The State of Tobacco Control in Illinois:

One Economist's Perspective

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University of Illinois at Chicago

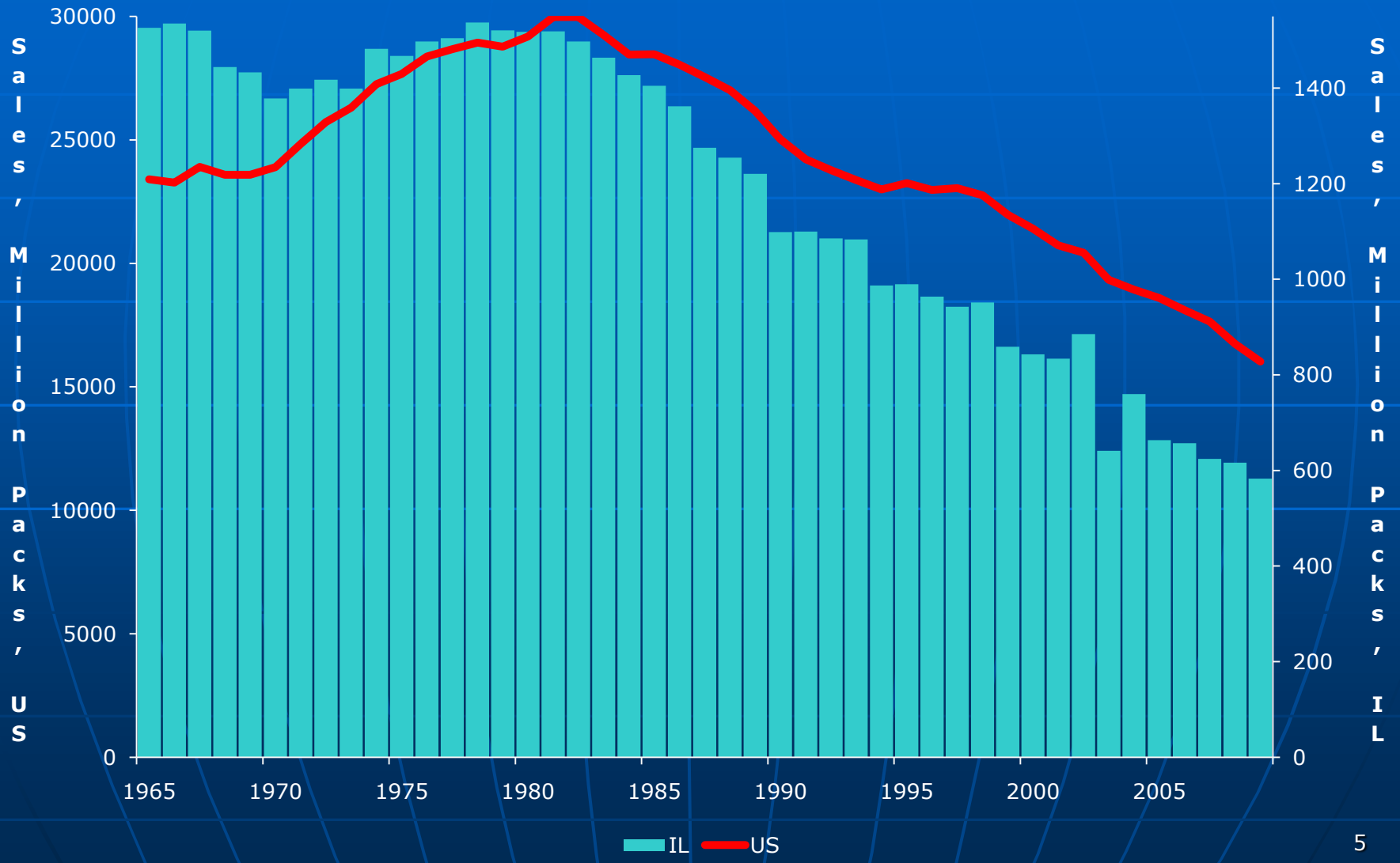
Illinois Tobacco Cessation Forum
Springfield, November 3, 2010
Chicago, November 4, 2010

Overview

- MPOWER Framework
  - "Monitor" the tobacco epidemic
  - "Protect" non-smokers
  - "Offer" help to quit
  - "Warn" about the harms
  - "Enforce" marketing bans
  - "Raise" taxes
- Focus on:
  - Where we've been
  - Where we are now
  - Where we can go

