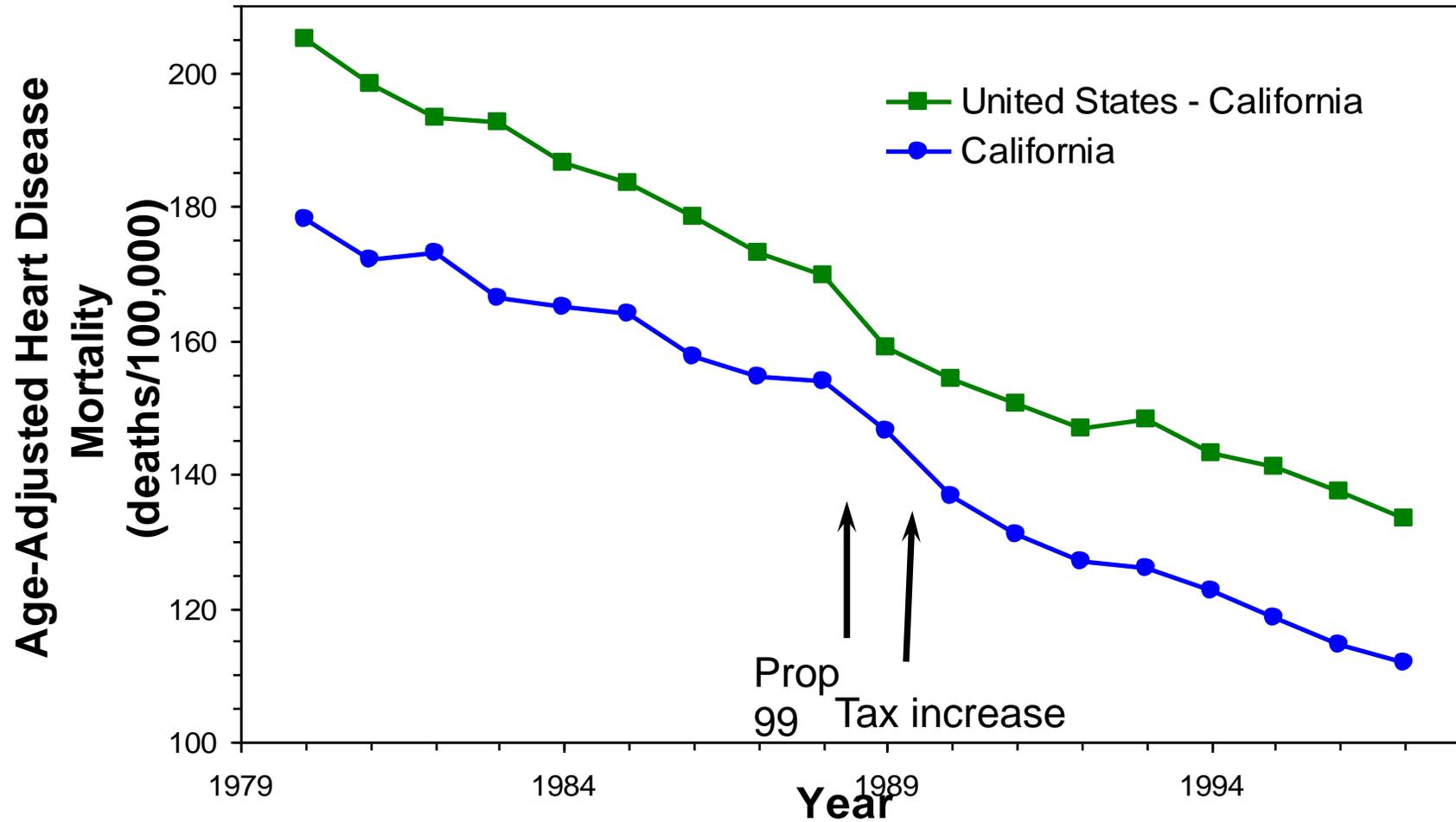


Source: Glantz, 2011

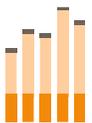
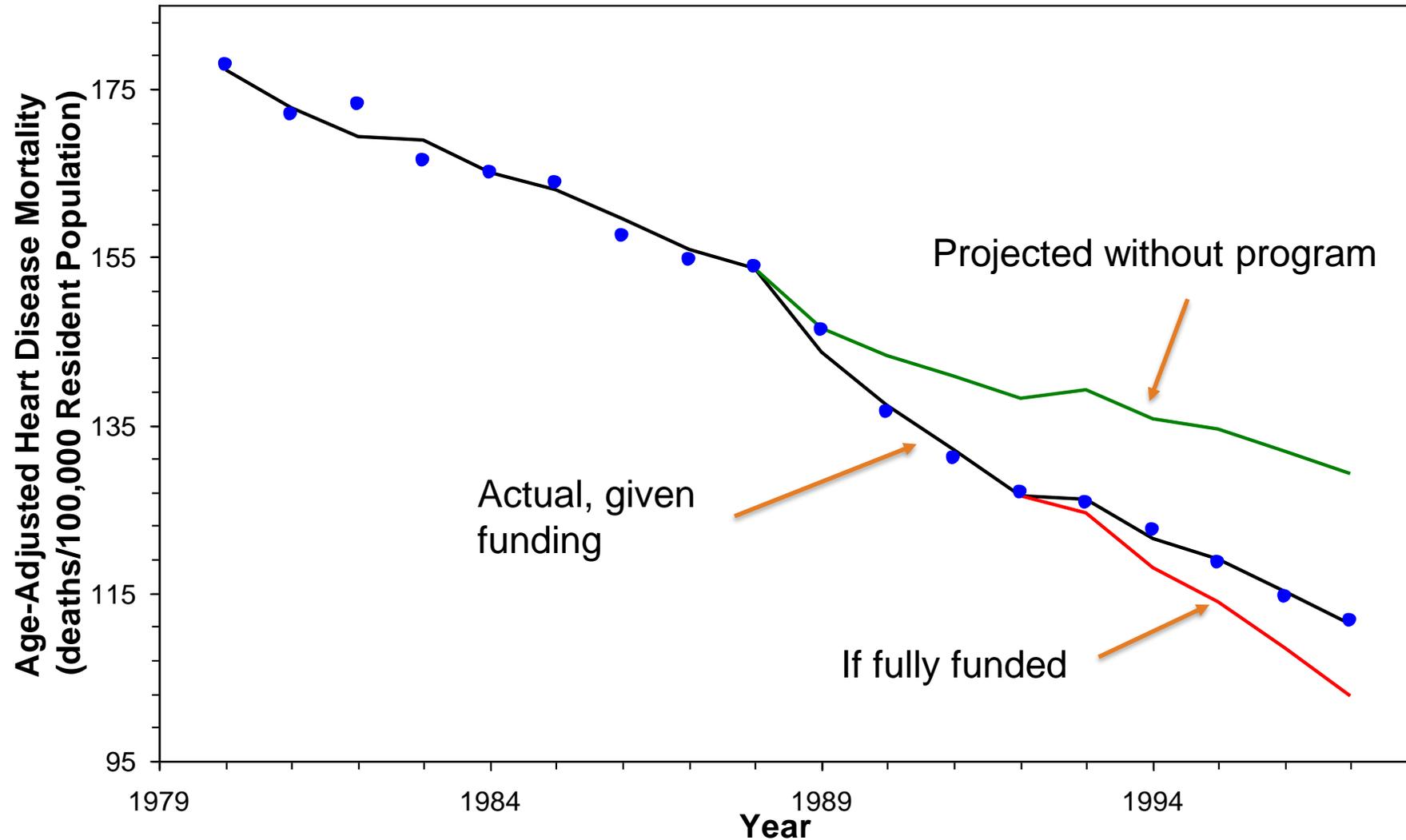


