



Promoting Health and Cost Control in States:

How States Can Improve Community Health & Well-being Through Policy Change

Tobacco Pricing

KEY TAKEAWAYS

How do Tobacco Pricing Strategies Impact Tobacco Use?

- Tobacco use and exposure to second-hand smoke are leading causes of preventable death in the United States.¹ One strategy to decrease tobacco use, and promote quitting, is to raise the price of tobacco products.

How do Tobacco Pricing Strategies Improve Health?

- The effects on tobacco consumption are proportional to the increase in the price of the tobacco product. Studies suggest that a 20 percent increase in the unit price of tobacco reduces consumption by 10 percent.

What is the Economic Impact?

- It is estimated that the negative health impacts of tobacco use cost the United States more than \$300 billion annually, including \$170 billion in medical expenses and \$156 billion in lost productivity.^{2,3} Tobacco taxes have been shown to reduce medical costs for tobacco consumers and serve as a revenue stream for states.

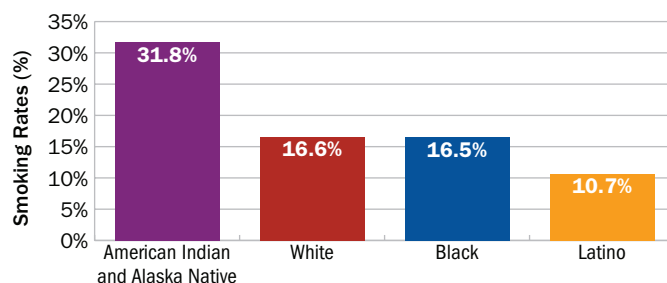


Background

Tobacco use remains a leading cause of preventable death in the United States, known to cause cancer and other harmful health conditions.⁴ Implementing evidence-based policies that reduce smoking and tobacco consumption can decrease tobacco-related illnesses and mortality. One of the most effective strategies to decrease tobacco use, and promote quitting, is to raise the price of tobacco products. Increasing the cost of cigarettes and other tobacco products can promote better health and generate cost savings through lower healthcare spending in addition to averted productivity loss.

Special considerations should be taken to reduce disparities and promote health equity as increasing tobacco taxes can have a disproportionate effect on low-income populations. Low-income neighborhoods have a higher concentration of tobacco retailers and are more likely to have a store that sells tobacco near schools.⁵ There is also evidence that smoking rates differ across racial/ethnic groups and income levels.⁶ Because a tobacco tax is inherently regressive, a greater proportion of tax revenue should be allocated to fund tobacco control programs for low-income individuals to prevent negative consequences from the tax. Remaining revenue should be dedicated towards other policies that improve health, such as expanding the state earned income tax credit.

Smoking Rates by Race

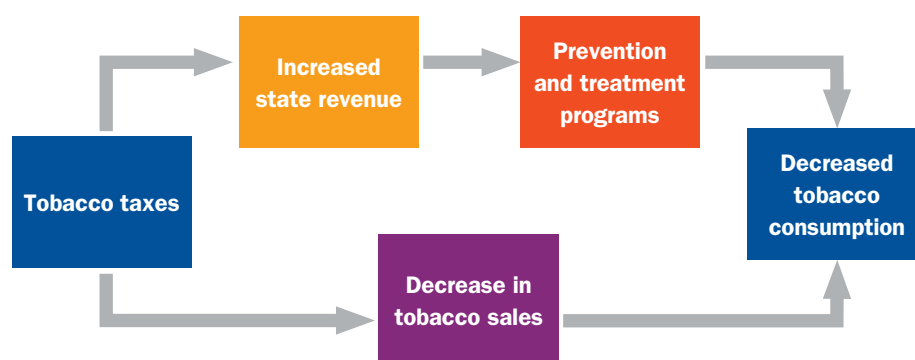


What Can States Do?