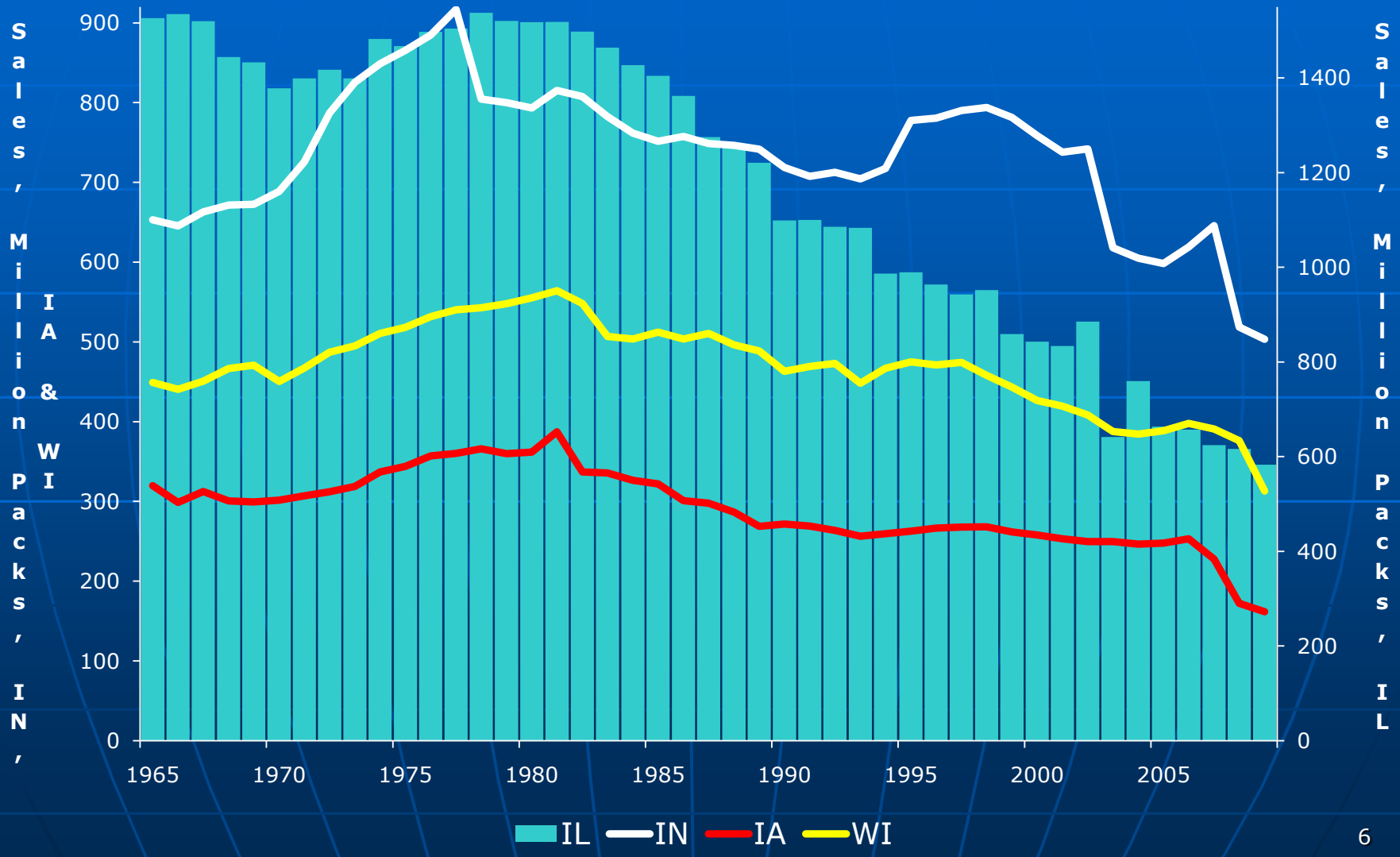
Monitor

Cigarette Sales, Illinois and US, 1965-2009



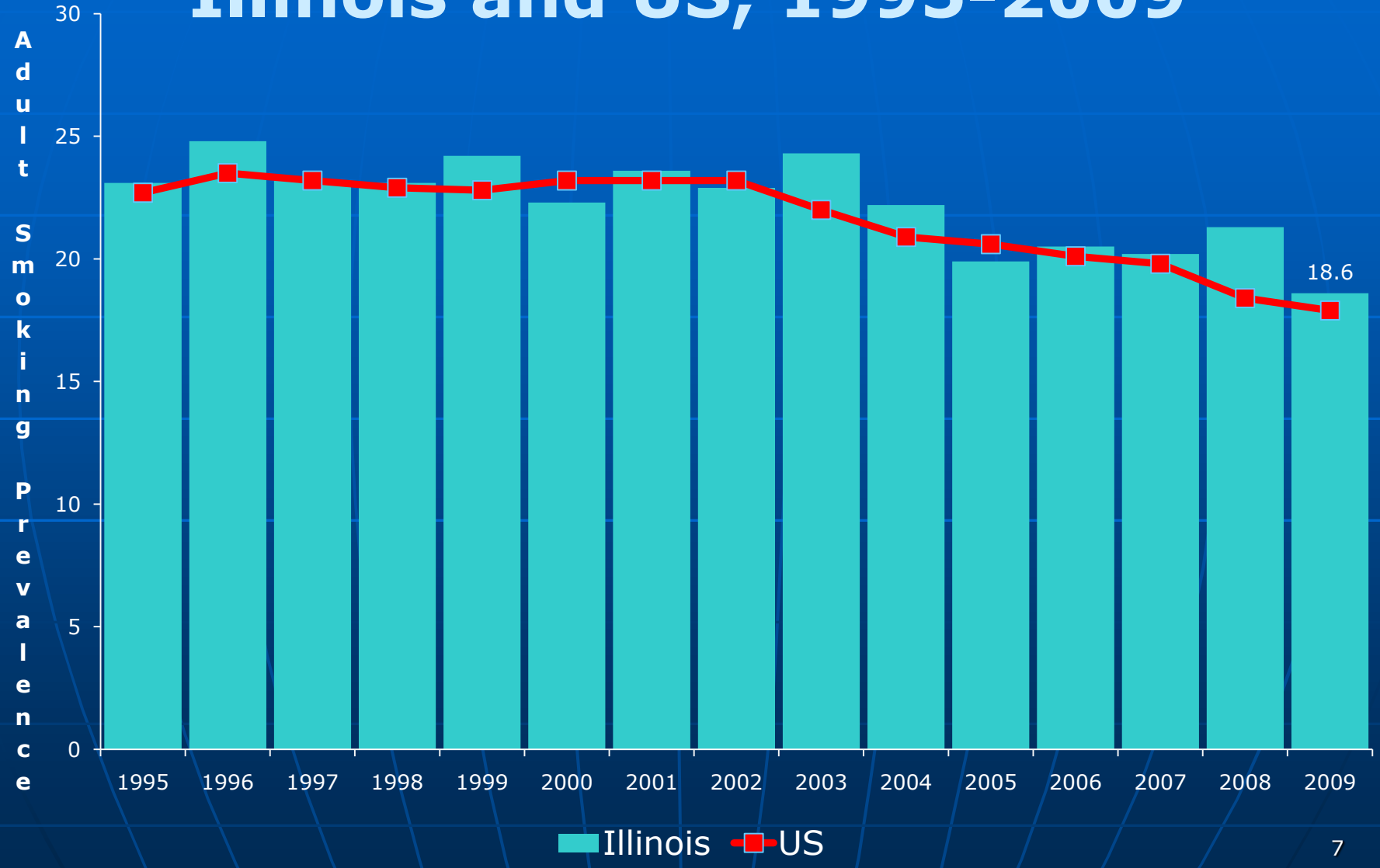
Source: TBOT

Cigarette Sales, IL, IN, IA and WI, 1965-2009



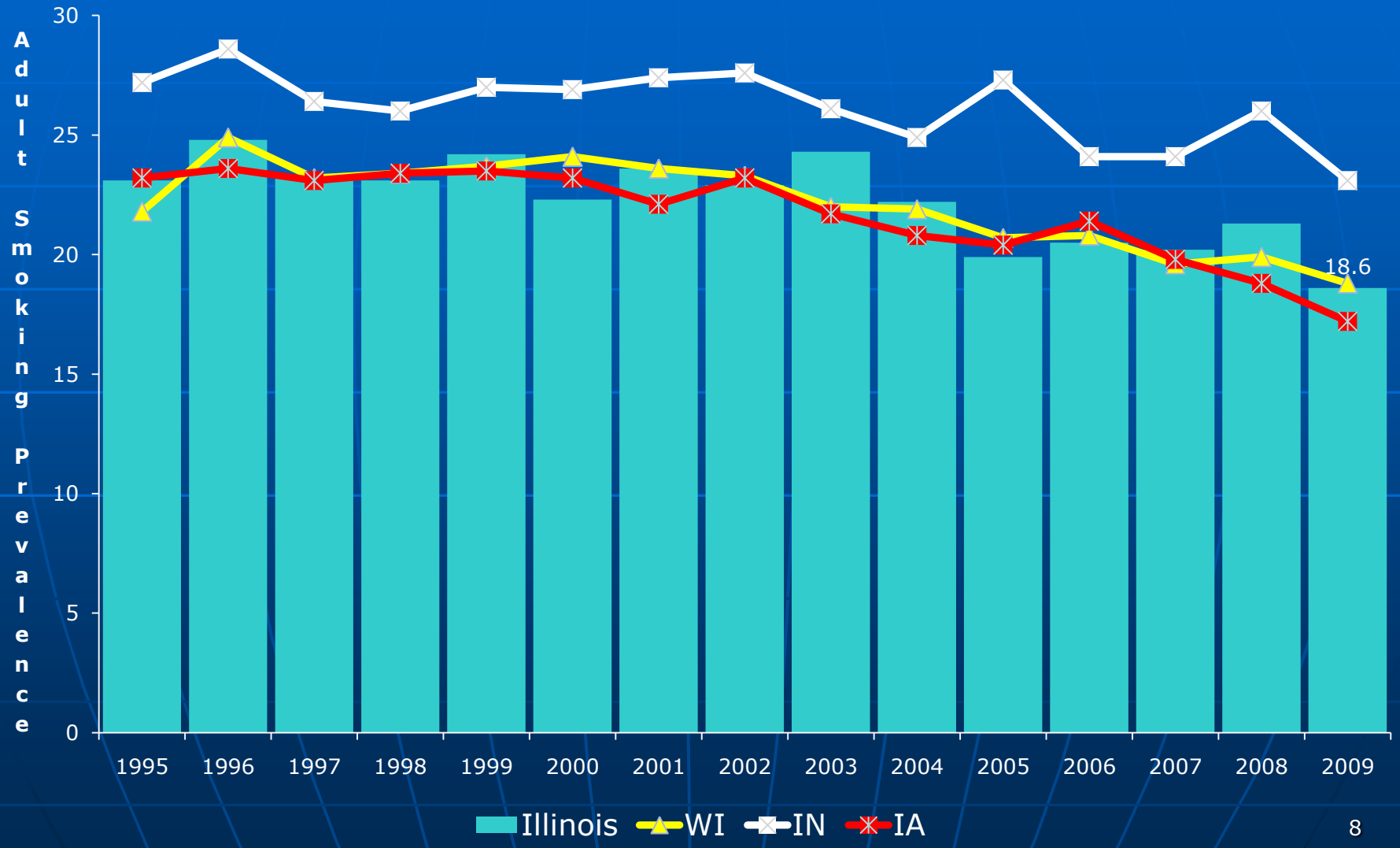
Source: TBOT

Adult Smoking Prevalence Illinois and US, 1995-2009



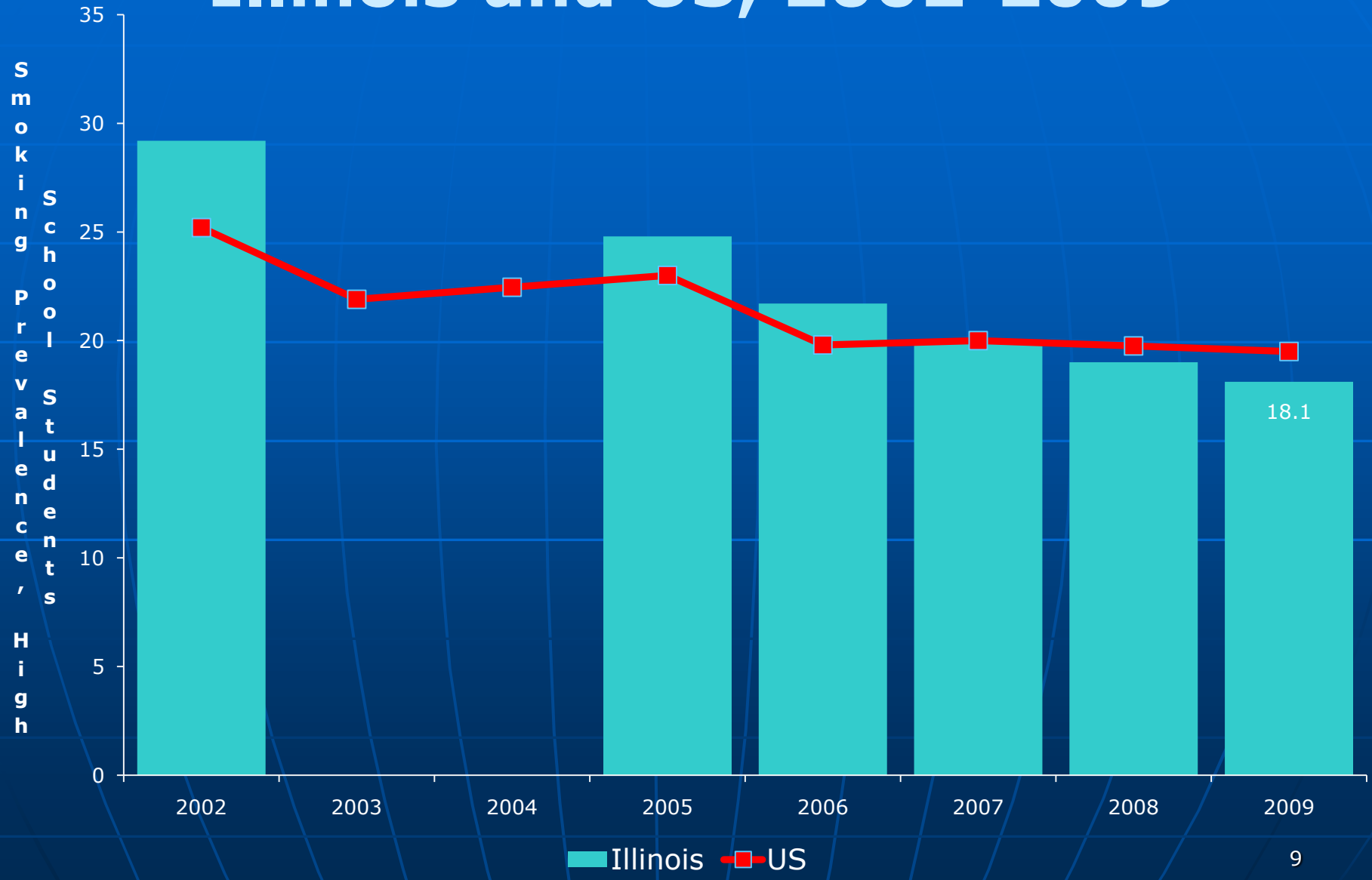
Source: BRFSS

Adult Smoking Prevalence
IL, IN, IA, and WI, 1995-2009



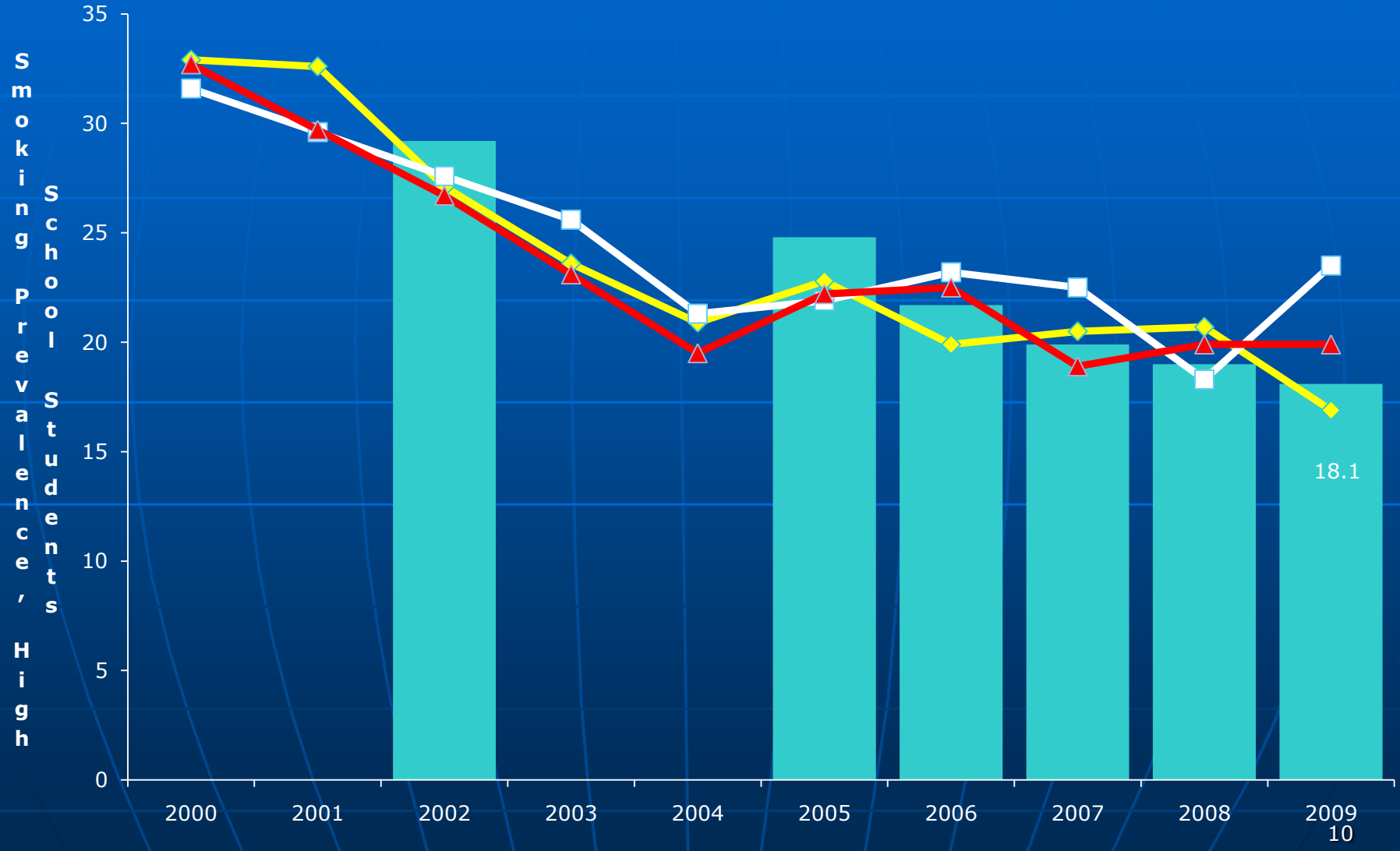
Source: BRFSS

Youth Smoking Prevalence Illinois and US, 2002-2009



Source: YRBS, YTS; some data points interpolated

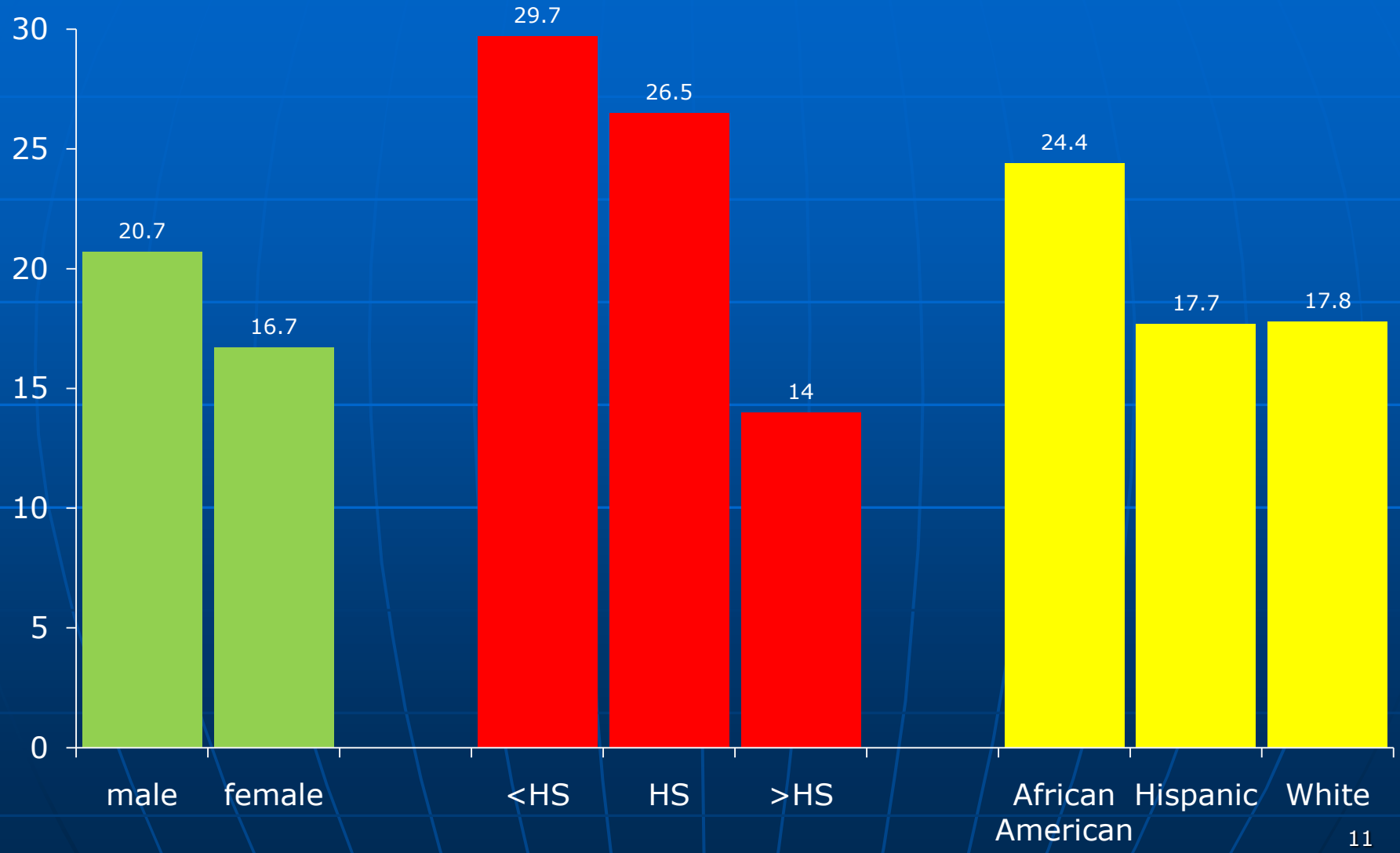
Youth Smoking Prevalence, IL, IN, IA, and WI, 2000-2009



Source: YRBS, YTS; some data points interpolated

Disparities

Adult Prevalence in Key Subpopulations, Illinois, 2009



Source: BRFSS

Tobacco Use in Illinois

- **Where have we been?**
  - Slow but steady progress in reducing tobacco use in IL
    - Adult & youth smoking prevalence, cigarette consumption falling over time
    - Declines comparable to US and neighbors
      - Sharper declines in sales in neighboring states in recent years

Tobacco Use in Illinois

- **Where are we?**
  - Much remains to be done:
    - Over 1.8 million adults currently smoke
      - Persistent racial/ethnic, socio-economic, and gender disparities
    - Nearly 160,000 high school kids currently smoke
    - Many non-smokers exposed to tobacco smoke at home, in workplaces
    - ~16,000 premature deaths each year caused by smoking

Tobacco Use in Illinois

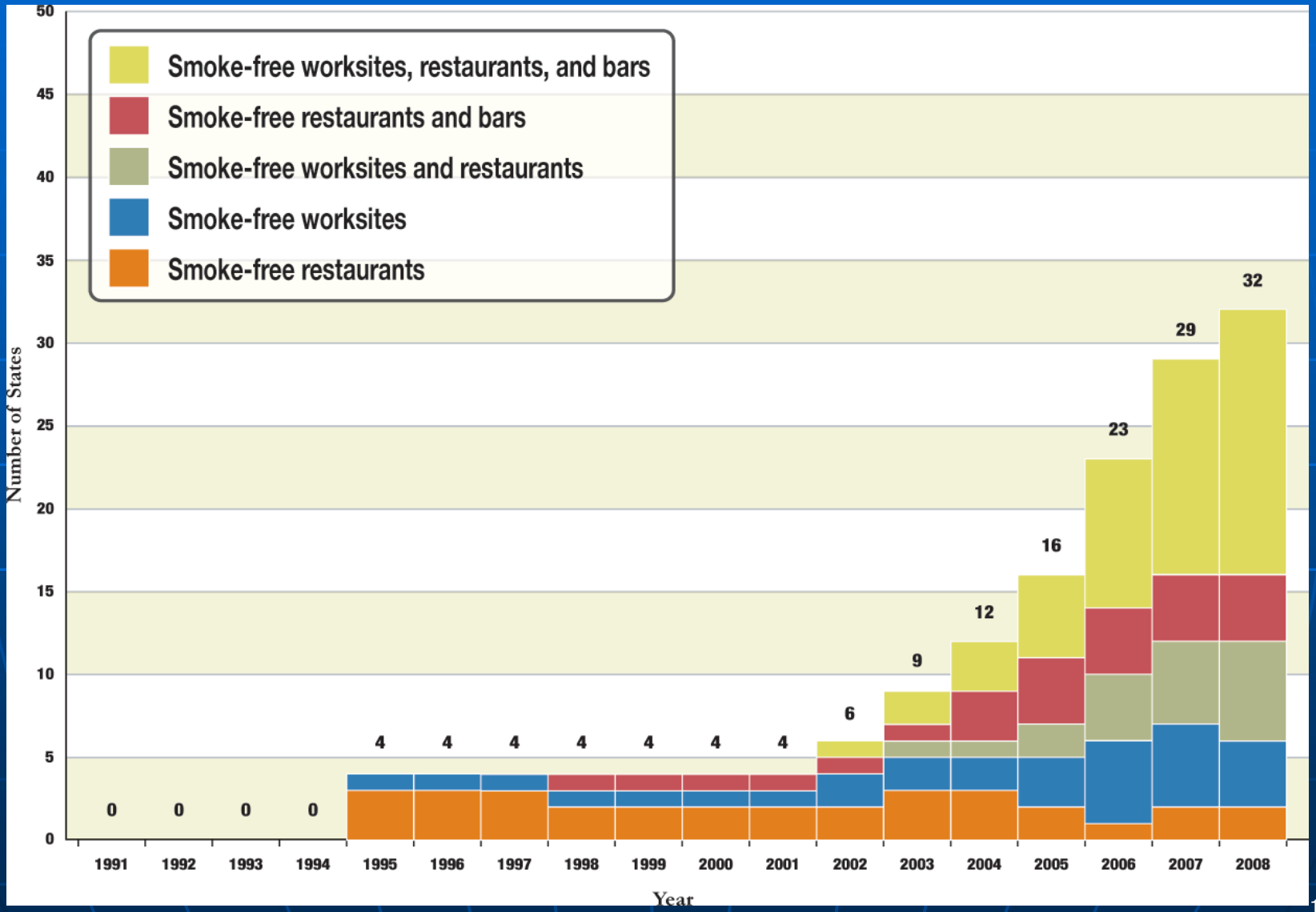
- **Where are we?**
  - Considerable economic costs
    - Over $4 billion spent annually to treat diseases caused by smoking
      - Significant fraction paid by public health insurance programs
    - Another $4.5 billion in lost productivity from premature deaths caused by smoking

Tobacco Use in Illinois

- **Where can we go?**
  - Much remains to be done:
    - Estimate that ~730,000 current youth will eventually take up smoking
    - As many as 1.3 million current Illinoisans will die prematurely from smoking
    - Health and economic burden greatest among poor, less educated
  - Effective interventions exist

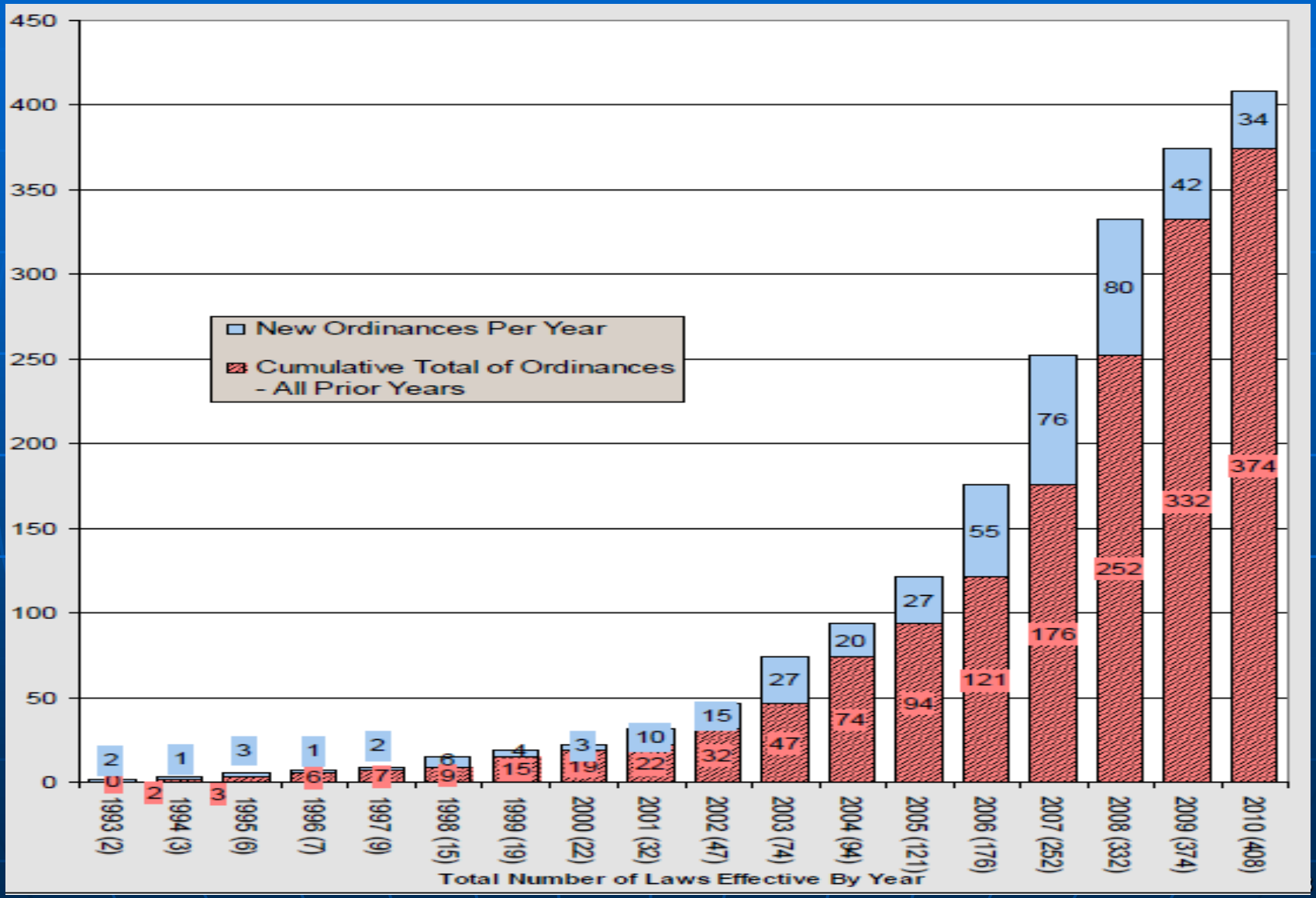
Protect

State Smoke-Free Air Policies



Source: ImpacTeen Project

Local Smoke-Free Air Policies



Source: Americans for NonSmokers' Rights Foundation

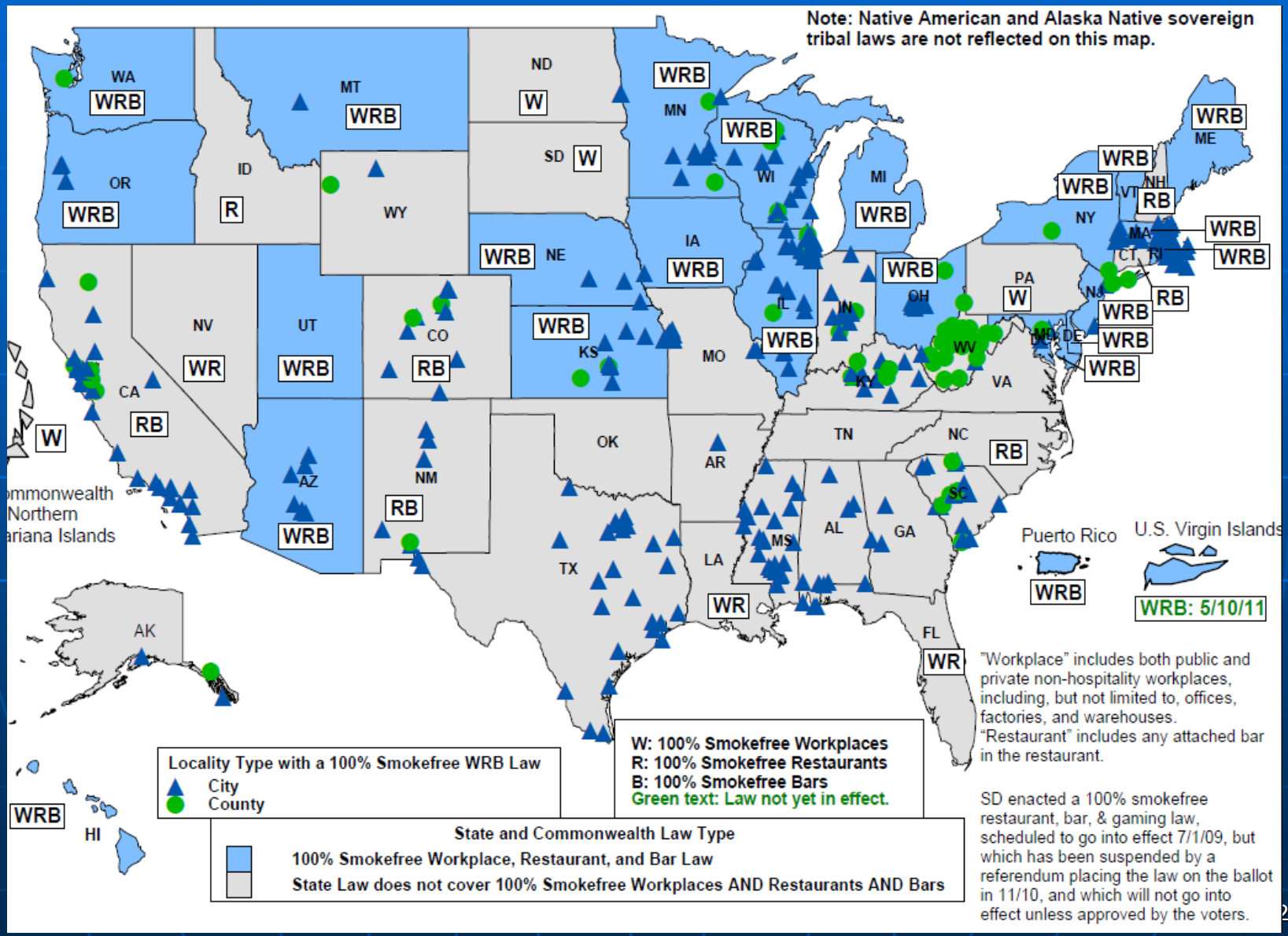
Smoke-Free Air Policies

- **Where have we been?**
  - Until last few years
    - Relatively weak state policies limiting smoking in public places, workplaces
    - State pre-empted stronger local policies
      - A few localities with existing policies grandfathered in