California

Age Adjusted Heart Disease Mortality

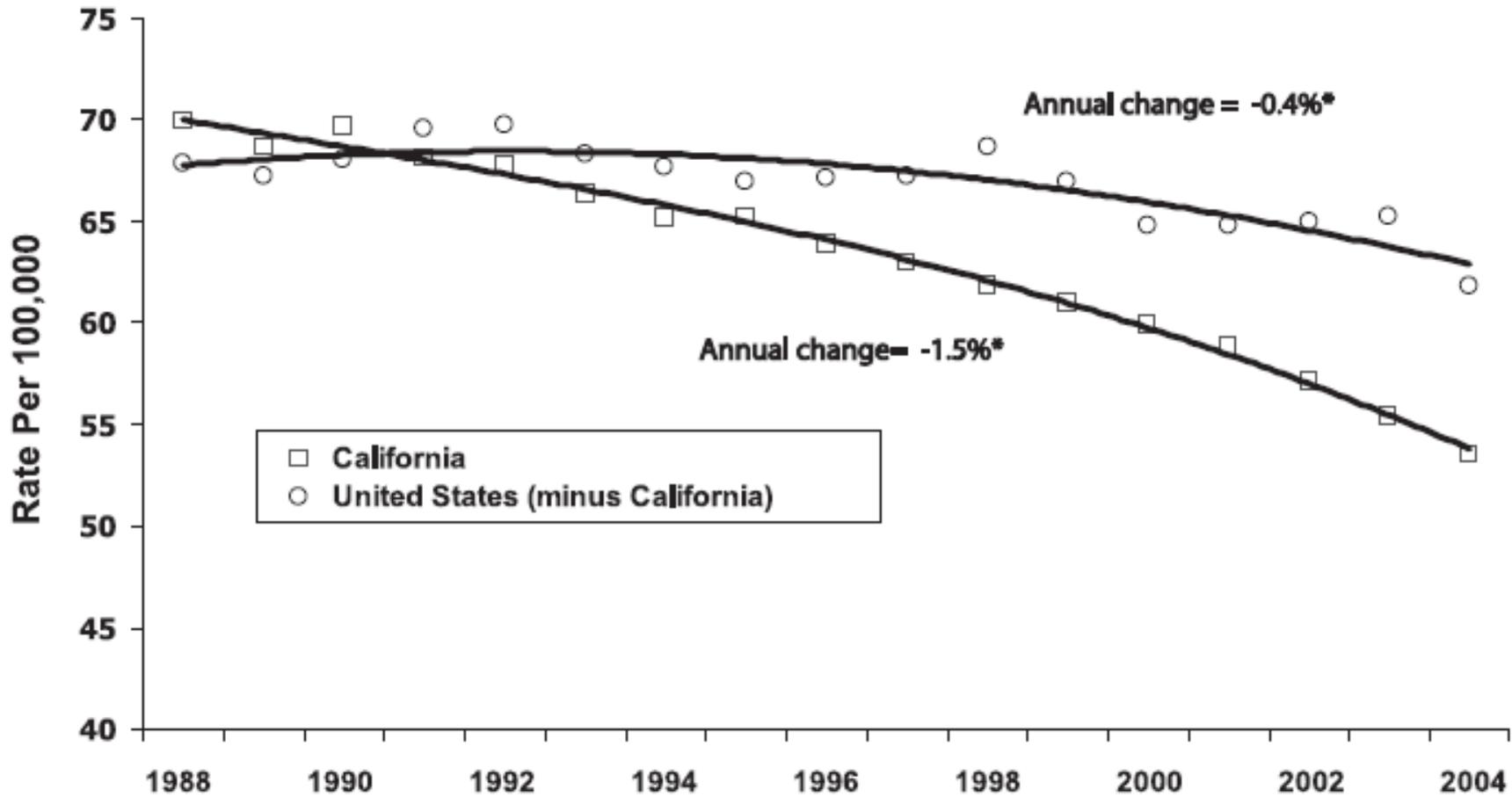


Results – Heart Disease Mortality Fit



California's Comprehensive Tobacco Control Program

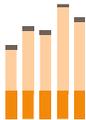
Lung and Bronchus Age-adjusted Cancer Incidence Rates, 1988-2004



Rates are per 100,000 and age-adjusted to the 2000 U.S. standard (19 age groups).

* The annual percent change is significantly different from zero (p<0.05).

Source: Cancer Surveillance Section. Prepared by: California Department of Health Services, Tobacco Control Section, 2007.



