

POLICY BRIEF

The health costs of smoking in Albania

Background

Smoking is a major contributor to both fatalities and a range of health complications, which represent a heavy economic burden. The economic impact of smoking is categorized into direct and indirect costs. Direct costs include medical expenses associated with smoking-related diseases, such as hospitalization, ambulatory care, medications, and rehabilitation. Indirect costs include reduced productivity among individuals affected by smoking-related diseases.

Globally, smoking-attributable diseases account for approximately 5.7% of total health expenditure, totaling \$467 billion, while the overall economic cost of smoking, including productivity losses, is estimated at least at \$1,852 billion, equivalent to 1.8% of the world's GDP, with a significant share occurring in developing countries (Goodchild et al, 2018). Recent studies in the Western Balkans also clearly demonstrate high mortality and health costs related to smoking. The economic burden is particularly high for specific diseases linked to smoking, such as cancer, cardiovascular diseases, and respiratory illnesses.

In our research we use two different approaches. Through **the first approach, we assess household smoking-attributable out of pocket healthcare spending** (e.g., expenditures for hospitals and medical visits, expenditures for drugs, overall expenditures) based on Household Budget Survey data. Furthermore, we estimate the factors that influence out-of-pocket healthcare spending in households in Albania. **In the second**

(epidemiological) approach, we estimate the direct costs (healthcare services) of several smoking-related diseases addressed by the main state/public hospitals.

Findings

Results show that the annual **smoking-related, out-of-pocket healthcare expenditure for the population amounts to almost 223.3 Million ALL** (or about 26 million USD), with the majority allocated to drug-related expenses (~20 million). A smaller proportion comprises hospital and health visits costs.

Table 1: Health Care Costs Attributable to Smoking in Albania

| Category | ALL |
|------------------------------|-------------|
| Type of care | |
| Total health expenditures | 223,294,461 |
| Hospitals and visits | 53,269,307 |
| Total expenditures for drugs | 169,342,387 |
| North | 51,778,426 |
| Center | 101,399,417 |
| South | 70,116,618 |
| Urban/rural | |
| Rural | 92,814,779 |
| Urban | 130,588,235 |

Source: Authors' calculations

Notably, households situated in the northern region exhibit lower out-of-pocket health care spending attributable to smoking compared to those in the central and southern regions. Additionally, urban households tend to incur slightly higher health costs attributable to smoking compared to their rural counterparts. These findings underscore

the regional and urban-rural variations in the economic impact of smoking on healthcare expenditures.

In addition to out-of-pocket costs, smoking related diseases are associated with significant costs covered by the public health system/hospitals (which are not paid for by patients). Overall, smoking-attributable costs for hospitalization account for nearly 30% of the total, underscoring the considerable economic impact of smoking on Albanian expenditures for hospitalization. Respiratory diseases, which are among the main diseases driven by smoking, impose a substantial economic burden: smoking-attributable costs constitute 15% of the total cost for this disease or 203.4 million ALL. Heart-related, smoking-attributable costs make up 125.88 million ALL.

Table 2: Smoking attributable hospitalization costs (Million ALL)

| RESPIRATORY DISEASES | 203,397,065 |
|---|--------------------|
| Asthma | 31,937,473 |
| Tracheal, bronchus & Lung Cancer | 40,148,612 |
| COPD | 69,809,705 |
| Respiratory infections and tuberculosis | 61,501,274 |
| HEART DISEASES | 125,881,436 |
| Coronary Heart Disease | 109,536,596 |
| Stroke | 16,344,840 |
| DIABETES MELITUS | 33,505,449 |
| Diabeti melitus type 2 (E10–E14) | 33,505,449 |
| OTHER CANCERS | 39,914,448 |
| Oesophagus cancer | 7,411,861 |
| Larynx | 15,624,709 |
| Stomach | 16,877,878 |