Smoke-Free Air Policies

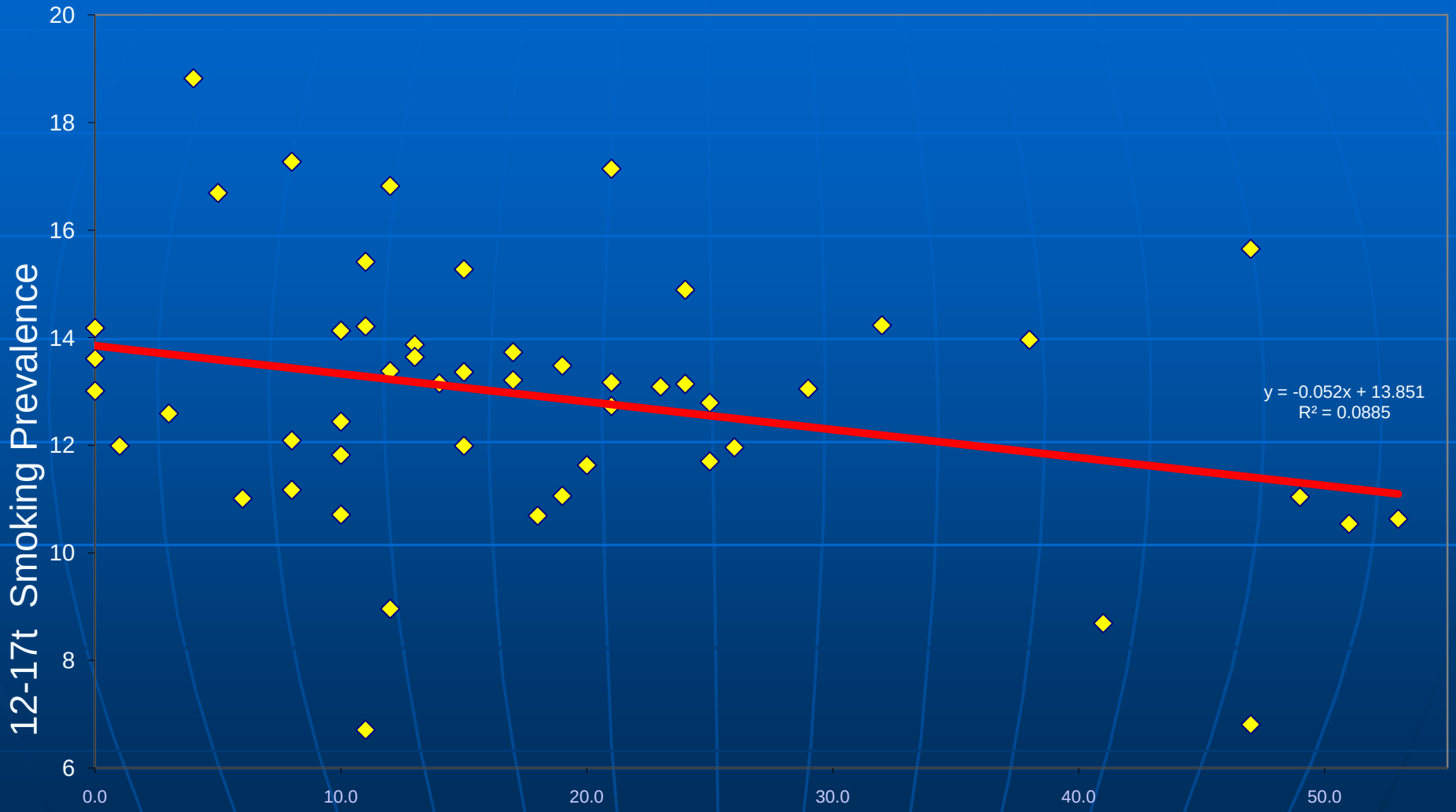
- **Where are we now?**
  - Pre-emption repealed in 2005
    - Home-rule communities in 2005
    - All communities, counties in 2006
  - IL Smoke-Free Air Act adopted 2007
    - Effective January 1, 2008
    - 100% smoke free workplaces, bars, restaurants, gambling establishments, and other public places
    - Most comprehensive at the time
    - IA (7/08), WI (7/10) adopt similar policies, but not as comprehensive

State & Local Smoke-Free Air Policies



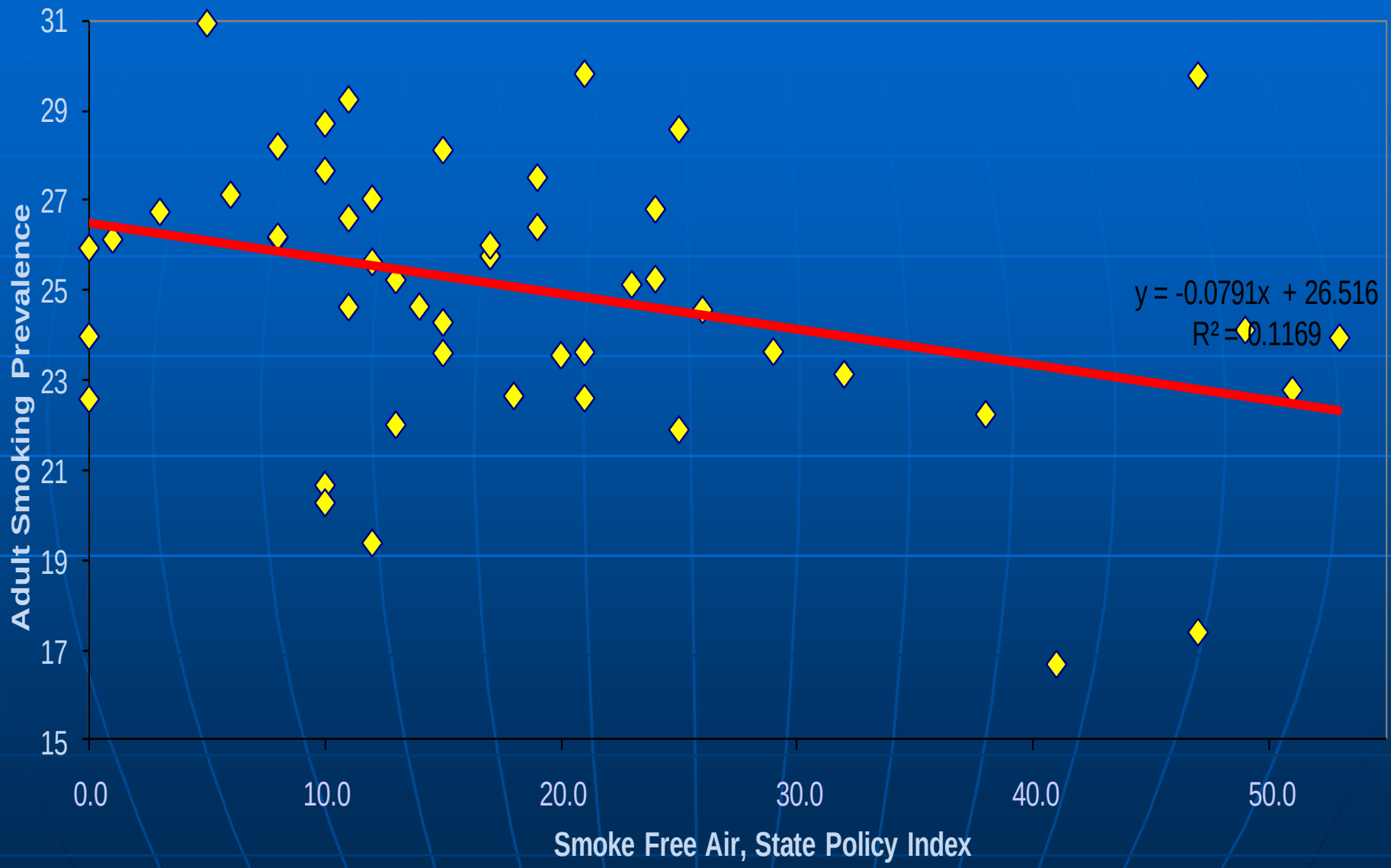
Source: Americans for NonSmokers' Rights Foundation

Impact of Smoke-Free Air Policies



Source: Chaloupka 2010

Impact of Smoke-Free Air Policies



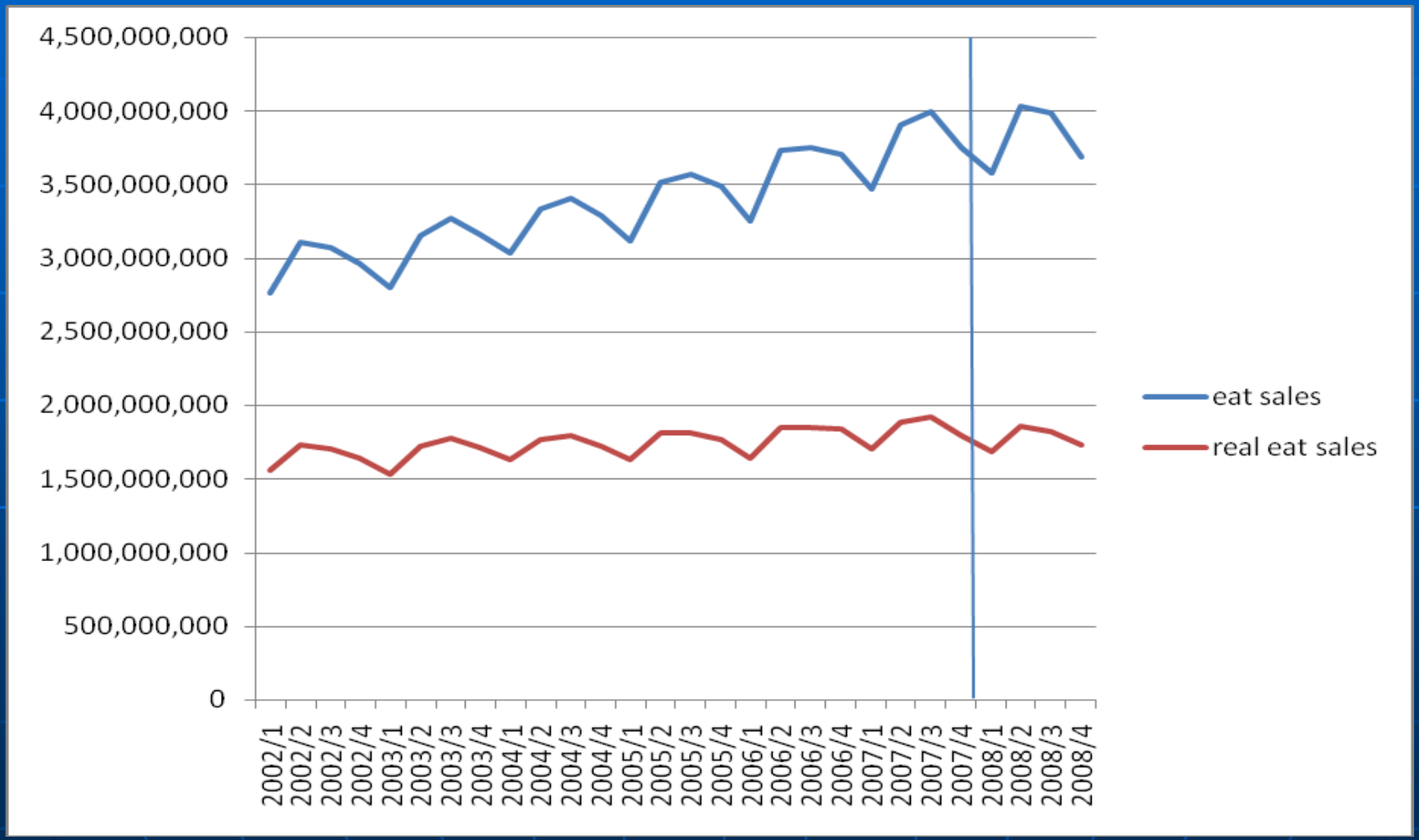
Source: Chaloupka 2010

Smoke-Free Air Policies

- **Where are we now?**
  - Compliance improving over time
    - SFA policies generally self-enforcing
    - Complaints fell 50% from 2008 to 2009; continuing to fall in 2010
  - No negative economic impact
    - Any losses due to reduced patronage offset (or more) by increased patronage from non-smokers
    - Reduces other business costs
      - Cleaning costs, lost productivity

Economic Impact of IL SFA Policy

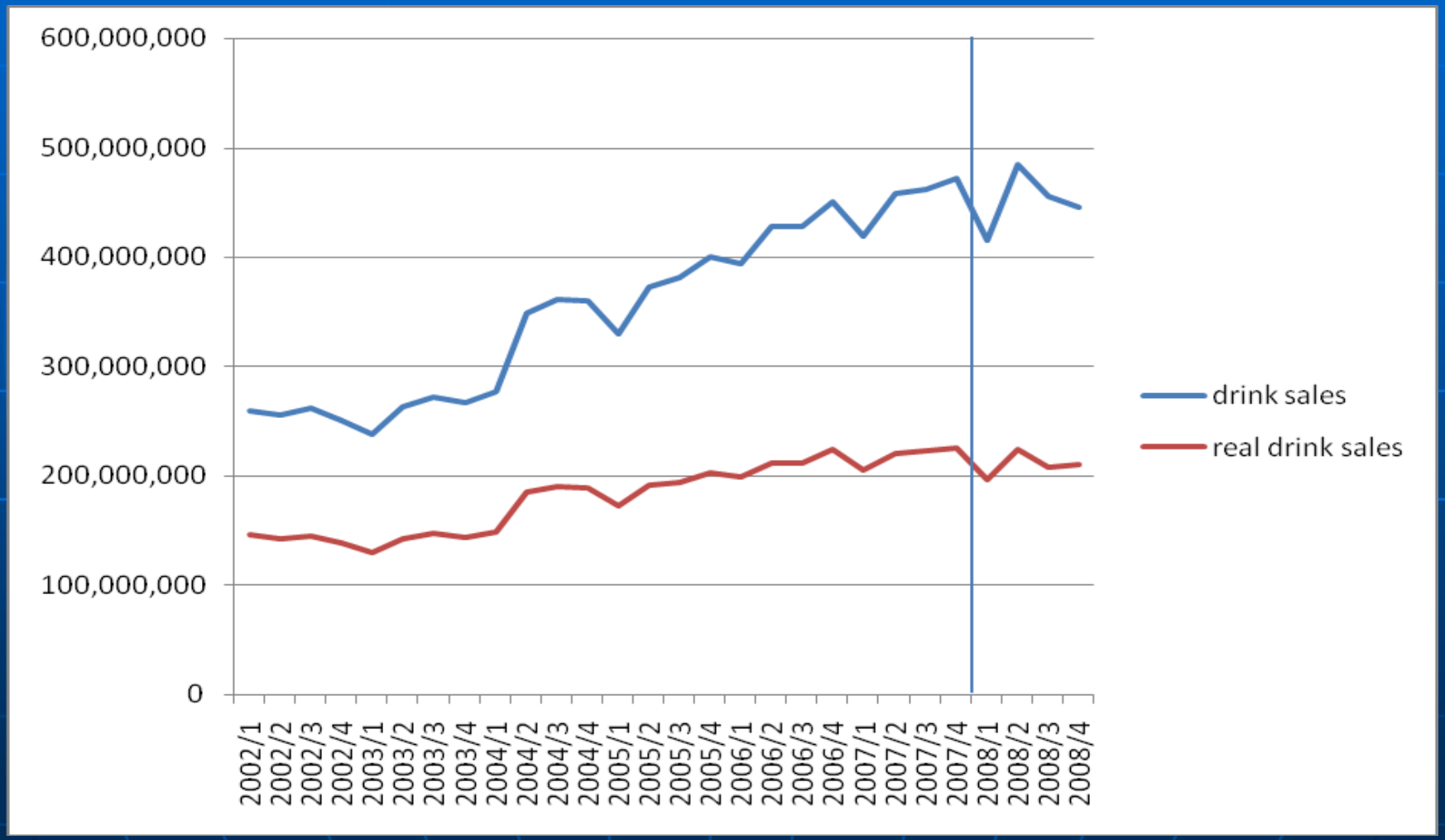
Restaurant Revenues



Source: Tauras & Chaloupka, in progress

Economic Impact of IL SFA Policy

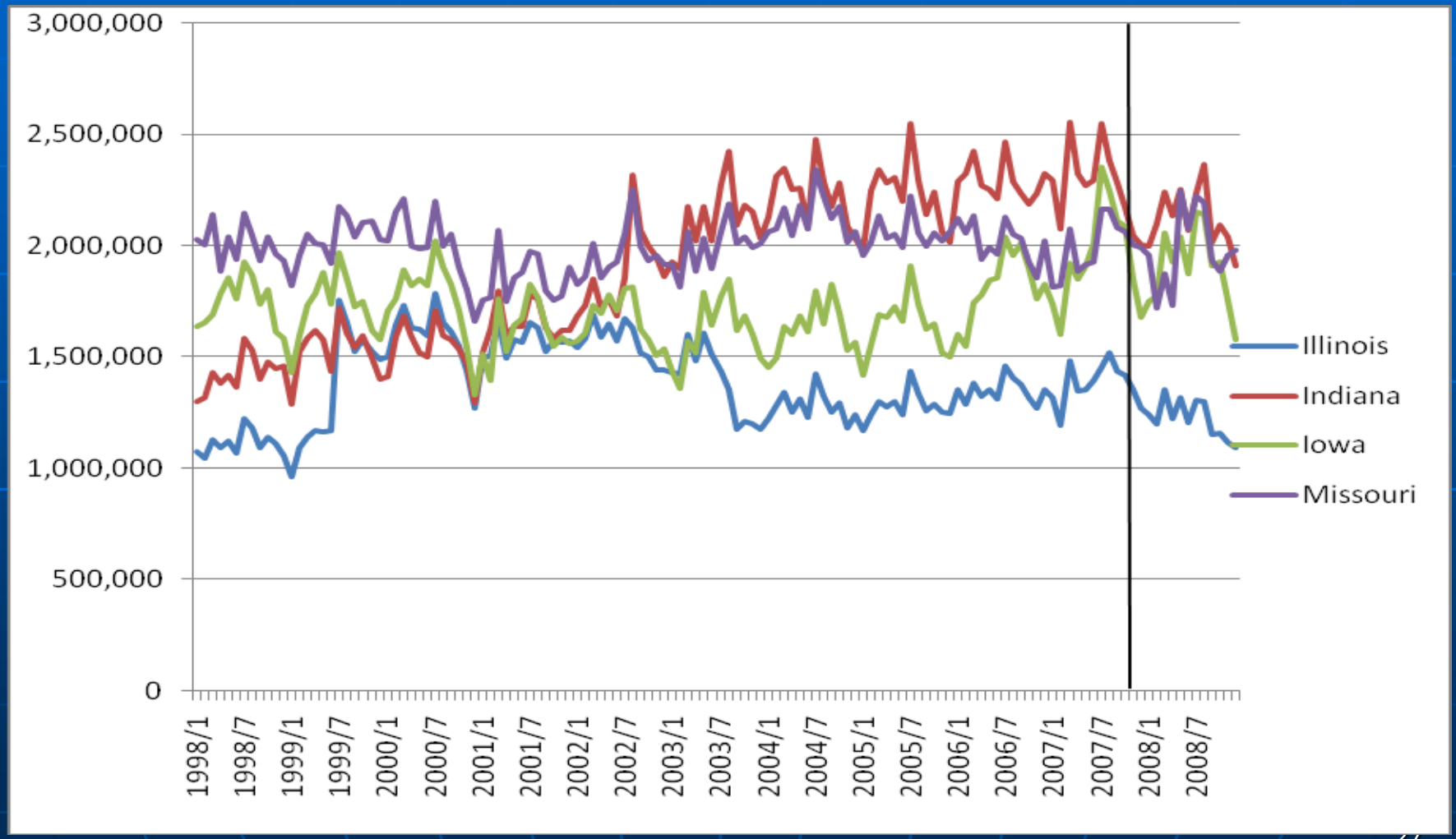
Bar Revenues



Source: Tauras & Chaloupka, in progress

Economic Impact of IL SFA Policy

Casino Patrons per Month



Source: Tauras & Chaloupka, in progress

Smoke-Free Air Policies

- **Where can we go?**
  - Extend protections to new venues
    - Parks, beaches, outdoor dining, other outdoor venues
    - Multi-unit housing
    - Cars with children
  - Various localities have adopted policies covering outdoor settings