California's Comprehensive Tobacco Control Program

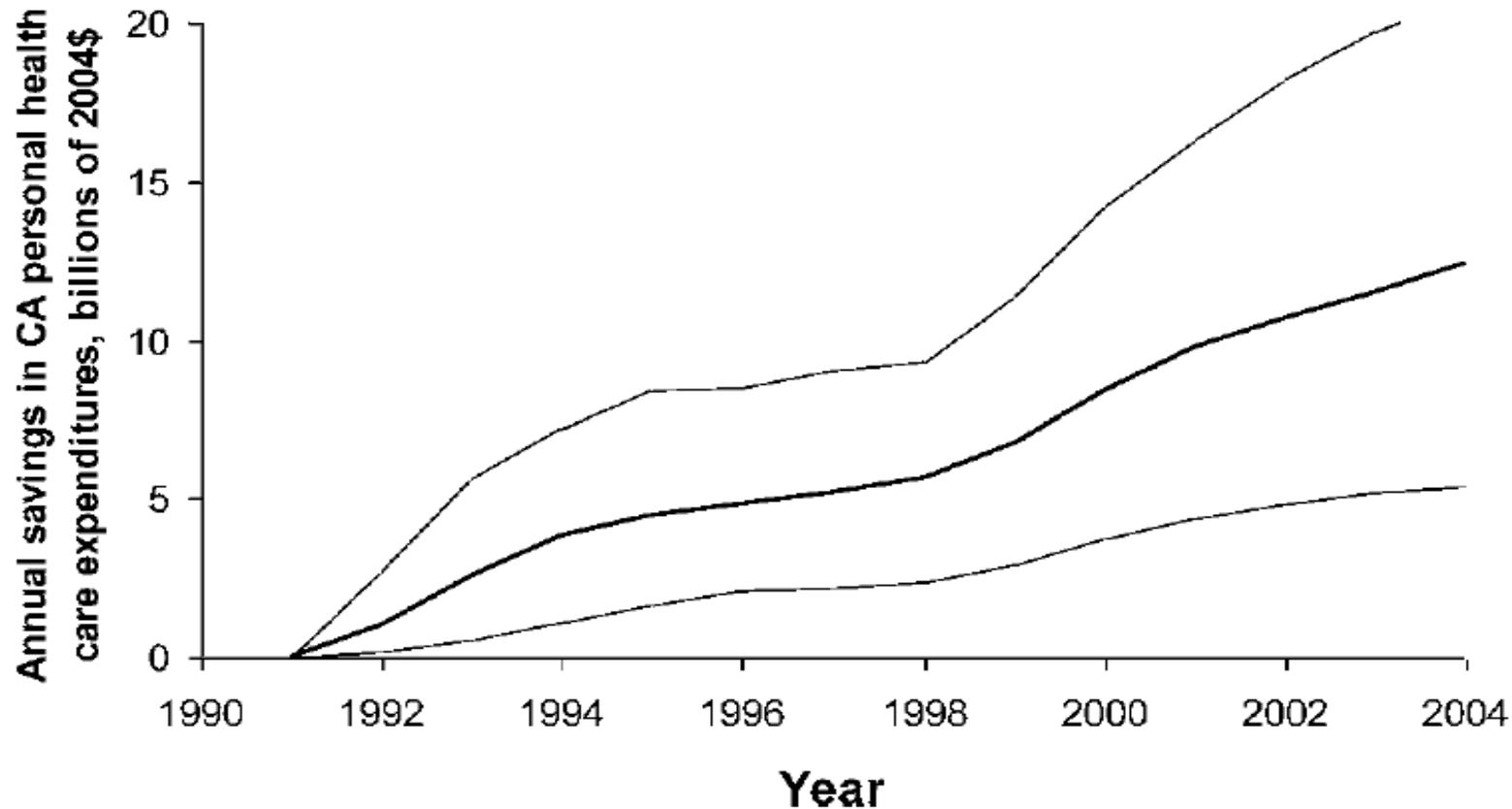
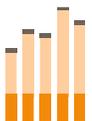
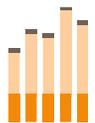
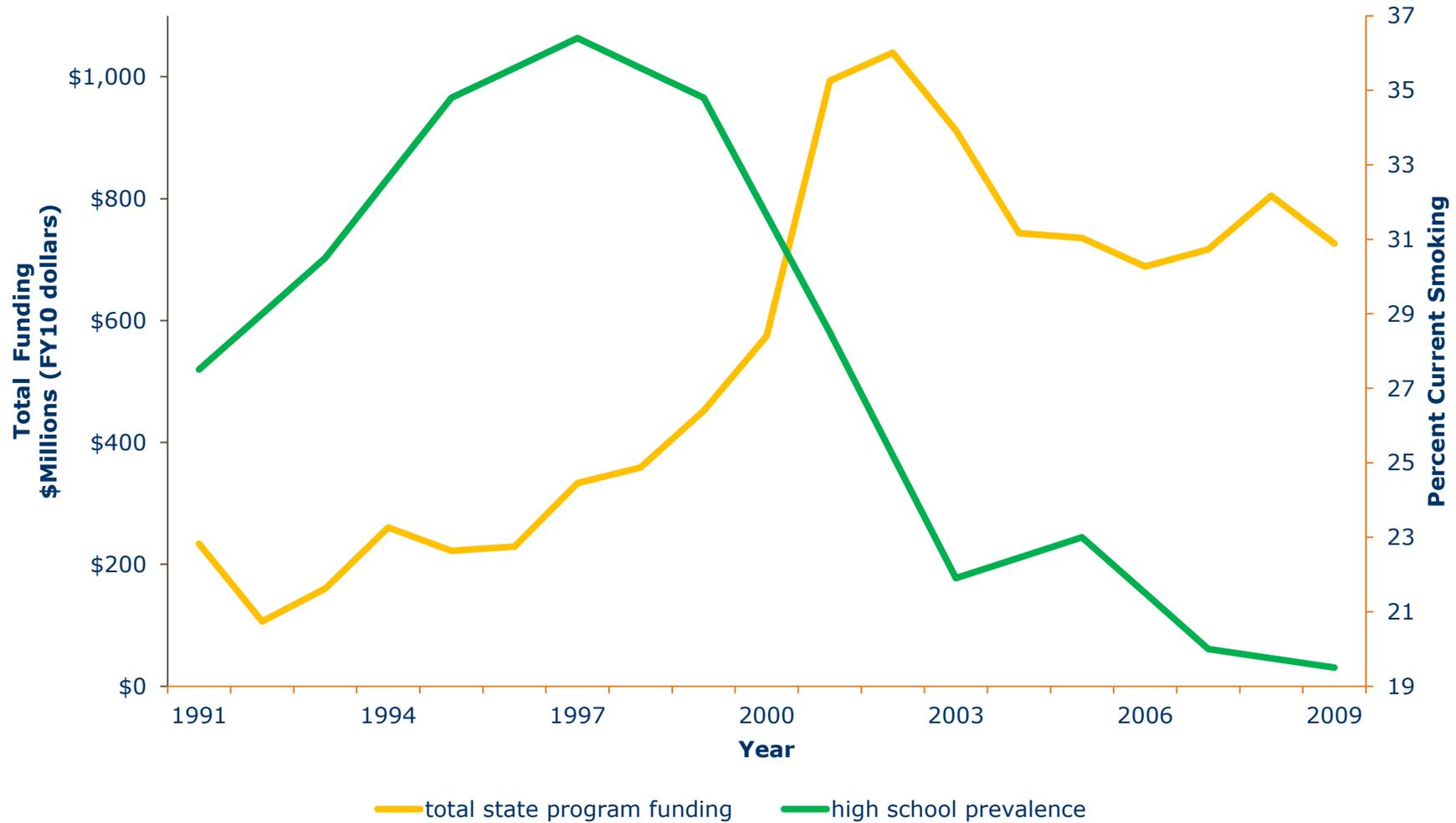


Figure 3. Savings in Personal Health Care Expenditures

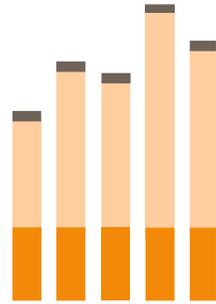
The estimated annual personal health care expenditures savings associated with the CTCP began to appear shortly after the program began and grew over time. (Lighter lines indicate the 95% CI for the annual savings.)



