Attracting Funding for Cancer Prevention Using Economic and Fiscal Tools

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"Sugar, rum, and tobacco, are commodities which are nowhere necessities 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.
Distilled Spirits Sales and Prices
Ukraine, 2002-2016, Inflation Adjusted

Sales Volume, Million Litres
Real Price

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

Source: Paraje, 2017
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Taxes & Tax Revenues, South Africa

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

Sources: Blecher & Van Walbeek, 2014

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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”
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

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Support for 20% Price Increase
Non-Smokers, 2010

Source: Gallus, et al., 2012
Support for 20% Price Increase
Current Smokers, 2010

Source: Gallus, et al., 2012

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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

Source: ImpacTeen Project, 2010
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

Source: Tobacco Control, 2010
California, Per capita cigarette consumption

Source: Glantz, 2011
California - Consumption Fit

![Graph showing per capita cigarette consumption from 1979 to 1994, with projections and actual data points.](image)

- **Source:** Glantz, 2011
California
Age Adjusted Heart Disease Mortality

Source: Glantz, 2011
Results – Heart Disease Mortality Fit

Source: Glantz, 2011
California’s Comprehensive Tobacco Control Program

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

Annual change = -0.4%*

Annual change = -1.5%*

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: Tobacco Control, 2010
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.)

Source: Lightwood et al., 2008
State Tobacco Control Program Funding and Youth Smoking Prevalence, United States, 1991-2009

Total State Program Funding

Year


Percent Current Smoking

Source: ImpacTeen Project, UIC; YRBS

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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
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

Pesos per Pack

Low
Medium
High
Premium
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

Department of Health Budget, Billion Pesos
Allocation for Health Insurance Premiums for the Poor, Billion Pesos

Source: Adapted from Jeremias Paul, 2017
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.

<table>
<thead>
<tr>
<th>Projected Public Health Benefits for Indiana from the Cigarette Tax Rate Increase</th>
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<tbody>
<tr>
<td><strong>Percent decrease in youth (under age 18) smoking:</strong></td>
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<td><strong>Youth under age 18 kept from becoming adult smokers:</strong></td>
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<td><strong>Reduction in young adult (18-24 years old) smokers:</strong></td>
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<td><strong>Current adult smokers who would quit:</strong></td>
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<td><strong>Premature smoking-caused deaths prevented:</strong></td>
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<td><strong>5-Year reduction in the number of smoking-affected pregnancies and births:</strong></td>
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<td><strong>5-Year health care cost savings from fewer smoking-caused lung cancer cases:</strong></td>
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<td><strong>5-Year health care cost savings from fewer smoking-caused heart attacks &amp; strokes:</strong></td>
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<td><strong>5-Year Medicaid program savings for the state:</strong></td>
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<tr>
<td><strong>Long-term health care cost savings from adult &amp; youth smoking declines:</strong></td>
</tr>
</tbody>
</table>
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.
Thank You!

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