Offer & Warn

Comprehensive Programs

- General aims:
  - Prevent initiation of tobacco use among young
    - Increased prices, reduced access
    - Increased antitobacco messages, reduced protobacco
  - Promote cessation among young adults, adults
    - Better access to cessation services
    - Increased prices and strong smoke-free policies
    - Increased antitobacco messages, reduced protobacco
  - Eliminate exposure to secondhand smoke
    - Strong smoke-free policies
    - Strengthened anti-smoking norms
  - Identify and eliminate disparities
    - Intertwined with others; need for targeted approaches

Source: USDHHS, 2000; CDC 2007

Comprehensive Programs

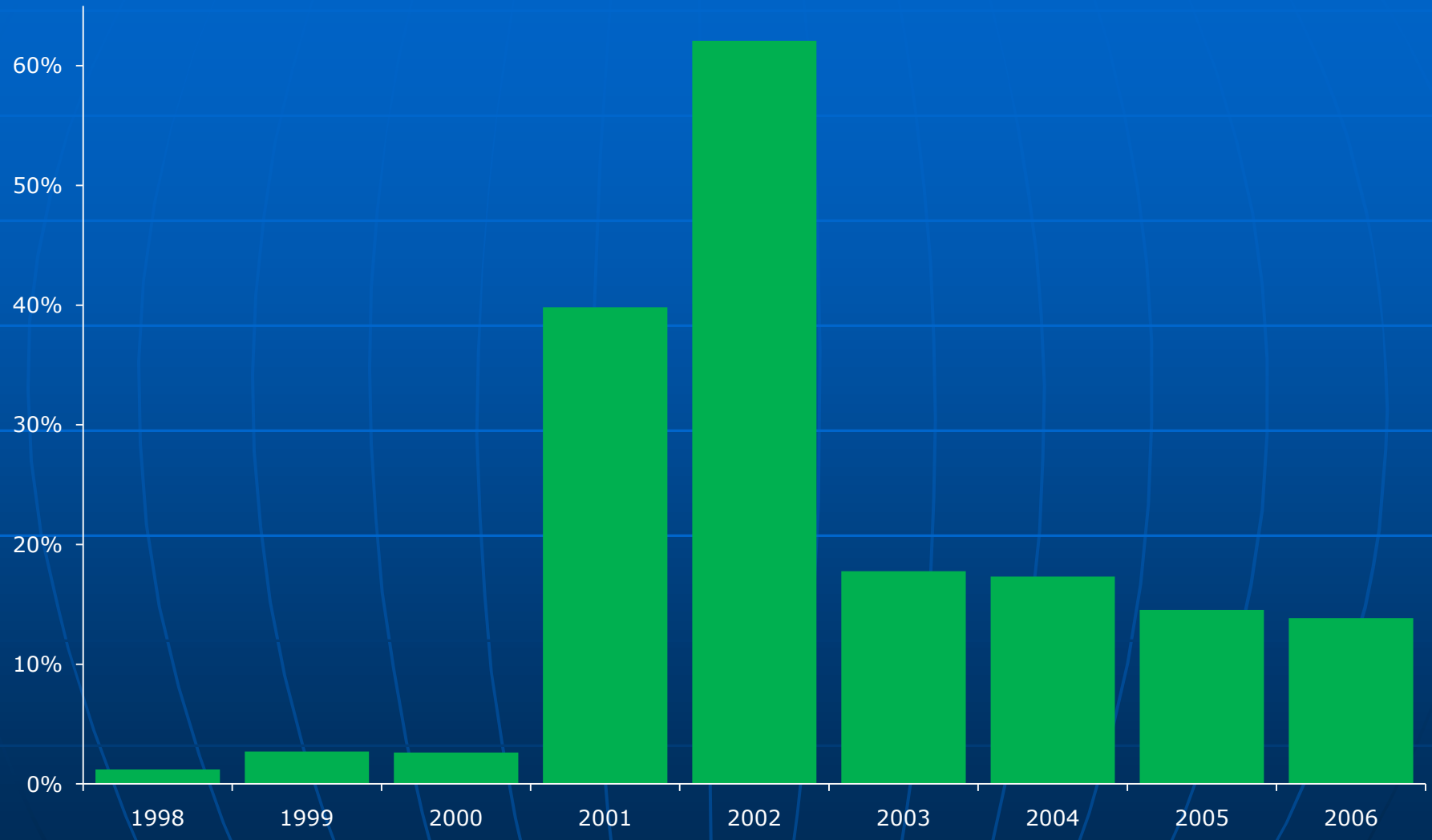
- Components of a comprehensive program:
  - State and community interventions
    - Support for policy development and implementation
    - Efforts to strengthen norms against tobacco
    - Targeted efforts to reduce youth tobacco use, disparities
  - Health communication interventions
    - Mass-media countermarketing campaigns
    - Efforts to replace tobacco industry sponsorship/promotion
    - Targeted messaging/delivery
  - Cessation interventions
    - Array of policy, health system, and population-based measures
  - Surveillance and Evaluation
  - Administration and Management

Source: USDHHS, 2000; CDC 2007

State Tobacco Control Program

- **Where have we been?**
  - Funding since 1994 for state tobacco control program
    - CDC program funding
    - Private funds (RWJF, ALF)
    - State Master Settlement Agreement revenues
  - In 2002, among top ten best funded state programs

IL Tobacco Control Program Funding
% of Adjusted CDC Minimum Recommendation

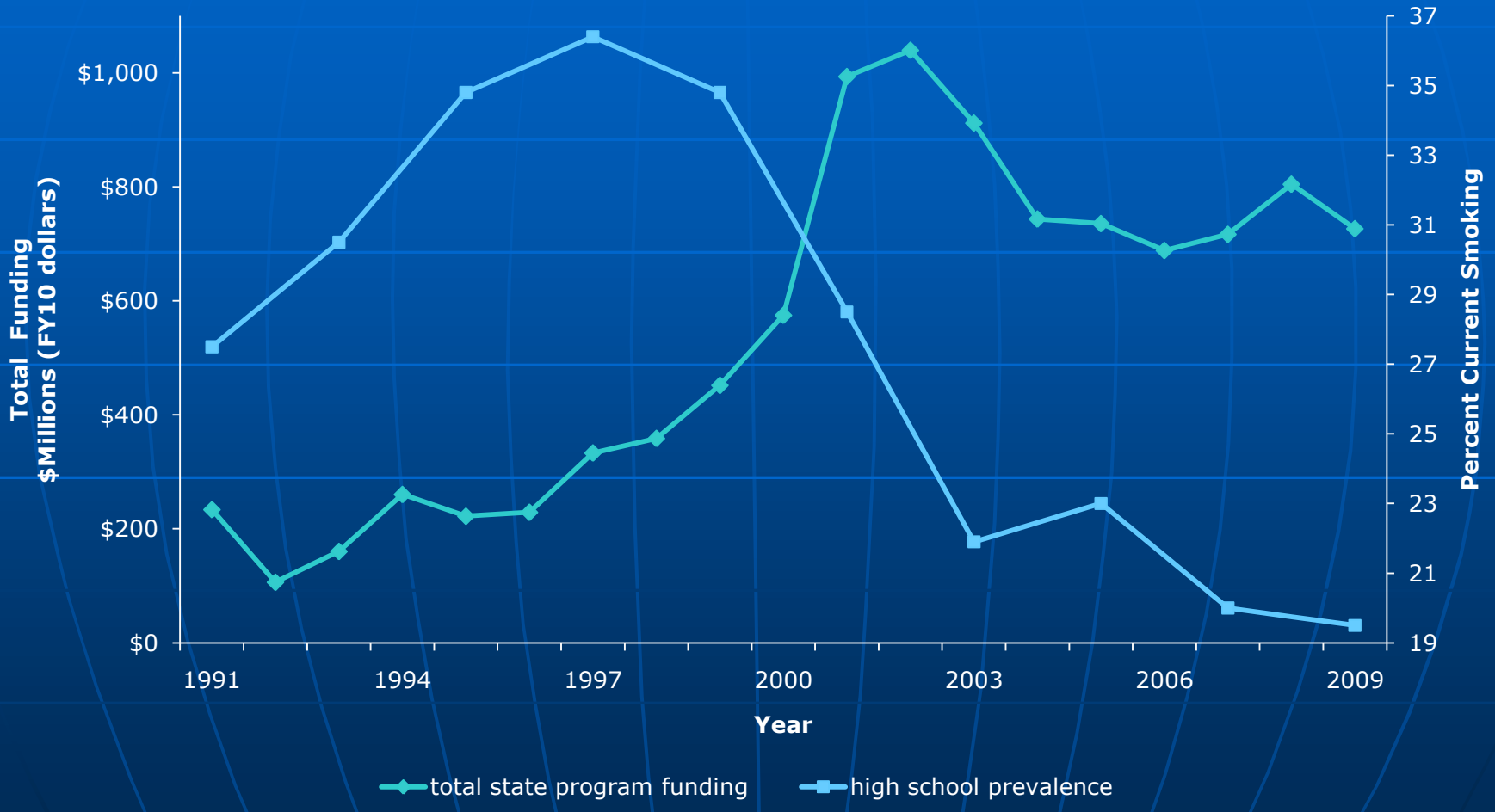


Source: ImpacTeen Project, CDC

Comprehensive Programs

- Impact of state program funding
  - Increased funding associated with:
    - Reductions in overall cigarette sales
    - Lower youth smoking prevalence
    - Lower adult smoking prevalence
    - Increased interest in quitting, successful quitting
  - Much of impact results from large scale mass-media anti-smoking campaigns

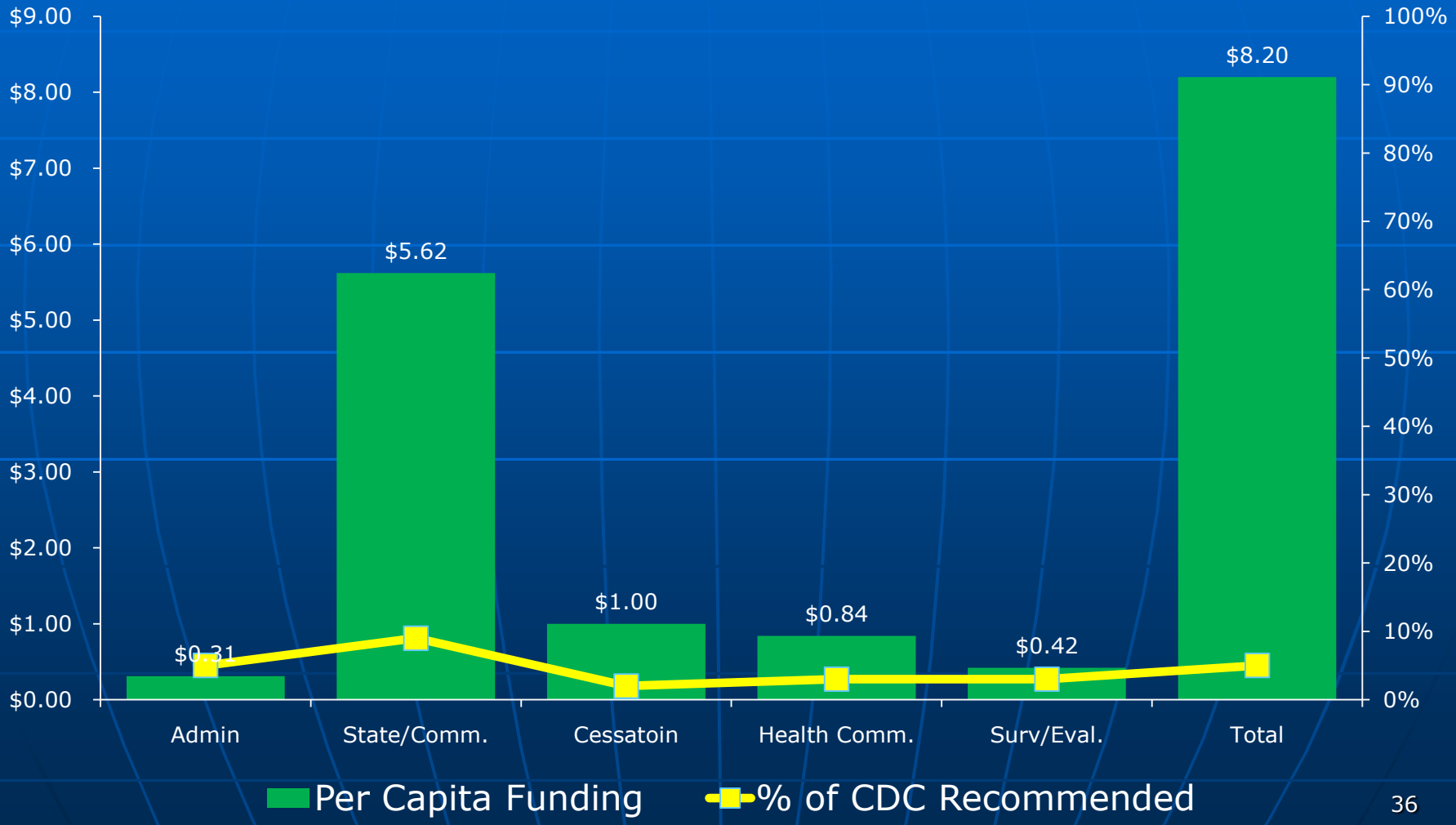
State Tobacco Control Program Funding and Youth Smoking Prevalence



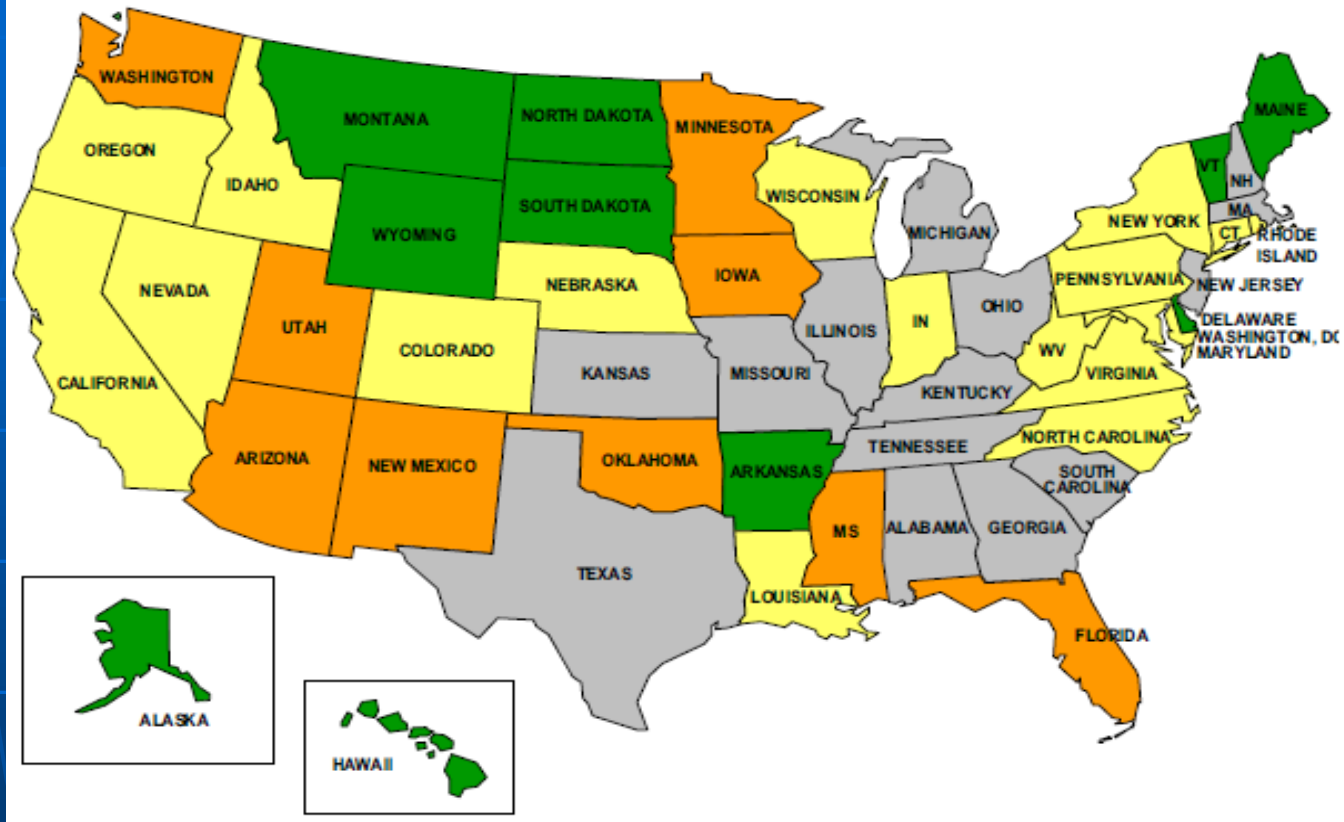
Source: ImpacTeen Project, UIC; YRBS

State Tobacco Control Program

- **Where are we now?**



FY2010 Funding for State Tobacco Prevention Programs



States that are spending 50% or more of CDC recommendation on tobacco prevention programs.

States that are spending 25% - 49% of CDC recommendation on tobacco prevention programs.

States that are spending 10% - 24% of CDC recommendation on tobacco prevention programs.

States that are spending less than 10% of CDC recommendation on tobacco prevention programs.