State Tobacco Control Program Funding and Youth Smoking Prevalence, United States, 1991-2009



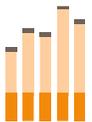
Source: ImpacTeen Project, UIC; YRBS

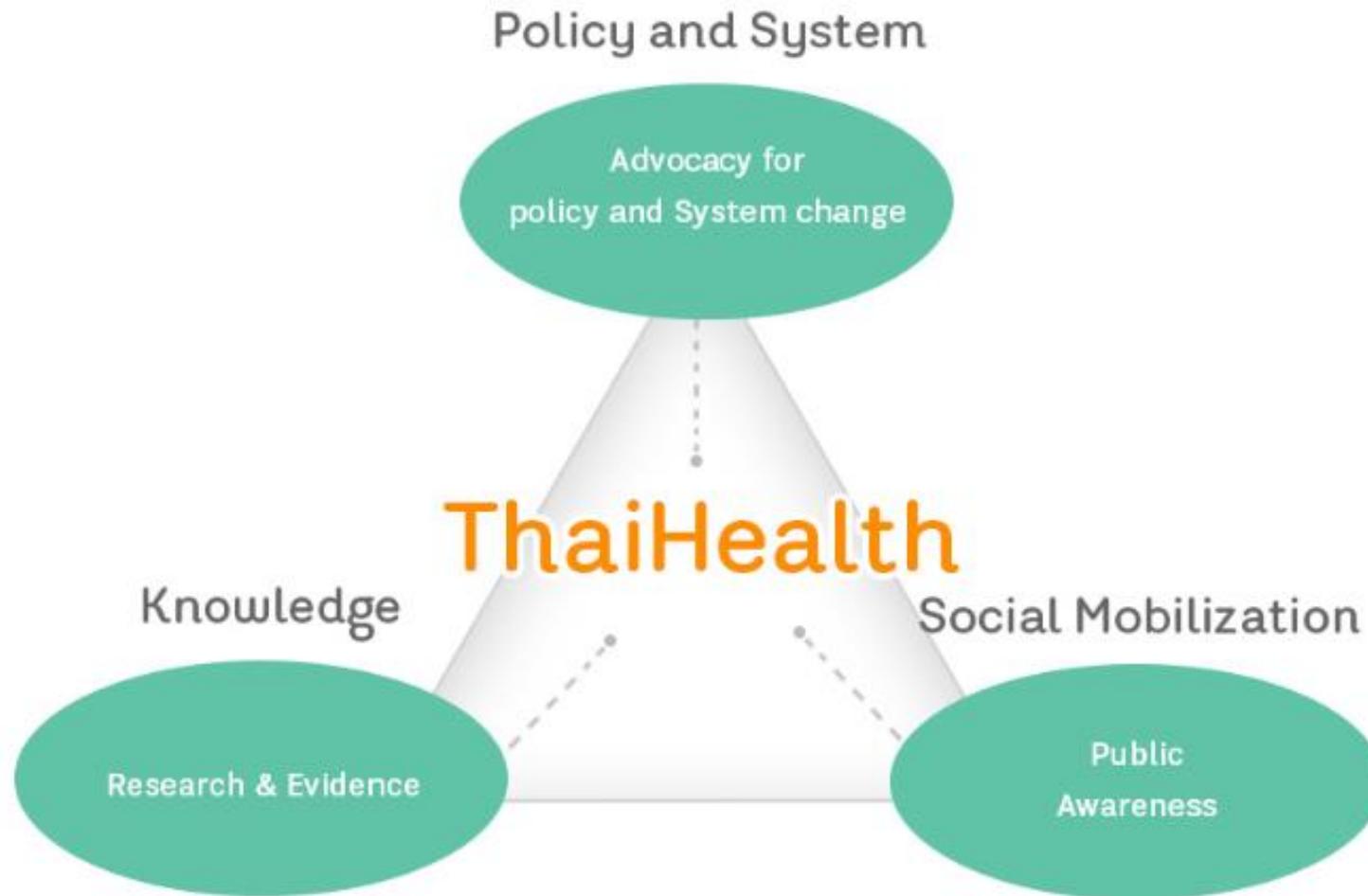


Thai Health Promotion Foundation

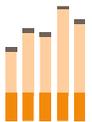
Thai Health Promotion Foundation

- 2001 Health Promotion Foundation Law
 - Creates Thai Health Promotion Foundation
 - Funded by a 2% surcharge on tobacco products and alcoholic beverages
 - Nearly US\$2 billion in total revenues
 - US\$120 million in most recent year
 - Funded over 1,000 health promotion activities across 15 categories





ThaiHealth has employed "Tri-Power Model"





TOBACCO CONTROL PLAN



ALCOHOL AND SUBSTANCE
ABUSE CONTROL PLAN



ROAD SAFETY AND DISASTER
MANAGEMENT PLAN



HEALTH RISK CONTROL PLAN



HEALTH PROMOTION PLAN
FOR VULNERABLE
POPULATIONS



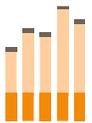
HEALTHY COMMUNITY
STRENGTHENING PLAN



HEALTHY CHILD, YOUTH, AND
FAMILY PROMOTION PLAN



HEALTH PROMOTION IN
ORGANIZATIONS PLAN





PHYSICAL ACTIVITY
PROMOTION PLAN



HEALTHY MEDIA SYSTEM AND
SPIRITUAL HEALTH PATHWAY
PROMOTION PLAN



HEALTH PROMOTION
INNOVATION AND OPEN
GRANT PLAN



HEALTH PROMOTION IN
HEALTH SERVICE SYSTEM
PLAN



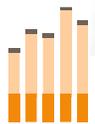
HEALTH PROMOTION
MECHANISM DEVELOPMENT
PLAN



HEALTHY FOOD PROMOTION
PLAN

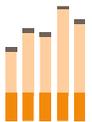


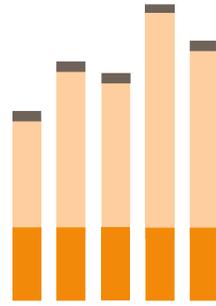
HEALTH LITERACY
PROMOTION PLAN



Thai Health Promotion Foundation

- Funded many effective health promotion programs
 - Supported efforts to strengthen tobacco control policies and reduce tobacco use
 - Contributed to significant strengthening of alcohol control policies and reduced alcohol use
 - Funded variety of road safety efforts that have reduced incidence of traffic crashes and injuries
 - Supported efforts to promote healthier diets and increased physical activity
 - Much more.....