Source: Authors' calculations

As highlighted earlier, smoking results in significant financial burdens on the public health system, which in addition to public hospital expenditures covers other expenditures (e.g. medication or services that may be obtained outside public hospitals but

are funded/financed by the government). The public institution responsible for administering and advancing the mandatory health care insurance scheme in the Republic of Albania is the Mandatory Health Insurance Fund (Fondi i Sigurimit të Detyrueshëm të Kujdesit Shëndetësor (FSDKSH)). During 2022, the total healthcare costs managed by FSDKSH amounted to 51,564 million ALL or approximately 548 million dollars. **Smoking-attributable costs within FSDKSH expenses were estimated at 11.2 Billion ALL** (or about \$119 million). This implies that a substantial portion, approximately 22% of the total expenses, is directly related to smoking-attributable health issues.

Table 3: Annual smoking attributable costs in 2022 (in Million ALL)

| Expenses Items | Million ALL |
|------------------------|--------------------|
| Hospitalization | 6,429 |
| Primary healthcare | 2,277 |
| Reimbursement of drugs | 2,586 |
| Total | 11,293 |

Source: Authors' calculations

The concept of indirect morbidity costs from smoking pertains to the economic repercussions of reduced productivity among individuals affected by smoking-related diseases. Crucial for this evaluation are work-loss days and mean daily salaries. Unfortunately both are unavailable in Albania. In an effort to gain insights into the indirect costs of tobacco, we conducted a survey during 2023 within the largest public hospital in the country, QSUT. **The findings show that tobacco consumption related diseases are a key source of the number of days missing from work, resulting in lower productivity for the economy.**

Policy implications

Albania grapples with a high prevalence of smoking, particularly among young males. Tobacco consumption stands as a primary risk factor for numerous major diseases, contributing significantly to premature deaths and preventable morbidity. As a result, smoking imposes a significant economic burden on society, affecting both smokers and non-smokers exposed to second-hand smoke, and the families thereof. The resulting smoking-related illnesses lead to increased healthcare costs and cause individuals to lose productive time. Understanding the economic impact of smoking, encompassing monetary costs, lost time, and lives, is crucial for demonstrating to policymakers the gravity of the situation and devising strategies to minimize its societal consequences.

The study reveals that the annual out-of-pocket healthcare expenditures related to smoking are significant, with the majority spent on drug-related expenses. Smoking not only leads to substantial out-of-pocket expenses but also results in significant financial burdens on the public health system. Overall, smoking-attributable costs for hospitalization varies by disease but is significant, underscoring the considerable economic impact of smoking on Albanian expenditures for hospitalization. Respiratory diseases, a prominent consequence of smoking, account for a considerable economic burden – this is the case also for heart-related smoking-attributable costs. Overall, smoking-attributable costs, within the publicly funded Mandatory Health Insurance Fund (FSDKSH) was estimated 11.2 Billion ALL (about \$119 million).

The concept of indirect morbidity costs related to smoking focuses on the economic impact of reduced productivity among individuals affected by smoking-related

diseases. To gain insights into these indirect costs, a survey was conducted during 2023 targeting the largest hospital in Albania. The findings show that tobacco consumption related diseases are a key source of the number of days missing from work, resulting in lower productivity for the economy.

The study unequivocally communicates to policymakers and the broader public the urgency of implementing policies aimed at reducing tobacco consumption. Notably, among these policies, consistently increasing tobacco excise taxes prove the most effective in curbing both smoking prevalence and consumption. This impact is notably more pronounced among lower-income households, who exhibit greater sensitivity to price changes and are consequently more likely to quit smoking in response to elevated taxes and prices. A reduction in tobacco consumption among lower-income households implies a decrease in poverty. Consequently, households with lower incomes stand to gain the most significant benefits from a reduction in tobacco consumption, given Albania's status as one of the poorest countries in Europe (Gjika et al., 2020; Merkaj et al, 2023).

Finally but crucially, recent studies demonstrate how tobacco control policies, both fiscal ones (higher excise) and non-fiscal ones (forbidding smoking in bars/restaurants) result in significantly lower smoking initiation levels among youth (Merkaj et al, 2022).

References

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