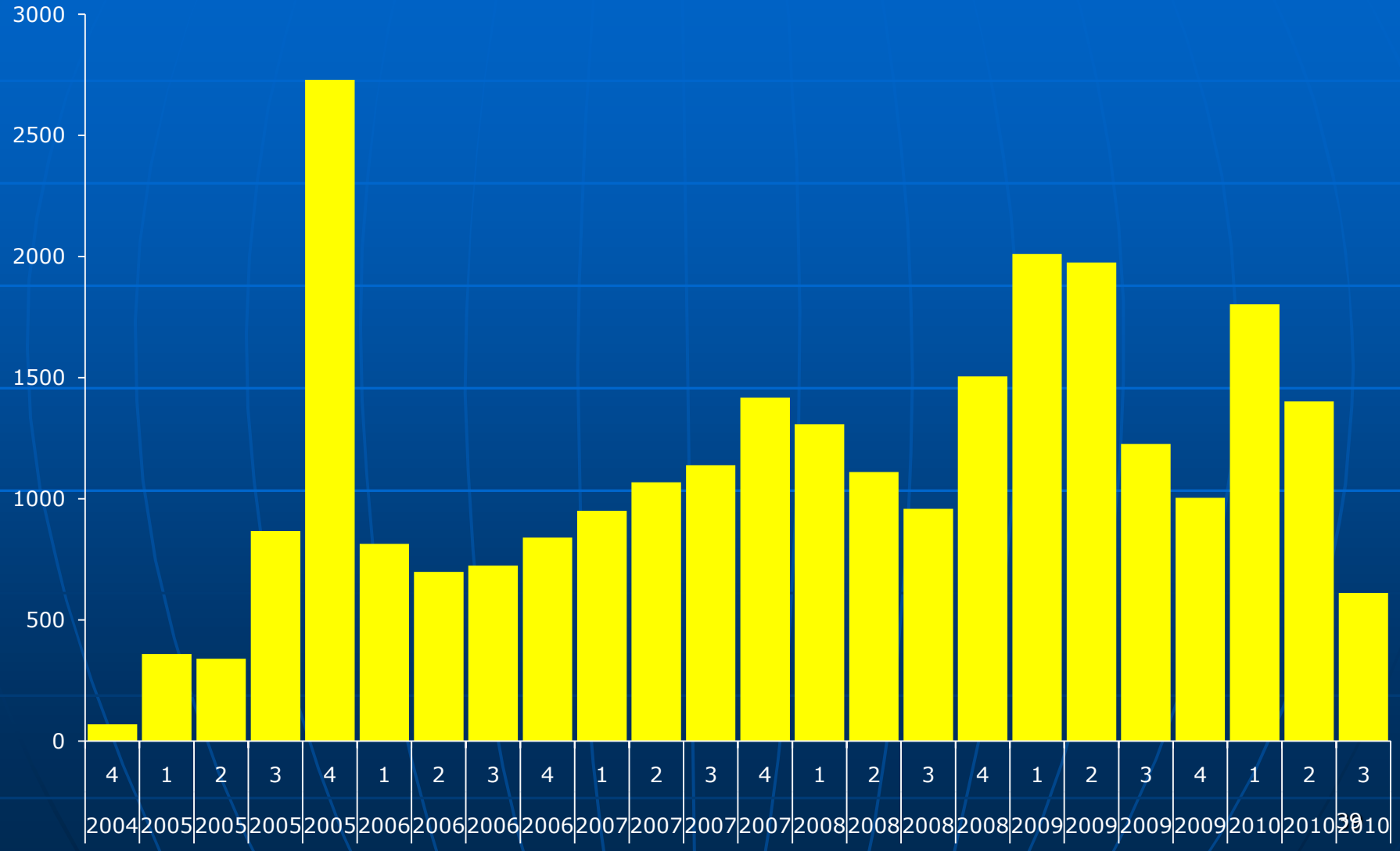
Source: CTFK, et al., 2009

State Tobacco Control Program

- **Where are we now?**
  - Significant demand for cessation
    - ~50% of smokers indicate making quit attempt in past year
    - Nearly 2/3 indicate interest in quitting
  - State support minimal
    - 2% of CDC recommended funding for cessation
    - Quitline available – 1-800-QUIT-YES
    - Medicaid coverage for NRT, Chantix, Zyban (with co-pay)
    - No coverage for individual/group counseling

Calls to Illinois Quitline

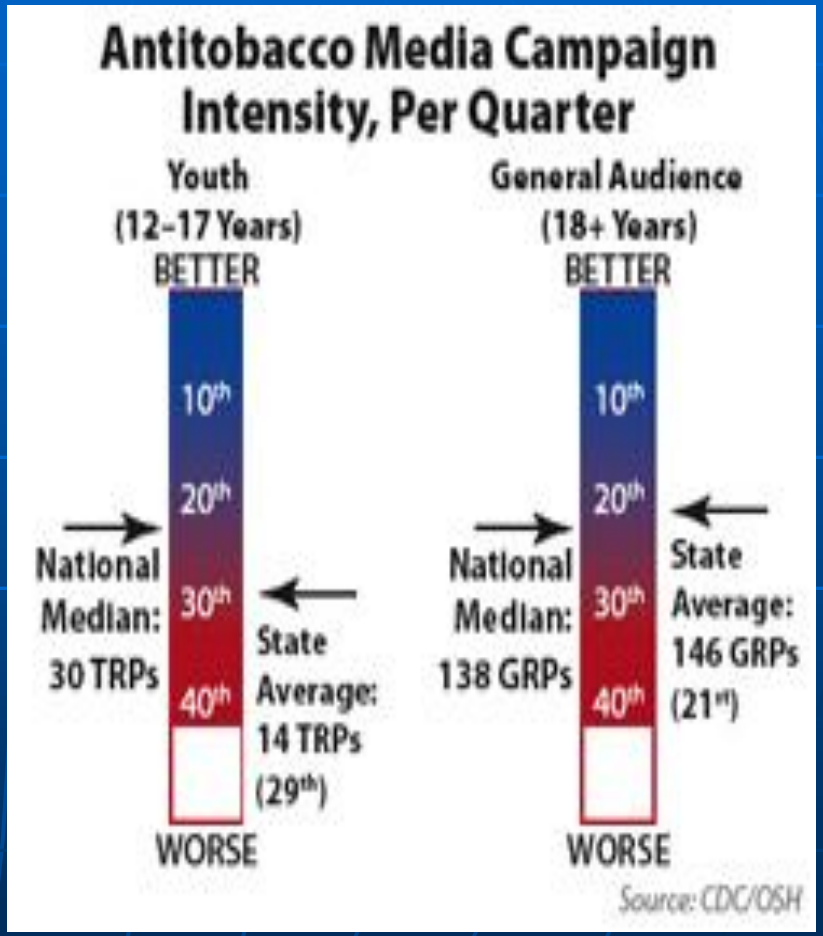
2004-IV through 2010-III



Source: ImpacTeen project

State Tobacco Control Program

- **Where are we now?**
  - Almost non-existent state mass-media public education campaign
    - Most anti-smoking messages coming from national campaigns



State Tobacco Control Program

- **Where can we go?**
  - Fund program activities at levels recommended by CDC
    - $63.3m for state/community interventions
    - $45.8m for cessation interventions
    - $27.4m for health communication interventions
    - $13.7m for surveillance/evaluation
    - $6.8m for management/administration
    - $157m total

Enforce

Tobacco Marketing

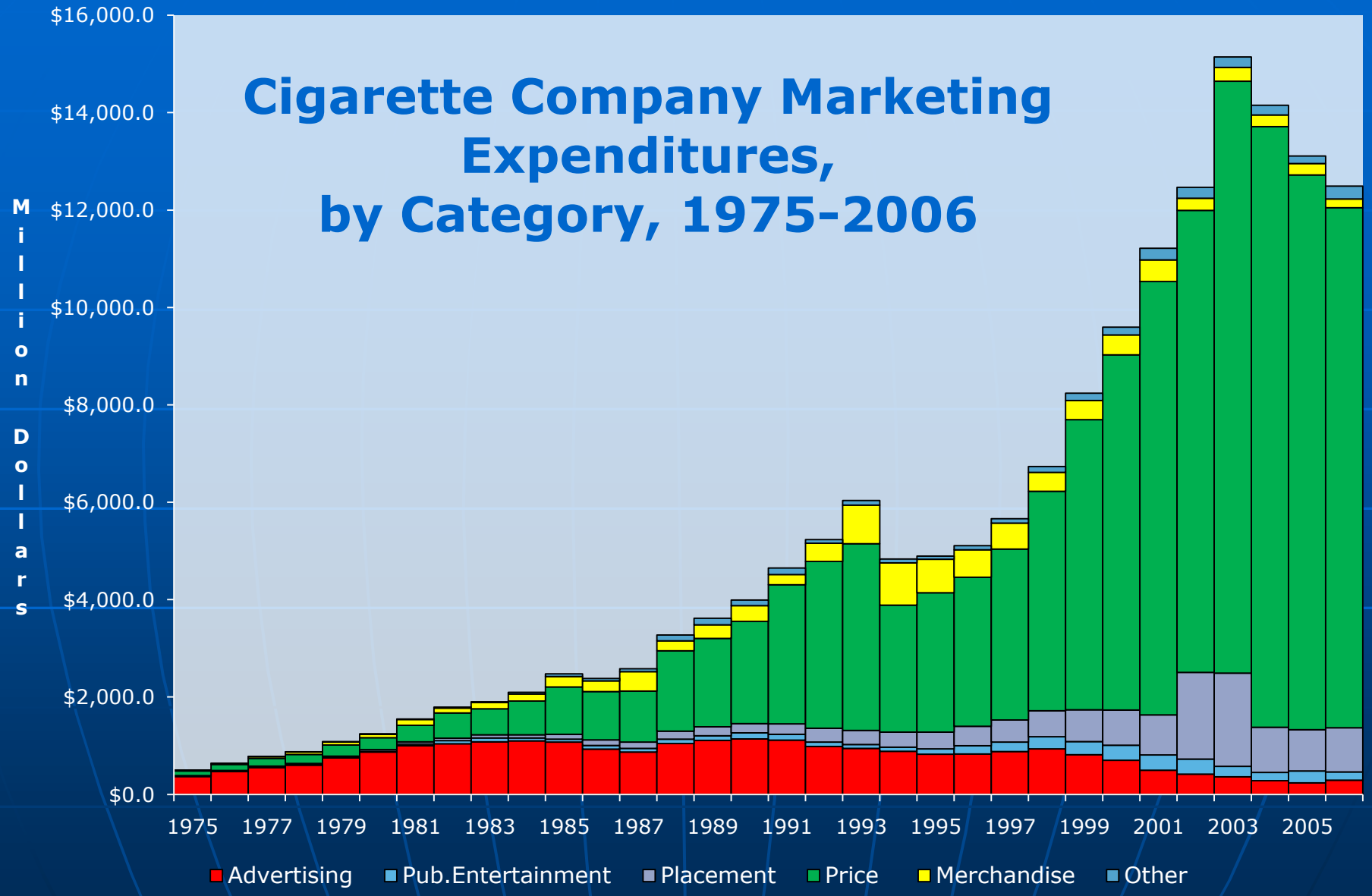
- Marketing Strategies – the 4 P's:
  - Product – design, packaging
  - Price – including price promotions
  - Place – availability, accessibility
  - Promotion – advertising, sponsorship, etc.
- Most effective campaigns are well-integrated across different dimensions of marketing

Source: NCI Monograph 19

Tobacco Company Marketing

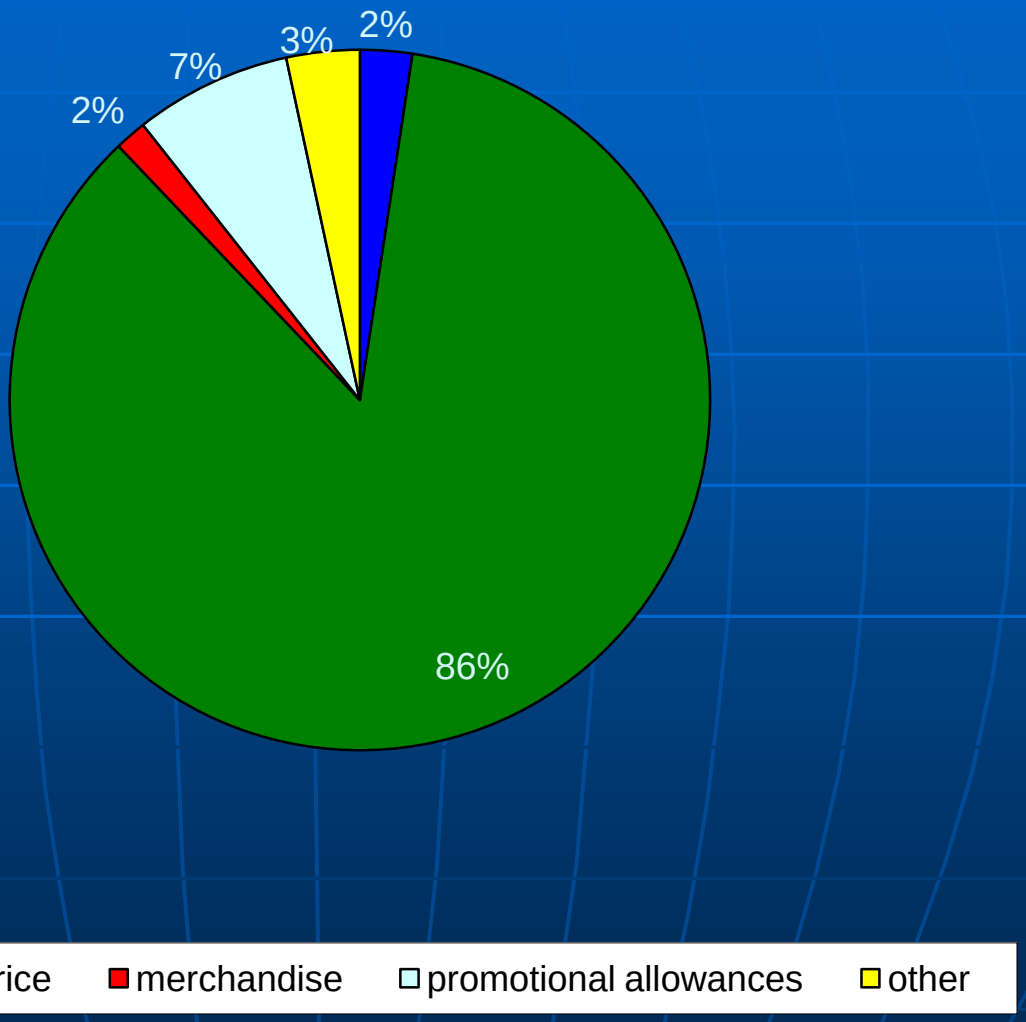
- **Where have we been?**
  - Tobacco company marketing pervasive
    - Grew rapidly over time
    - Companies adapt quickly to constraints (e.g. TV/radio ad ban, MSA limits)
    - Change in focus over time
    - State/local restrictions pre-empted by federal legislation

Cigarette Company Marketing Expenditures, by Category, 1975-2006



Source: author's calculations from data reported in FTC (2009)

2006 Cigarette Marketing Expenditures by Category, United States



Source: author's calculations from data reported in FTC (2009)

SALEM
SALEM
CAMEL
284

Get a RIDE
Marlboro
SPECIAL VALUE
$1.94
$2.40
SKOAL
CAMEL
$2.35
Auto Trader
Great Bargains!
Truck Trader
More Values, More Choices
NO CHECKS ACCEPTED

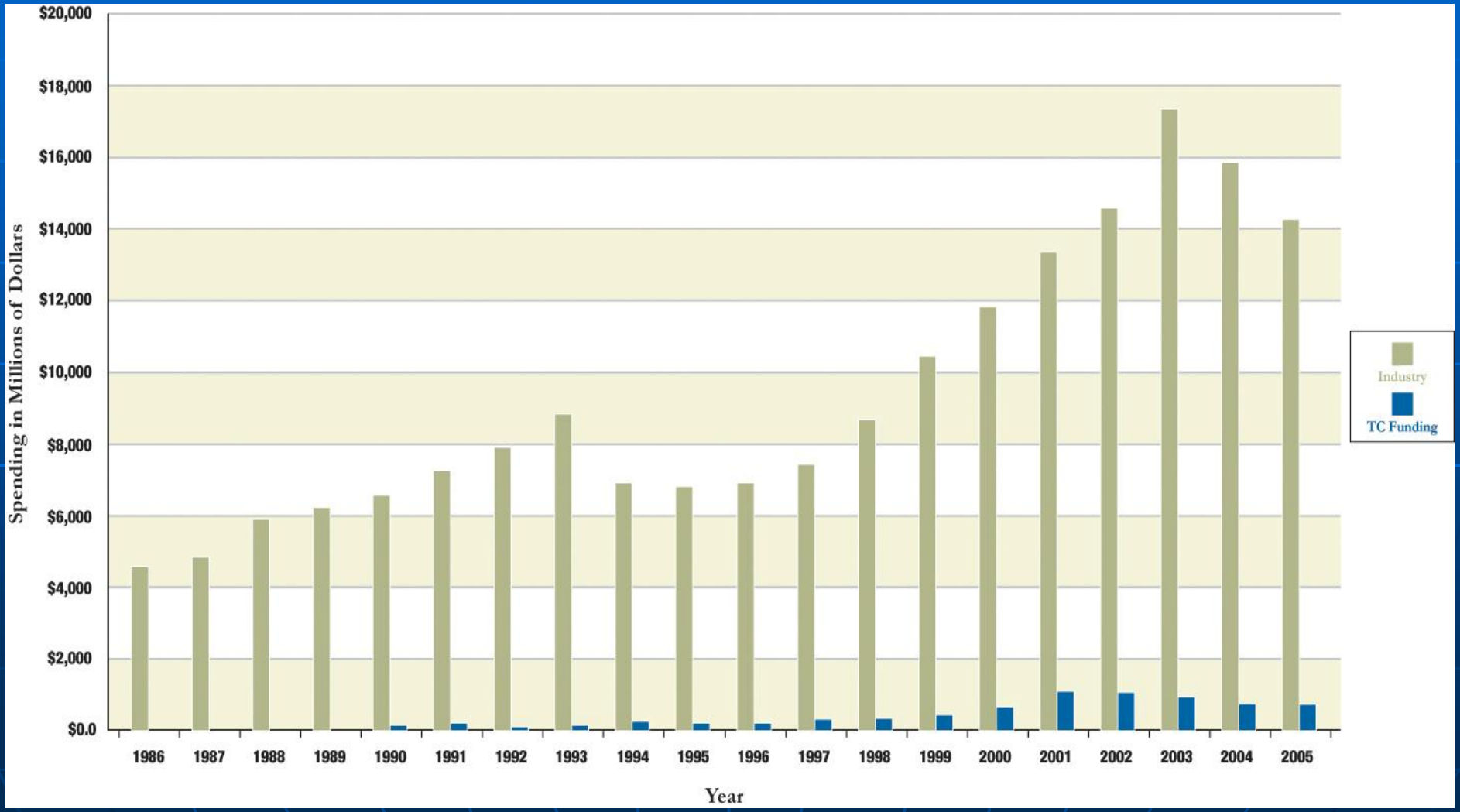
Price-Related Marketing: Price Discounts

Price-Related Marketing: Retail Value Added - product

Price-Related Marketing: Coupons

Price-Related Marketing: Other Value Added

Tobacco Industry Marketing vs. Tobacco Control Spending (in millions of dollars) – United States, 1986-2005



Source: FTC 2005 and Project ImpactTEEN; data are in July 2007 dollars.