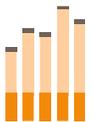




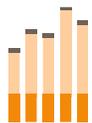
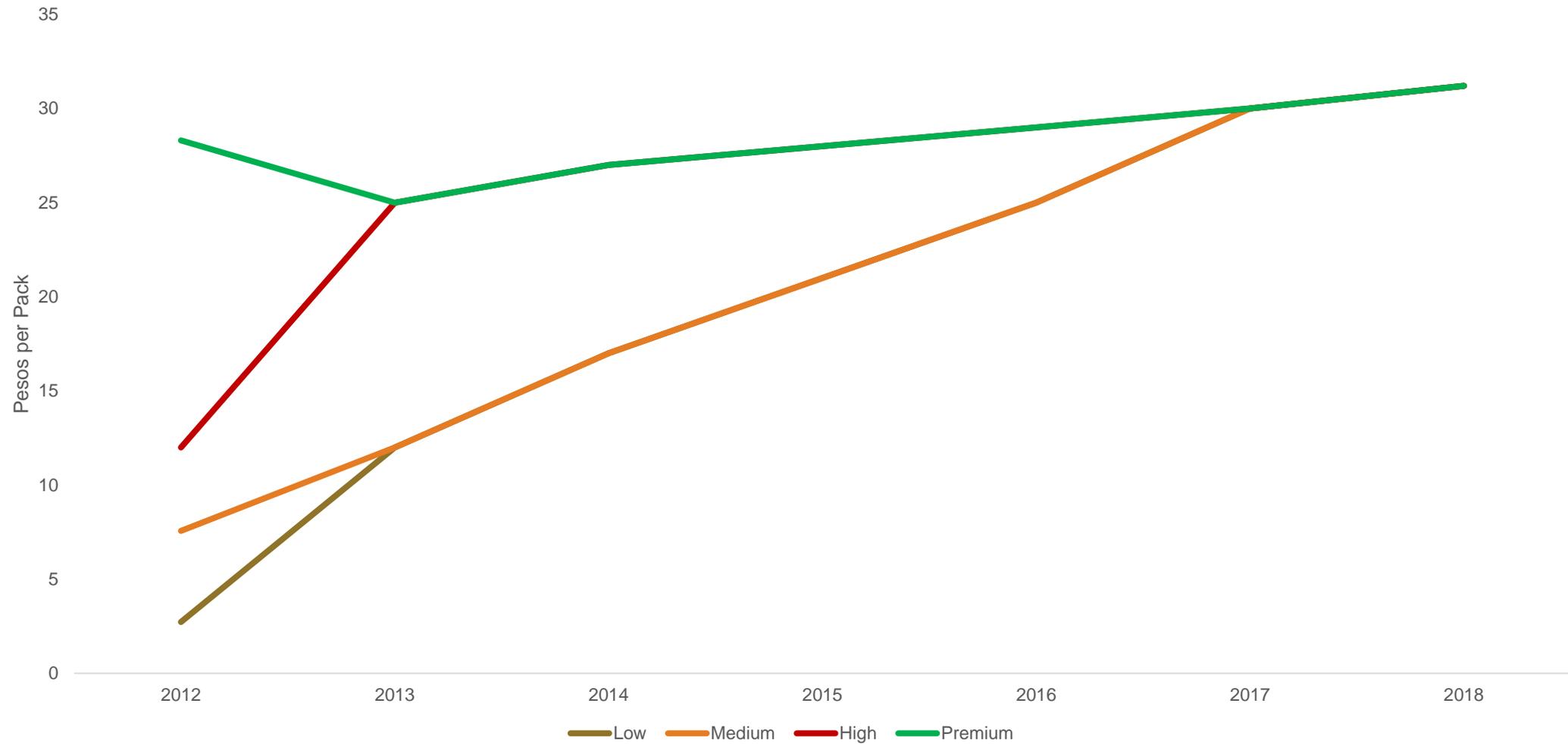
Philippines “Sin Tax” Reform