States can implement pricing strategies to increase the cost of tobacco products and thereby decrease tobacco consumption. All states and the District of Columbia have enacted a tax on tobacco, but the taxed products and tax rates vary throughout the country. For example, currently 20 states and the District of Columbia have a cigarette tax rate of \$2.00 or more per cigarette pack, compared to 14 states that have a tax of \$1.00 or less per pack.⁷ There are also differences in which tobacco products are included or excluded from a tobacco tax, such as e-cigarettes. Additionally, raising tobacco taxes can generate revenue for the state which can be used to fund tobacco interventions and smoking cessation programs. To promote health equity, the additional revenue should be reinvested in the communities that would be affected most by the tax.⁸



The Impacts of Tobacco Taxes



How Do Tobacco Pricing Strategies Improve Health?

Tobacco use and exposure to second-hand smoke have been linked to adverse health outcomes and chronic diseases, such as cancer, cardiac diseases, and respiratory illnesses.⁹ Increasing tobacco prices decreases tobacco consumption, increases quit rates, and reduces disparities.^{10,11} The effects on tobacco consumption are proportional to the increase in the price of the tobacco product. Studies suggest that a 20 percent increase in the unit price of tobacco reduces consumption by 10 percent.¹² However, for the strategy to be most effective, tobacco taxes must be levied on a variety of tobacco products to discourage users from substituting one tobacco product for a lower-priced one.¹³ Higher tobacco prices have the greatest effect on adolescents, young adults, and lower-income populations.¹⁴

The Impact of New York's Tobacco Tax on Smoking

	New York	U.S. Average
Tobacco excise tax (per 20 cigarettes)	\$4.35	\$1.81
Adult smoker rate (2016)	14.2%	17.1%
High school smoker rate (2017)	5.5%	8.8%

The state of New York's decision to raise the cigarette excise tax resulted in lower adult and youth smoking rates compared to U.S. averages. New York has one of the highest cigarette excise taxes in the country, with a \$4.35 tax per pack of cigarettes.

How Do Tobacco Pricing Strategies Reduce Healthcare Costs and Increase States' Revenue?

Smoking-related diseases incur a heavy burden on the nation's economy. It has been estimated that the negative health impacts of tobacco use cost the United States more than \$300 billion annually, including \$170 billion in medical expenses and \$156 billion in lost productivity.^{15,16} By reducing tobacco consumption and decreasing related illnesses, raising tobacco taxes can generate substantial savings in reduced health costs and increase productivity.¹⁷ One study found that increasing tobacco prices by 20 percent results in healthcare cost savings ranging from -\$0.14 to \$90.02 per smoker per year in addition to averted productivity losses.¹⁸ Increasing tobacco taxes can also provide additional revenue for the state, which can be used to fund state tobacco control programs. For example, New York collects more than \$1.2 billion in tobacco taxes annually.¹⁹

Interested in learning more about Tobacco Pricing and other evidence-based policies? Visit the PHACCS website to read the full report and other policy briefs for our 13 recommended policies.



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TAKEAWAYS FOR MULTIPLE AUDIENCES — COMMUNICATING THE IMPORTANCE AND IMPACT OF TOBACCO PRICING STRATEGIES

Policymakers

- Tobacco use and exposure to second-hand smoke are linked to poor health and high healthcare spending.
- Increasing tobacco prices yield cost savings, avoid lost productivity, and generate revenue that can be used to fund tobacco-control programs aimed at communities with the highest need.
- States have the authority to modernize their tobacco laws to apply to new tobacco products, including e-cigarettes, and update tobacco tax rates to adjust for inflation.

Public Health Practitioners

- Higher tobacco prices decrease tobacco consumption, promote cessation, and improve public health.
- Increasing tobacco pricing is an effective strategy to deter youth uptake of tobacco use, which is when smoking initiation usually begins.
- The revenue from tobacco taxes can be reinvested in low-income neighborhoods, which have a higher concentration of tobacco retailers, to fund tobacco interventions and promote health equity.

Communities

- Implementing tobacco taxes can promote health and reduce healthcare costs for taxpayers, a majority of which is paid for by public programs like Medicaid and Medicare.²⁰
- Increasing the price of tobacco products creates healthier communities by discouraging tobacco use and reducing exposure to second-hand smoke.
- Revenue from state tobacco taxes can be used to fund tobacco control and other public health programs.

Endnotes

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