Tobacco Company Marketing

- **Where are we now?**
  - Federal TV/radio ad ban
  - MSA restrictions
    - Outdoor, transit, sponsorships, branded merchandise, etc.
  - State ban on distribution of free samples

Tobacco Company Marketing

- **Where are we now?**
  - Significant changes in tobacco industry
    - Consolidation of tobacco companies
    - Emergence of variety of new tobacco products
    - Brand extensions
    - Concentration of marketing effort on fewer and fewer brands

CAMEL
SNUS
spice
CAMEL
SNUS
original
CAMEL
SNUS
frost

Marlboro
LONG CUT
Marlboro
LONG CUT

UNDERAGE SALE PROHIBITED
Superslims
LIGHTS
SURGEON GENERAL'S WARN
Smoking Causes Lung Canc
Heart Disease, Emphysema,
May Complicate Pregnancy
NIA SLIMS
20 CLASS A CIGARETTES

Marlboro
SPICE

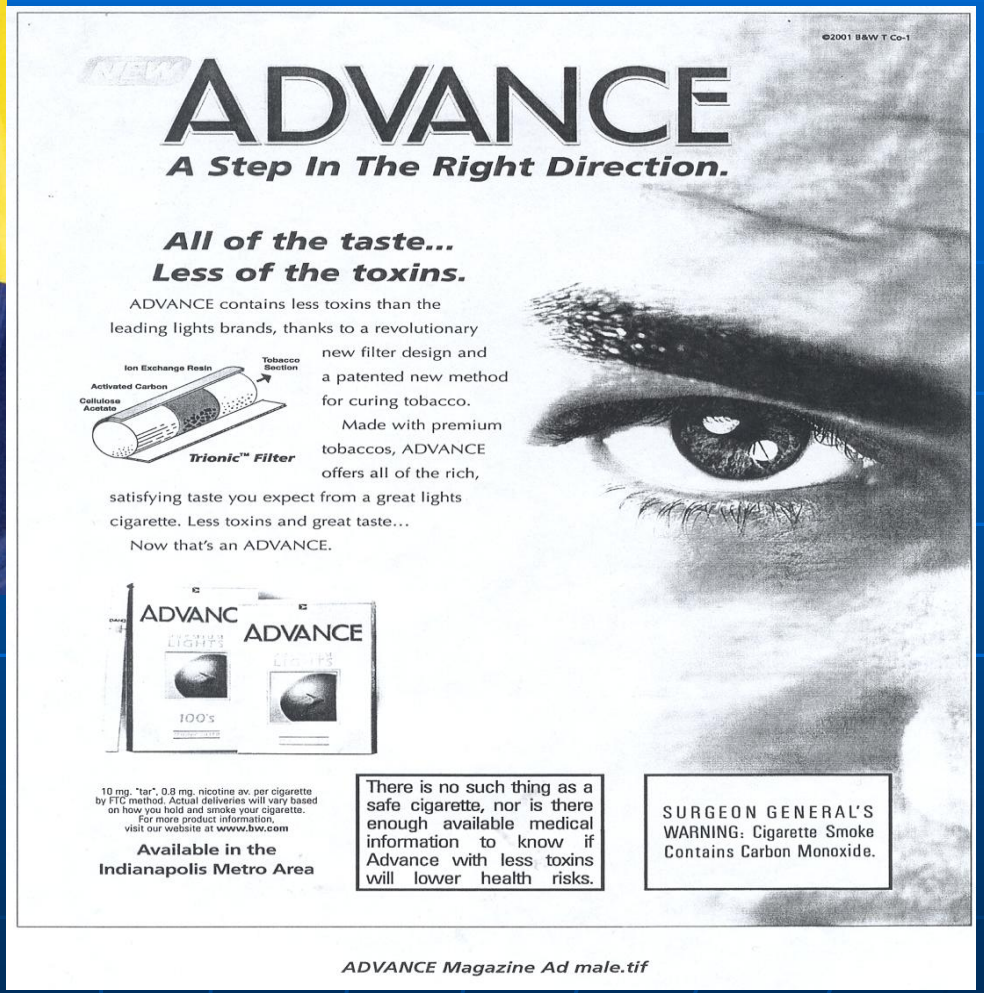
CAMEL
CRUSH
CAMEL
CRUSH
SQUEEZE THE FILTER
hear the click,
CHANGE THE TASTE.
REGULAR
FRESH

REVEL
REVEL
REVEL

STICKS
Mellow
orbs
orbs
fresh
strips
Fresh

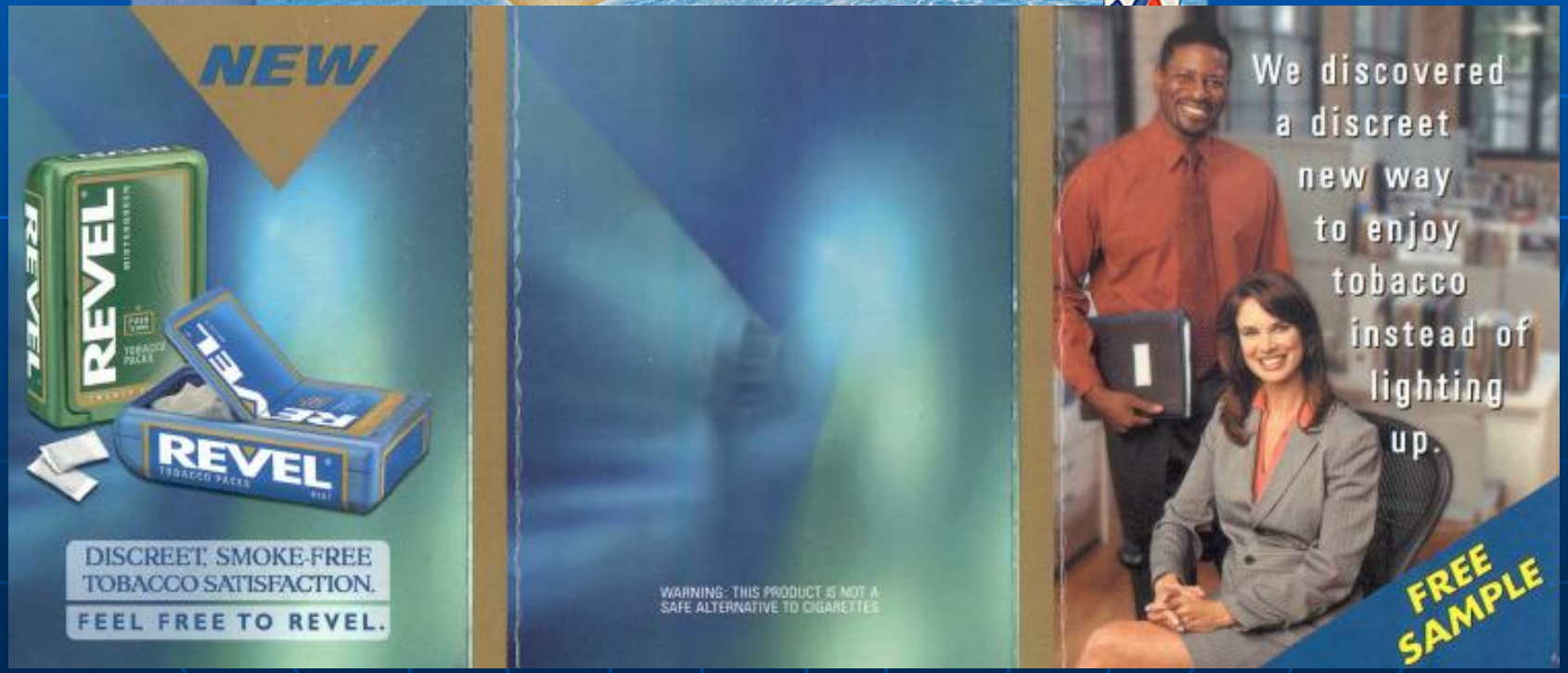
Ariva
20 Cigalets

DUTY PAID
Strawberry
Fraise
BRAVO
CIGARILLOS



ADVANCE Magazine Ad male.tif

WHEN YOU CAN'T SMOKE™
Ariva™
20 Cigalett™ pieces (Compressed Powdered Tobacco)
Ariva
20 Cigalett™ pieces
(Compressed Powdered Tobacco)


NEW
REVEL
REVEL
REVEL
TOBACCO PACKS
DISCREET. SMOKE-FREE
TOBACCO SATISFACTION.
FEEL FREE TO REVEL.
WARNING: THIS PRODUCT IS NOT A
SAFE ALTERNATIVE TO CIGARETTES
We discovered
a discreet
new way
to enjoy
tobacco
instead of
lighting
up.
FREE
SAMPLE

Tobacco Company Marketing

- **Where are we now?**
- Family Smoking Prevention and Tobacco Control Act, 2009
  - Gives FDA authority to regulate tobacco products
  - Candy and fruit flavored cigarettes banned 9/22/09
    - Excludes menthol flavored cigarettes
    - Doesn't covered other flavored products (small cigarettes, cigarillos, smokeless,….)

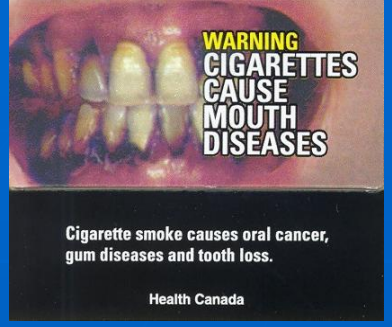
Tobacco Company Marketing

- **Where are we now?**
- FDA regulation
  - Brand specific disclosure of product constituents required January 2010
  - Restrictions on sale and marketing to youth, April 2010
  - Ban on misleading descriptors, July 2010

Product Labeling: “Replacement” Descriptors

Tobacco Company Marketing

- **Where are we now?**
- FDA regulation
  - Large, graphic warning labels:
    - On smokeless products, July 2010
    - On cigarettes, October 2012



Canada
2000

Brazil
2002

Singapore
2004

Jordan
2005

Venezuela
2005

Thailand
2005

Uruguay
2006

Chile
2006

Australia
2006

Hong Kong
2007

Belgium
2007

UK
2008

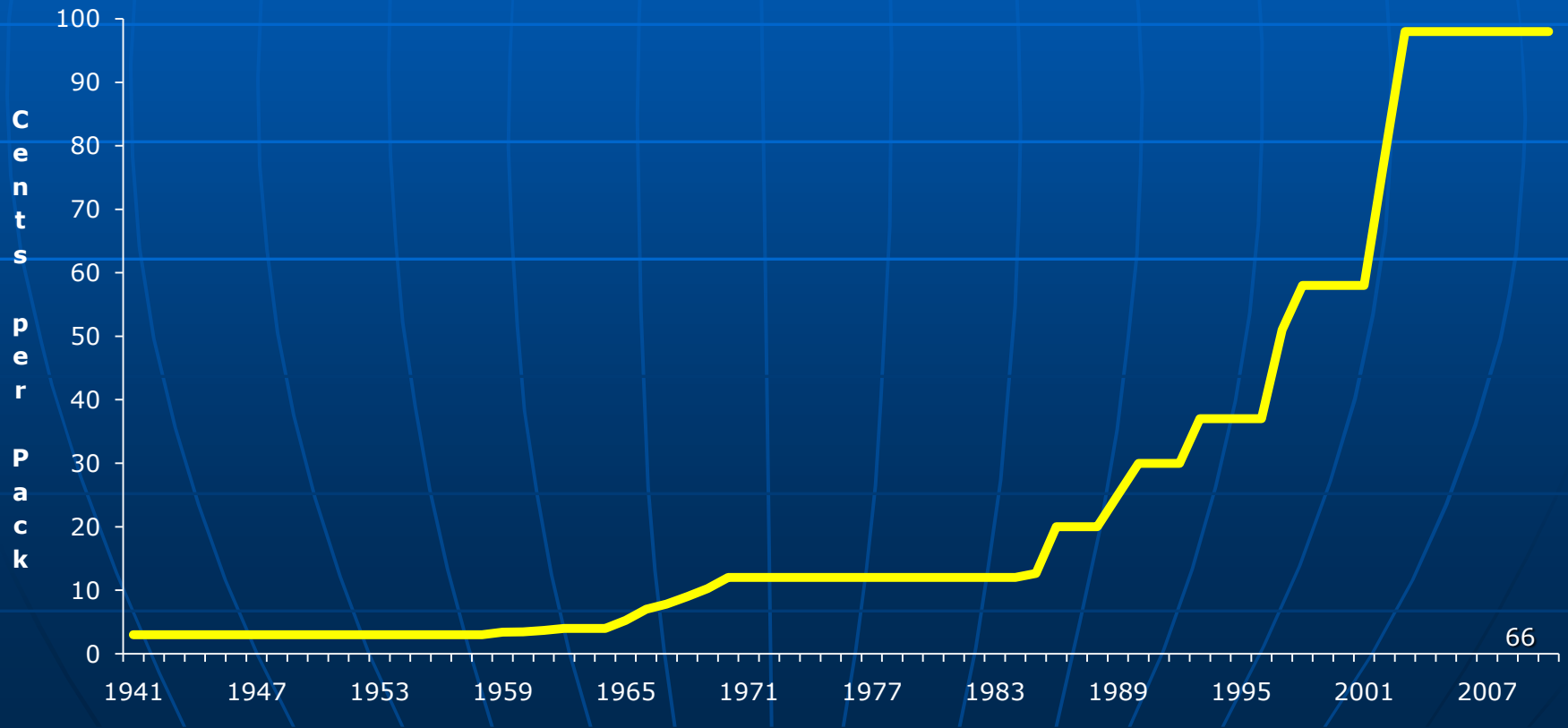
Tobacco Company Marketing

- **Where can we go?**
- FDA regulation
  - Eliminates federal pre-emption of stronger state, local restrictions on tobacco company marketing
    - Comprehensive marketing bans possible?
    - Evidence that comprehensive bans lead to significant reductions in tobacco use
- Effective minimum pricing policy
  - Including price promotions

Raise

Tobacco Taxation

- **Where have we been?**
  - Illinois first adopted cigarette tax in 1941
  - Last increase 2002 to 98 cents per pack



Tobacco Taxation

- **Where have we been?**
  - Some significant local taxes adopted over the years:
    - Cook county - $2.00
    - Chicago - $0.68
    - Evanston - $0.50
    - A few others <$0.50

Tobacco Taxation

- **Where have we been?**
- Federal cigarette tax
  - Specific (per unit) excise tax, initially adopted in 1864
  - Raised during war time/lowered during peace time
  - Set at 8 cents per pack in 1951; doubled 1983
  - Eventually raised to 39 cents per pack in 2002
    - Less than 60% of inflation adjusted value of 1951 tax
  - Significant increase – 61.66 cents – April 1, 2009
    - Earmarked for S-CHIP expansion
  - Other tobacco products taxes at similar rates

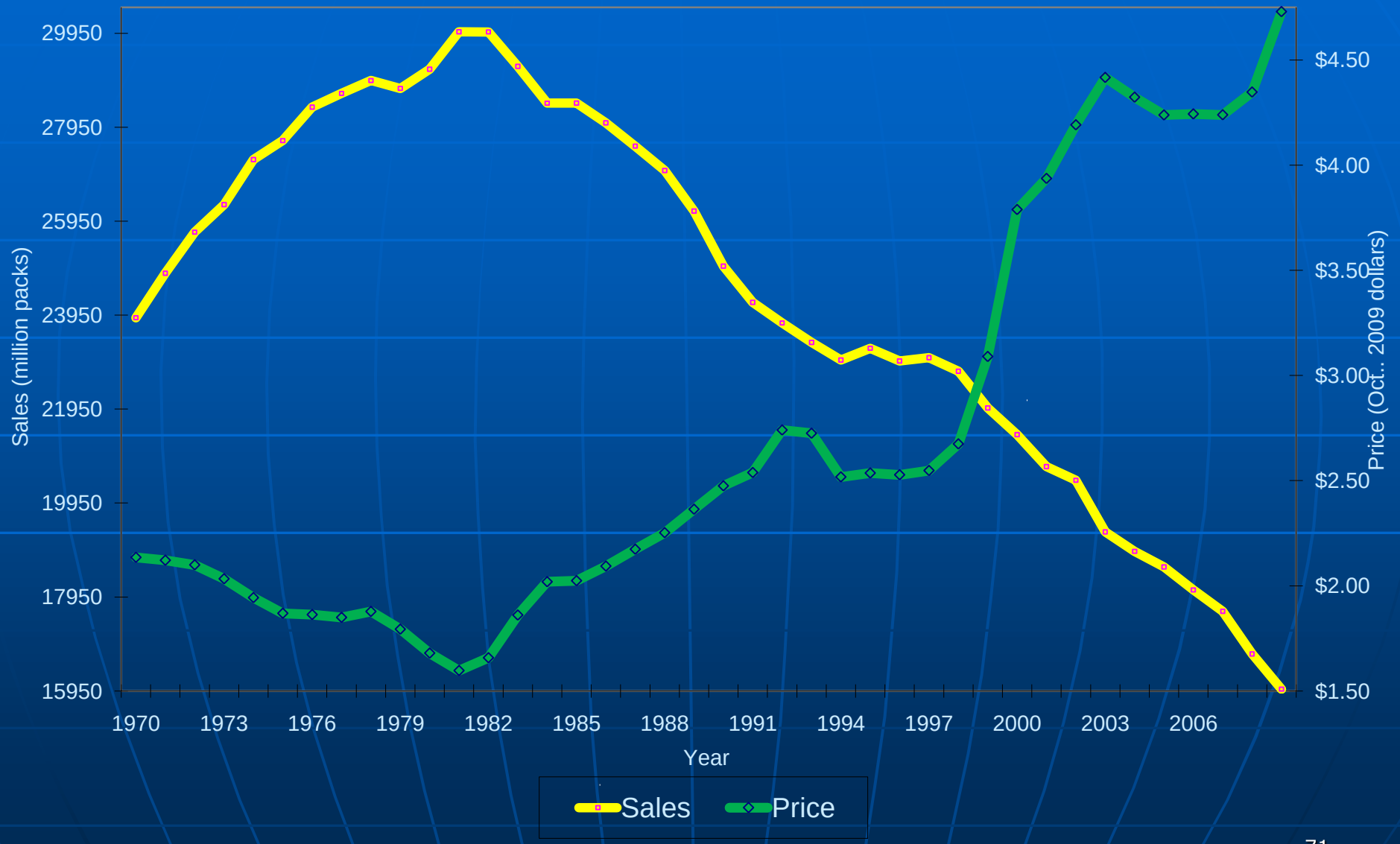
Tobacco Taxation

- **Where have we been?**
  - Other state cigarette taxes
    - First adopted by IA in 1921;
    - NC last to adopt in 1969
    - Specific excise tax in all states
  - All but PA tax other tobacco products
    - Mostly ad valorem (percentage of price) taxes