Philippine's “Sin Tax” Reform

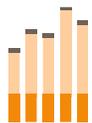
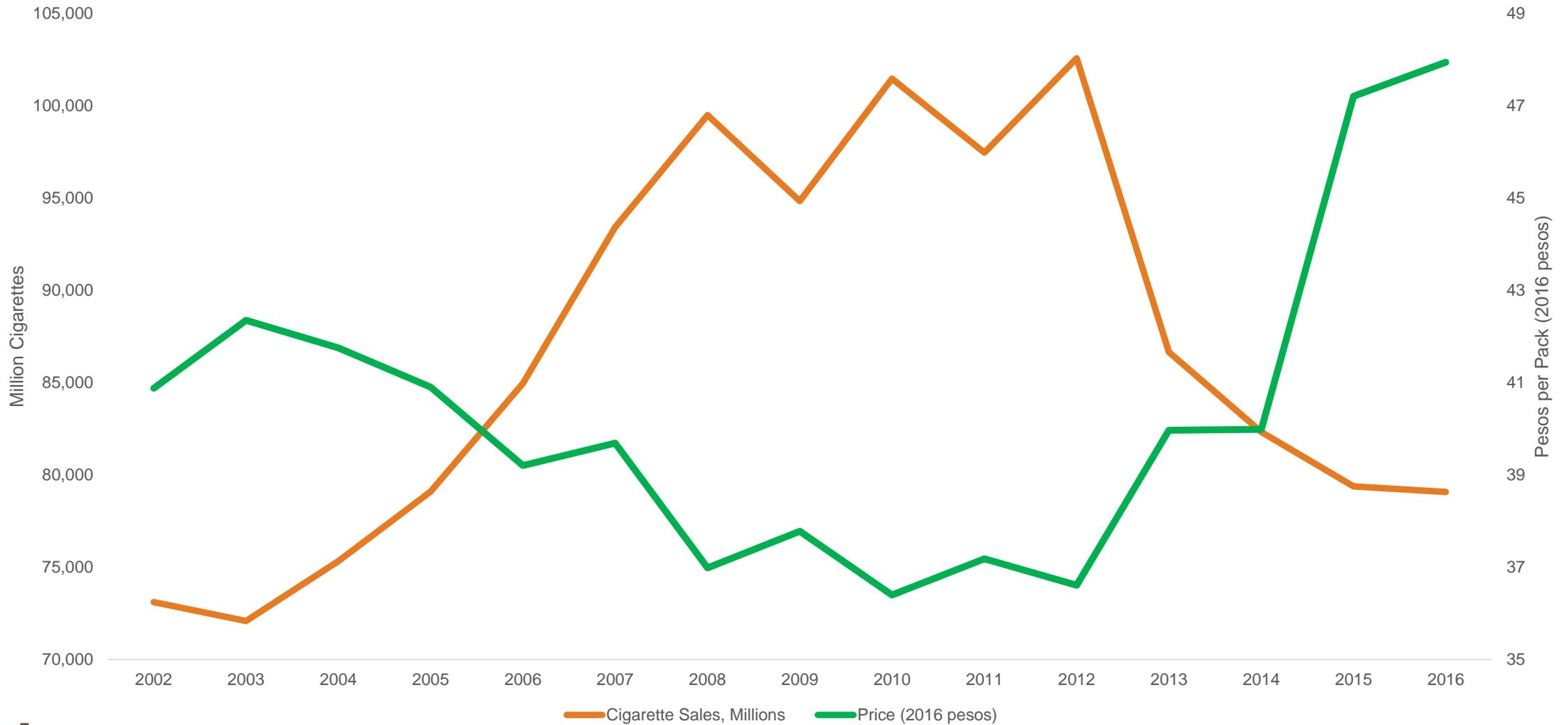
- 2012 Sin Tax Law
 - Simplification and significant increases in cigarette taxes
 - Simplification and modest increases in taxes on beer and distilled spirits
 - Most of incremental revenues allocated to universal health care program
 - Investments in infrastructure
 - Expansion of national health insurance program
 - Development programs
 - Health information programs
 - Special fund for low-income households
 - Some of the incremental revenues targeted to tobacco farmers



Cigarette Excise Tax per Pack Philippines, 2012-2018

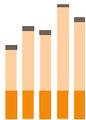
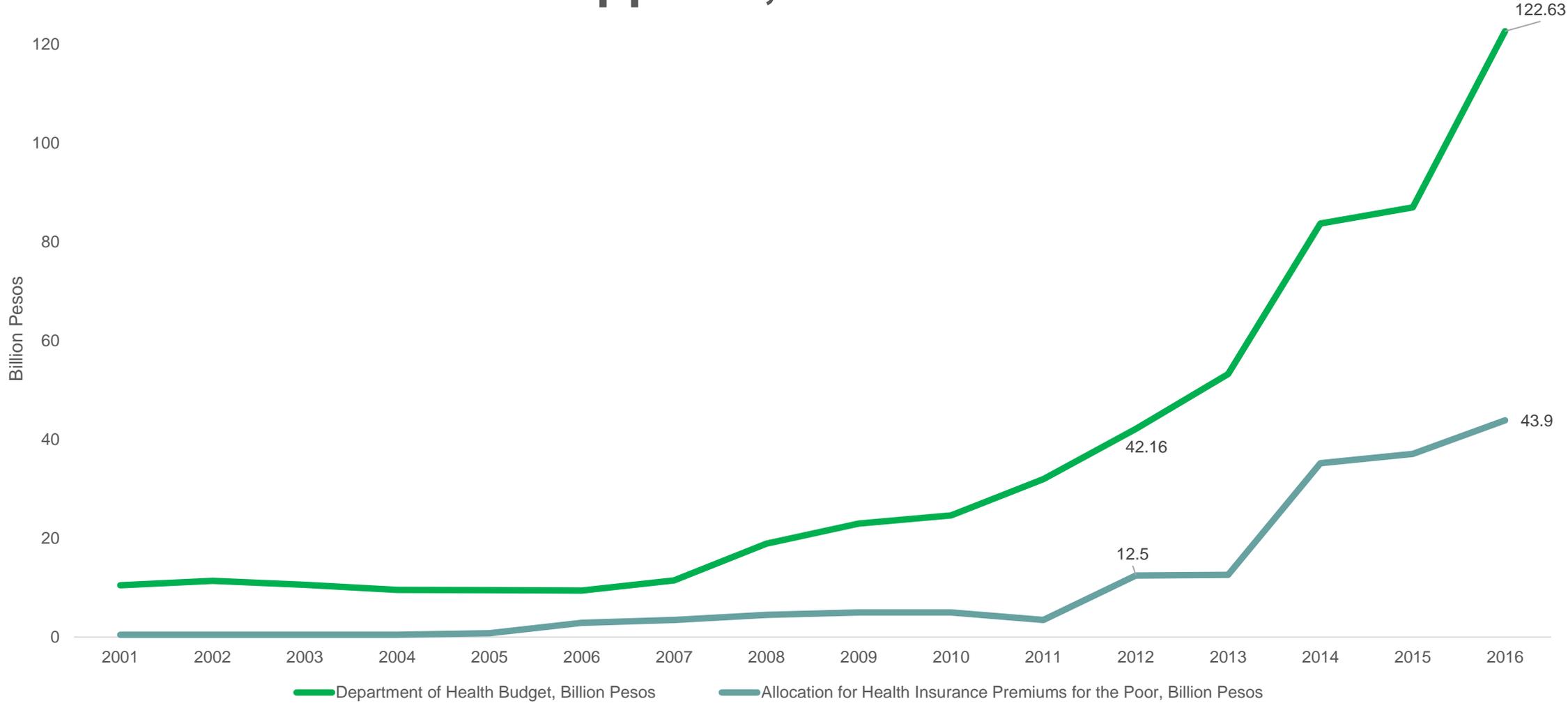


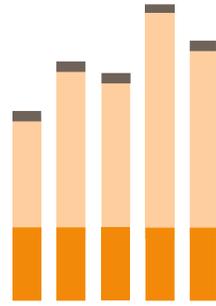
Cigarette Sales and Prices Philippines, 2002-2016, Inflation Adjusted



Sources: Euromonitor, World Bank, and Authors' Calculations

Incremental Revenues for Health and the Poor, Philippines, 2001-2016

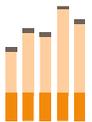




Summary

Summary

- Taxes on unhealthy products generate significant revenues
 - And also reduce their consumption and consequences
- Revenues can be dedicated to a variety of cancer prevention and other health promotion programs





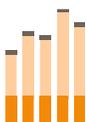
NEW REVENUES, PUBLIC HEALTH BENEFITS & COST SAVINGS FROM A \$1.50 CIGARETTE TAX INCREASE IN INDIANA

- The current state cigarette tax is \$0.995 per pack (37th among all states and DC).
- Annual health care expenditures in Indiana directly caused by tobacco use are \$2.93 billion.

Projected New Annual Revenue from Increasing the Cigarette Tax by \$1.50 Per Pack: \$316.81 million

New Annual Revenue is the amount of additional new revenue the first full year the tax increase is in effect. The state will collect less new revenue if it fails to apply the rate increase to all cigarettes and other tobacco products held in wholesaler and retailer inventories on the effective date.

Projected Public Health Benefits for Indiana from the Cigarette Tax Rate Increase	
<i>Percent decrease in youth (under age 18) smoking:</i>	16.5%
<i>Youth under age 18 kept from becoming adult smokers:</i>	43,500
<i>Reduction in young adult (18-24 years old) smokers:</i>	9,100
<i>Current adult smokers who would quit:</i>	52,600
<i>Premature smoking-caused deaths prevented:</i>	27,200
<i>5-Year reduction in the number of smoking-affected pregnancies and births:</i>	10,700
<i>5-Year health care cost savings from fewer smoking-caused lung cancer cases:</i>	\$9.85 million
<i>5-Year health care cost savings from fewer smoking-affected pregnancies and births:</i>	\$27.55 million
<i>5-Year health care cost savings from fewer smoking-caused heart attacks & strokes:</i>	\$21.79 million
<i>5-Year Medicaid program savings for the state:</i>	\$8.53 million
<i>Long-term health care cost savings from adult & youth smoking declines:</i>	\$2.01 billion



Raising tobacco taxes in Bangladesh in FY 2018- 2019: An opportunity for development

Raising taxes in Bangladesh would save lives and increase Government Revenue

The most effective way to reduce tobacco use is to raise the prices of tobacco products through tax increases that lower their affordability. Higher prices discourage youth from initiating tobacco use and encourage current users to quit.

If the Government of Bangladesh reforms the current tobacco tax system following the recommendations for the FY 2018-2019 proposed in Table 1 to 3 below, it would:

- Encourage nearly 6.4 million current adult smokers to quit (3.1 million cigarettes smokers and 3.3 million biri smokers);
- Reduce the prevalence of cigarette smoking by 2.7% and the prevalence of biri smoking by 2.9%
- Reduce premature deaths by 2 million among current smokers in the long term (1.1 million cigarette smokers and 938,650 biri smokers); and
- Generate between BDT 75 billion and 100 billion (or 0.4 % of GDP) in *additional* tax revenue. This additional revenue could be used to fund several new or existing programs to reduce the harms of tobacco use, prevent premature deaths and promote healthy lives.



International Union Against
Tuberculosis and Lung Disease
Health solutions for the poor



tobacconomics
Economic Research Informing Tobacco Control Policy



Thank You!

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