Taxes, Prices and Tobacco Use

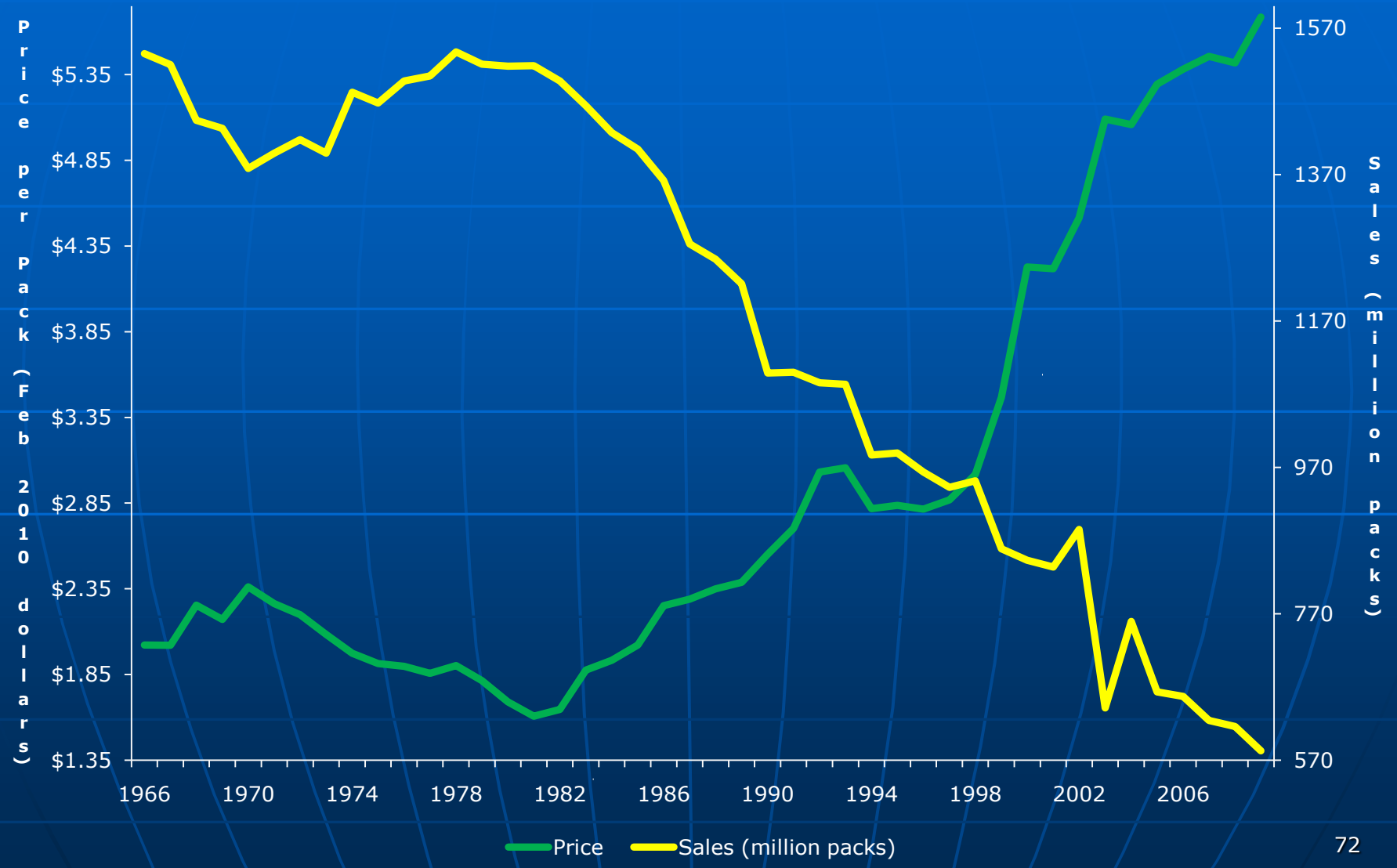
- **Increases in tobacco product taxes and prices**:
  - Induce current users to try to quit
    - Many will be successful in long term
  - Keep former users from restarting
  - Prevent potential users from starting
    - Particularly effective in preventing transition from experimentation to regular use
  - Reduce consumption among those who continue to use
  - Lead to other changes in tobacco use behavior, including substitution to cheaper products or brands, changes in buying behavior, and compensation

Cigarette Prices and Cigarette Sales, United States, 1970-2009



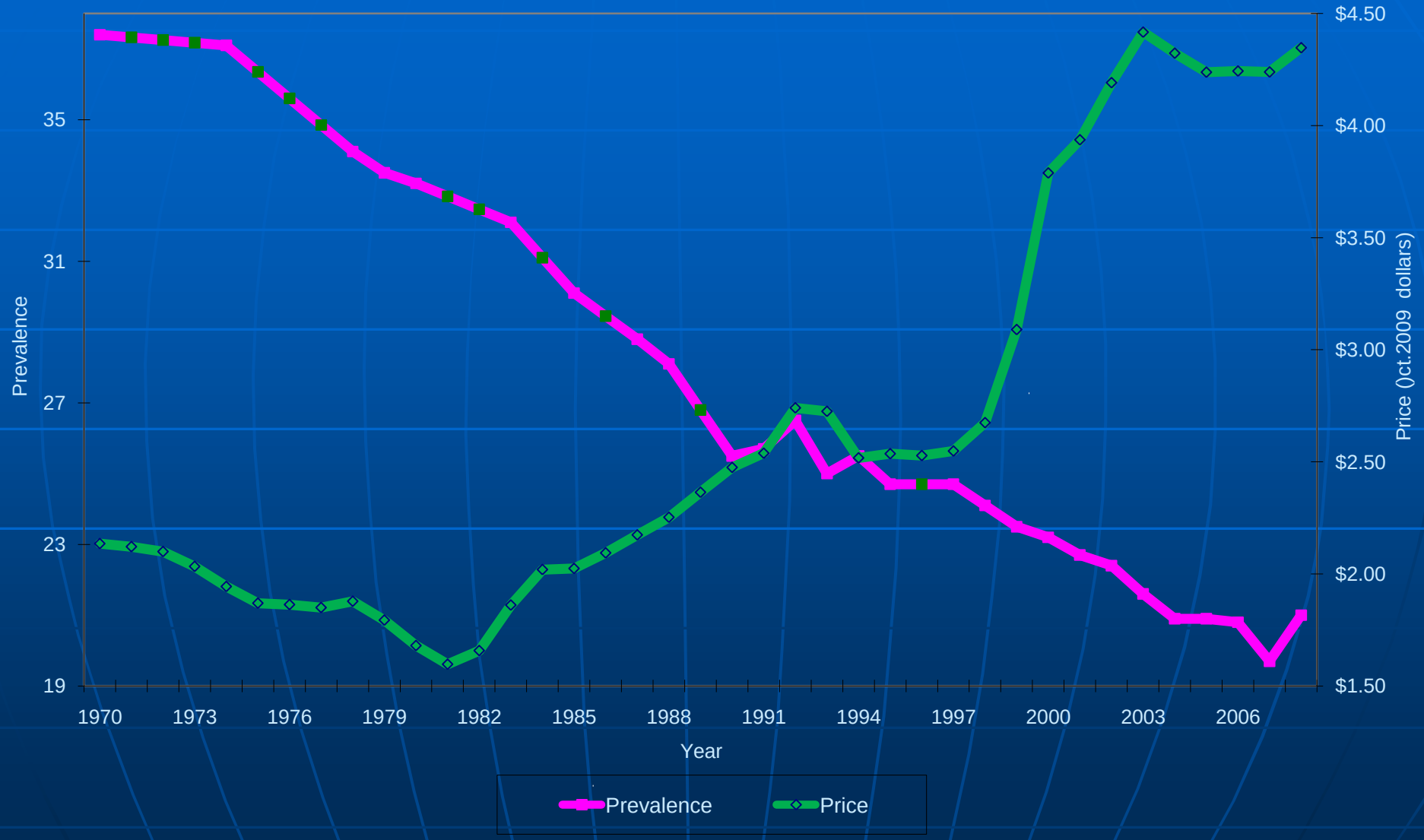
Source: *Tax Burden on Tobacco,* 2009, and author's calculations

Price and Cigarette Sales
Illinois, 1966-2009



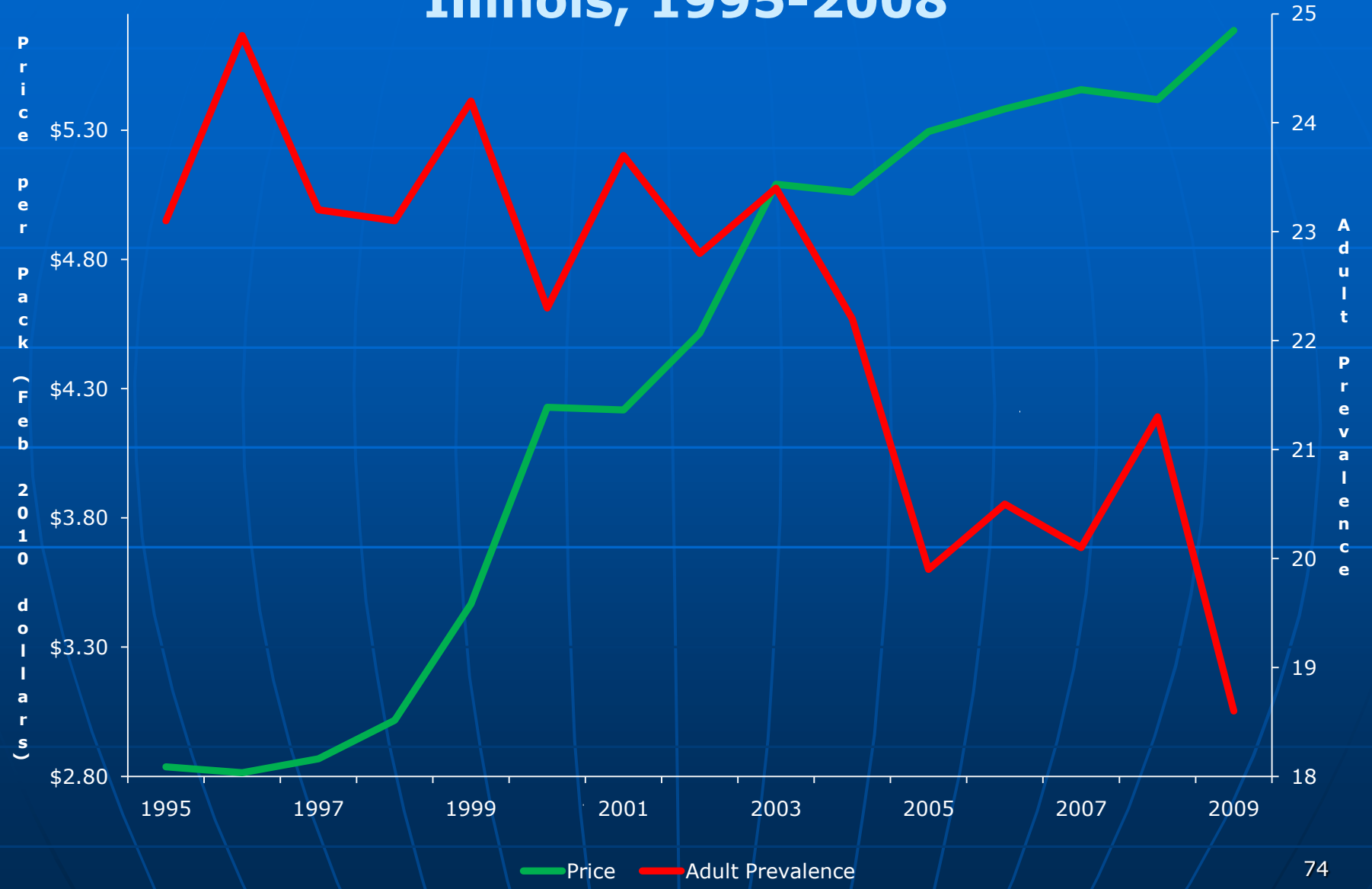
Source: *Tax Burden on Tobacco,* 2009, and author's calculations

Cigarette Prices and Adult Smoking Prevalence, United States, 1970-2008



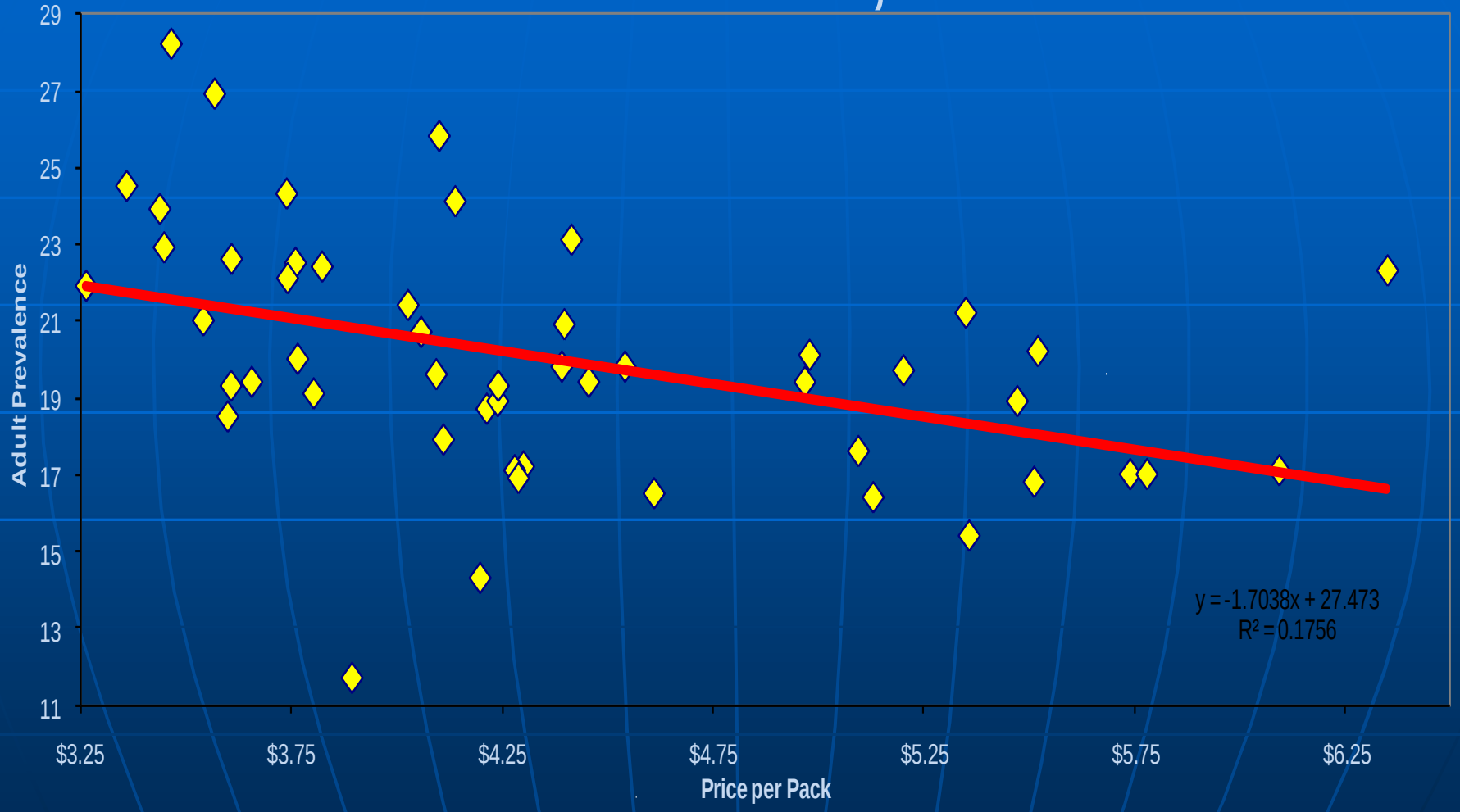
Source: NHIS, *Tax Burden on Tobacco,* 2009, and author's calculations
Note: green data points for prevalence are interpolated assuming linear trend

Price and Adult Smoking Prevalence Illinois, 1995-2008



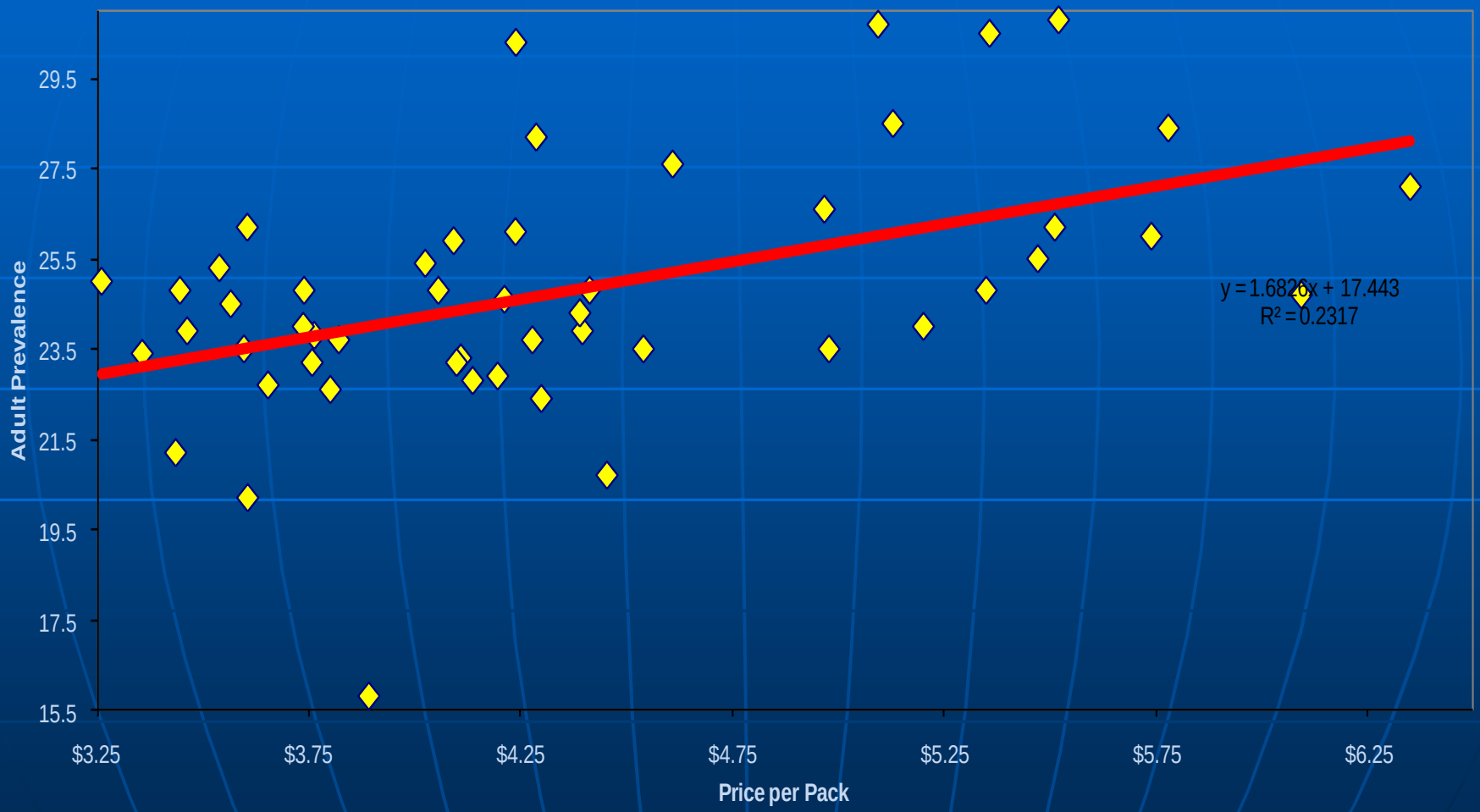
Source: BRFSS, *Tax Burden on Tobacco,* 2009, and author's calculations

Cigarette Prices and Adult Prevalence, 50 States & DC, 2007



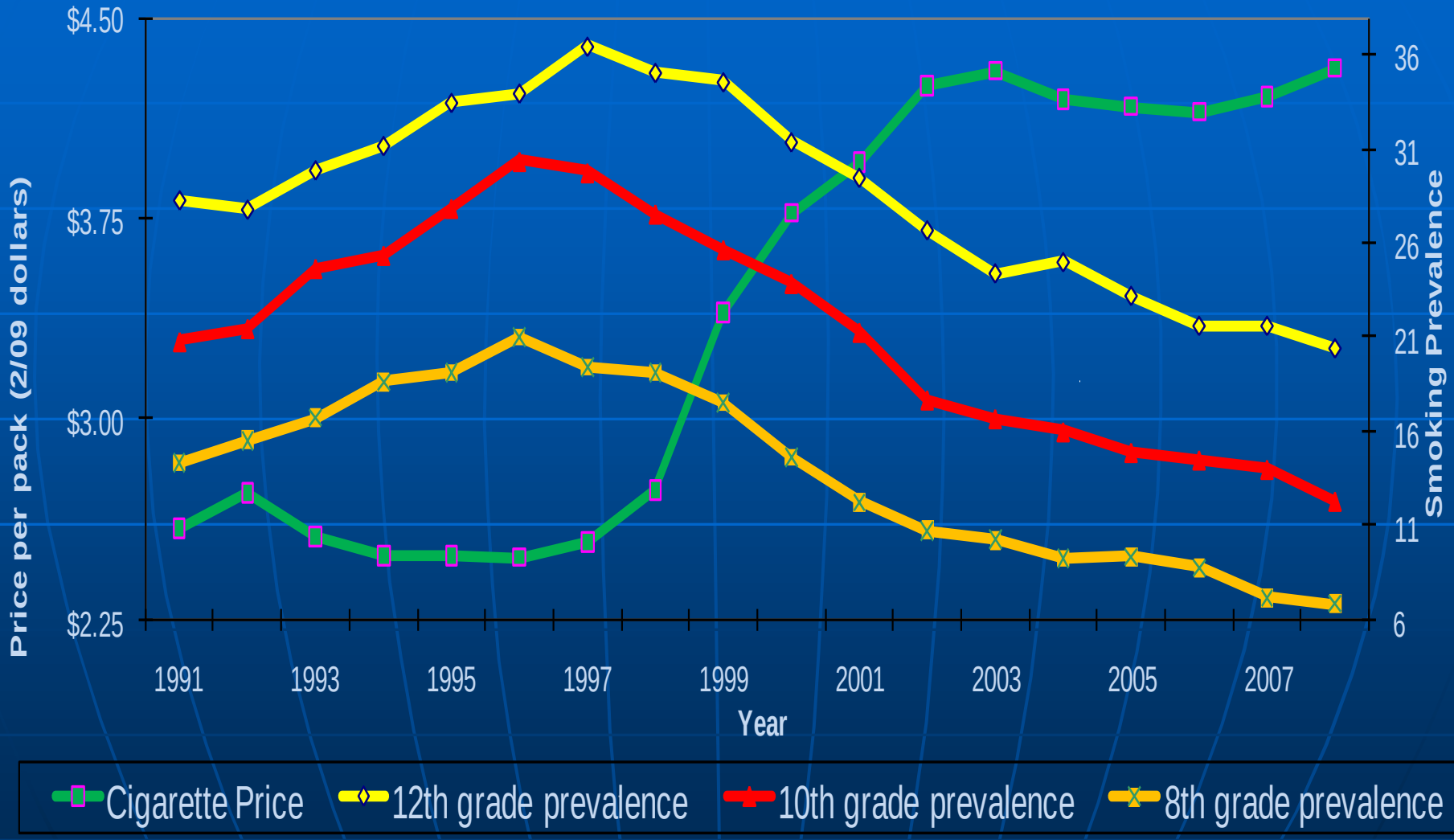
Source: BRFSS, *Tax Burden on Tobacco,* 2009, and author's calculations

Cigarette Prices and Former Smoking Rates, 50 States & DC, 2007



Source: BRFSS, *Tax Burden on Tobacco,* 2009, and author's calculations

Cigarette Price and Youth Smoking Prevalence, United States, 1991-2008

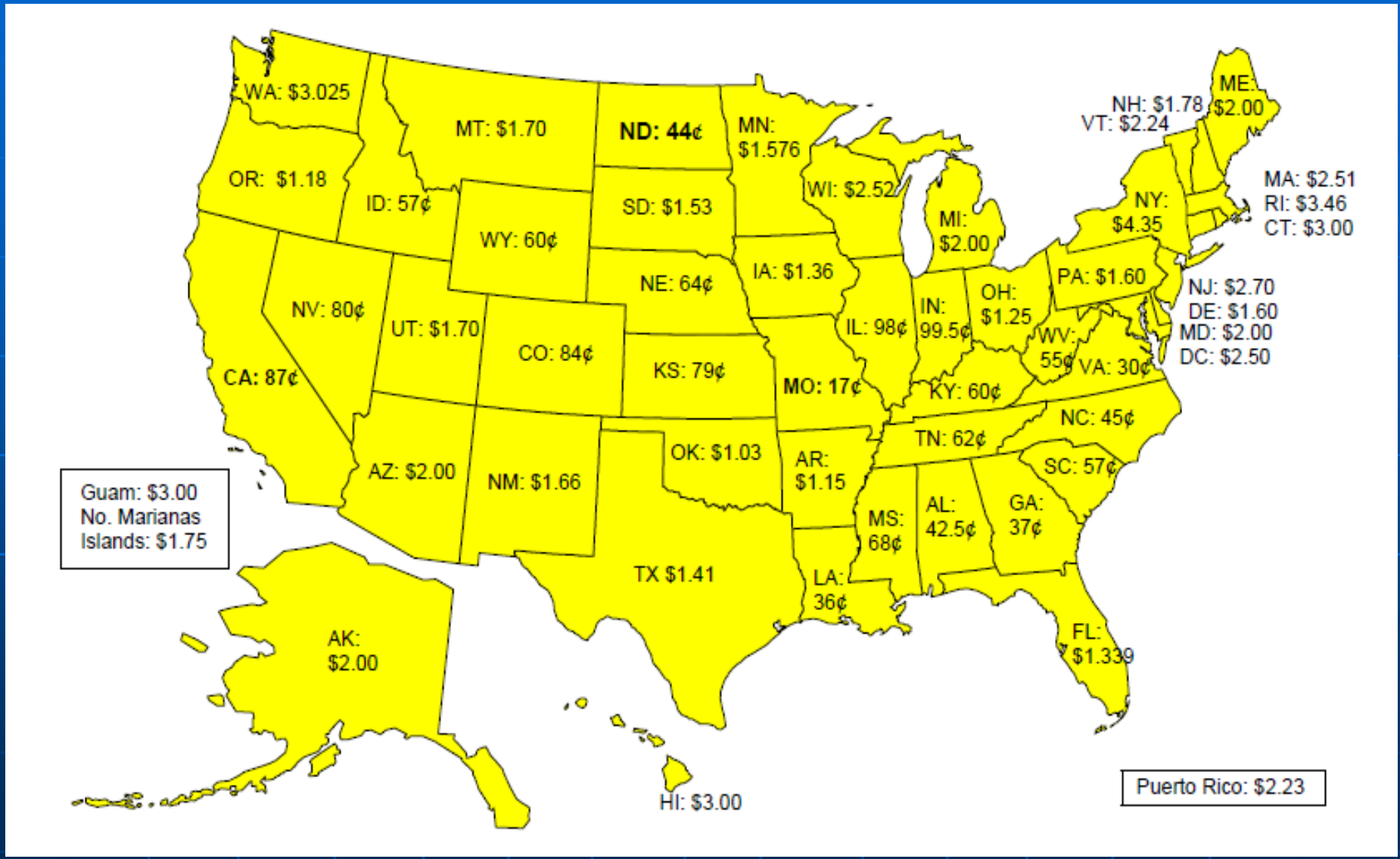


Source: MTF, *Tax Burden on Tobacco,* 2009, and author's calculations

Tobacco Taxation

- **Where are we now?**
  - When tax last raised in 2002:
    - 98 cent per pack was 11th highest
    - About 1.5 times the average state tax rate
  - Currently:
    - 32nd among state taxes
    - Majority of states have increased cigarette taxes since 2002, some multiple times
    - IL tax about 2/3 of the average state tax
    - Have similarly fallen behind on other tobacco product taxes

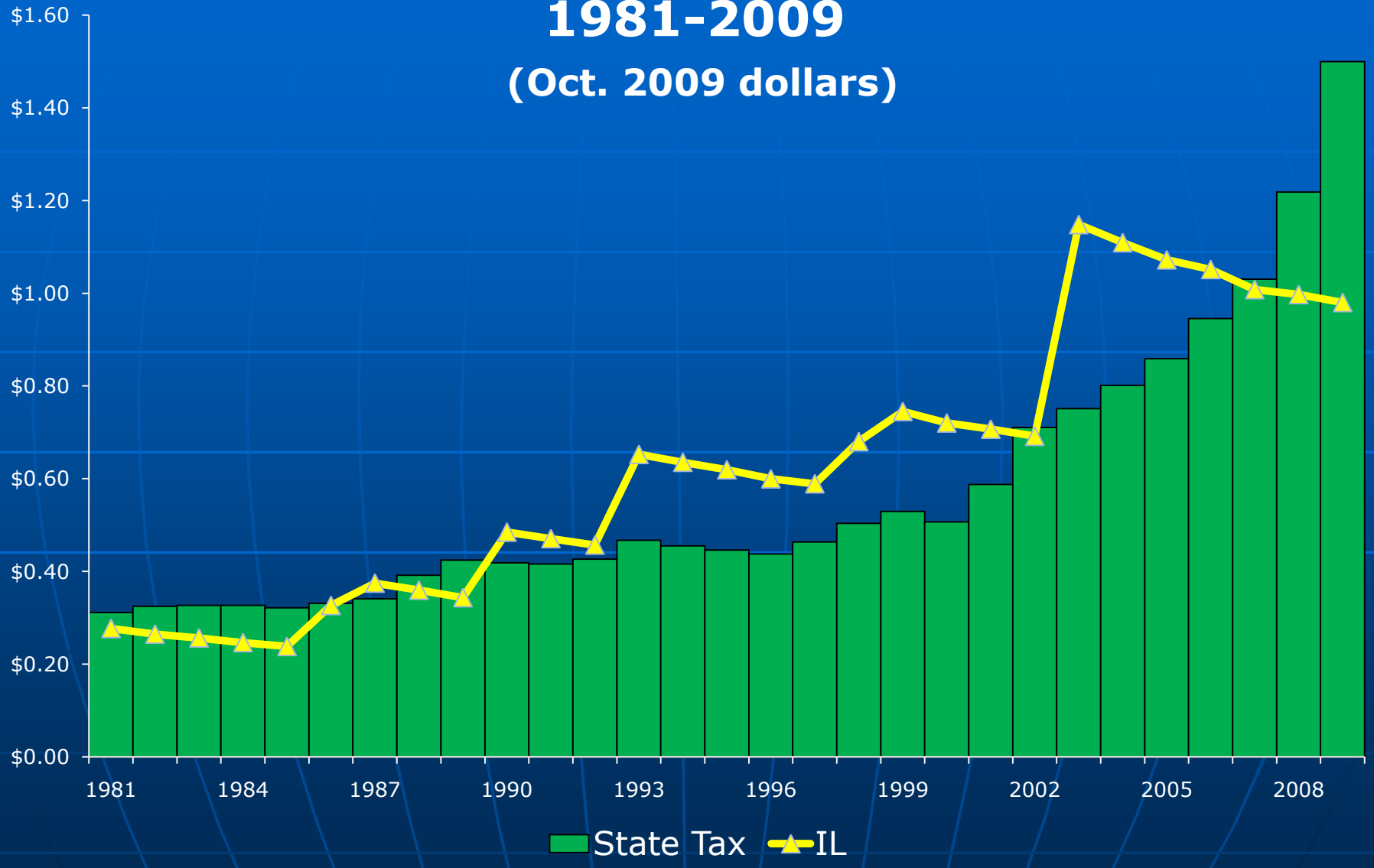
State Cigarette Taxes in the US, 2010



Source: Campaign for Tobacco-Free Kids, 2010

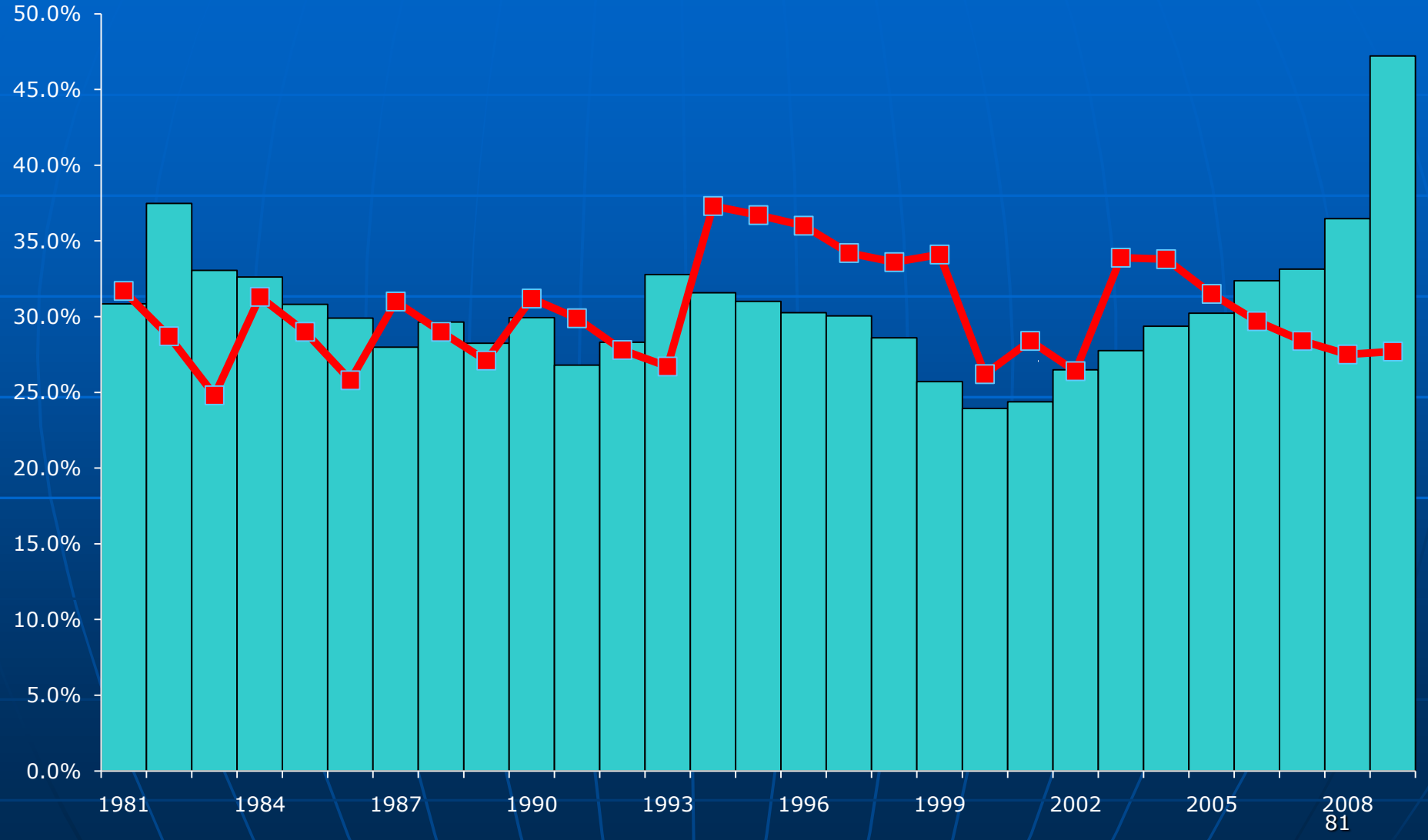
Cigarette Taxes, IL and State Average, 1981-2009

(Oct. 2009 dollars)



Source: *Tax Burden on Tobacco,* 2009, and author's calculations

State and Federal Cigarette Taxes as a Percentage of Cigarette Prices IL & US, 1981-2009

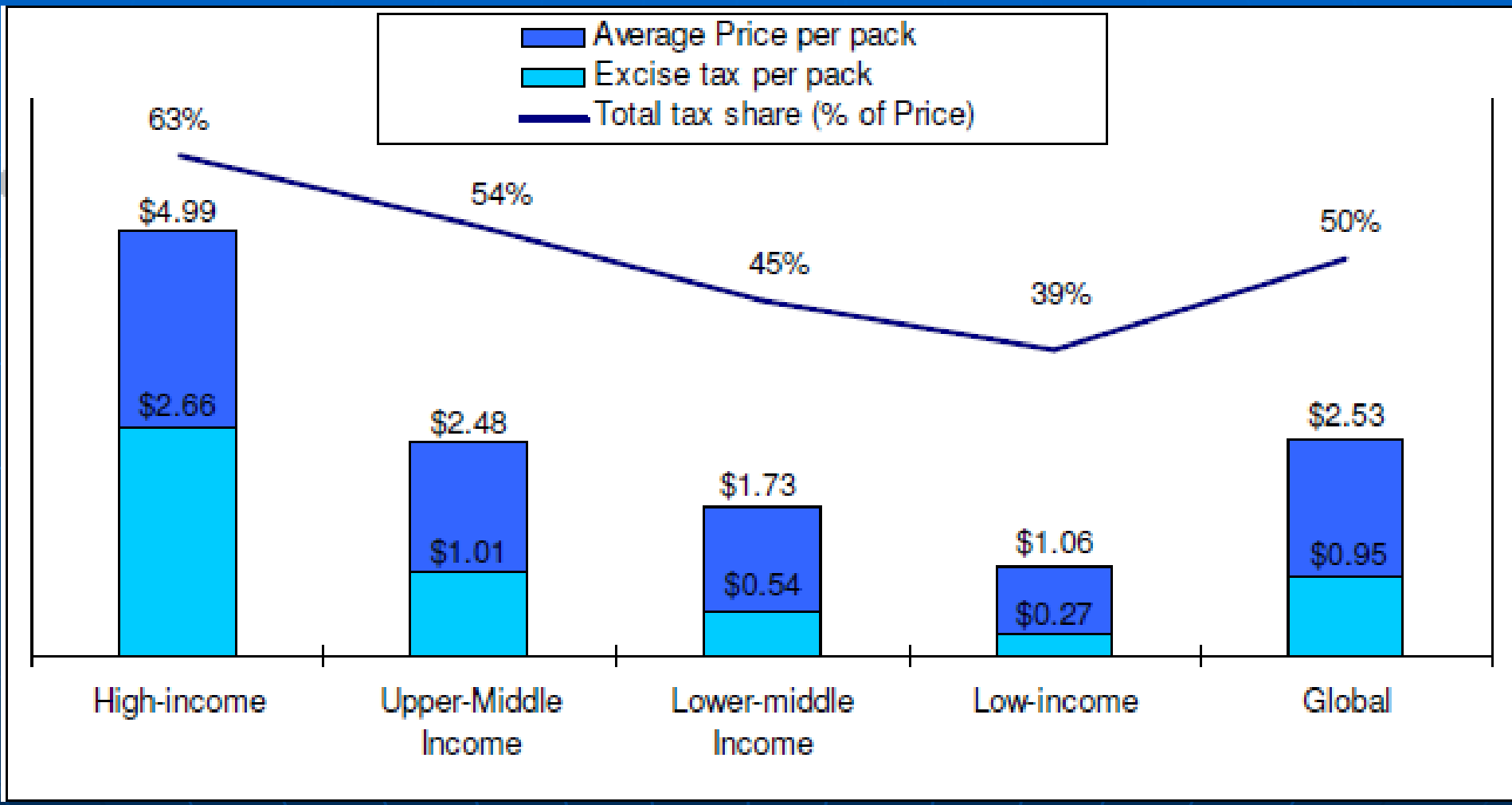


Source: *Tax Burden on Tobacco,* 2009, and author's calculations

Taxes and Tobacco Product Prices Globally

- Tax levels and prices, vary widely across countries

Price and Tax by Income Level, 2008

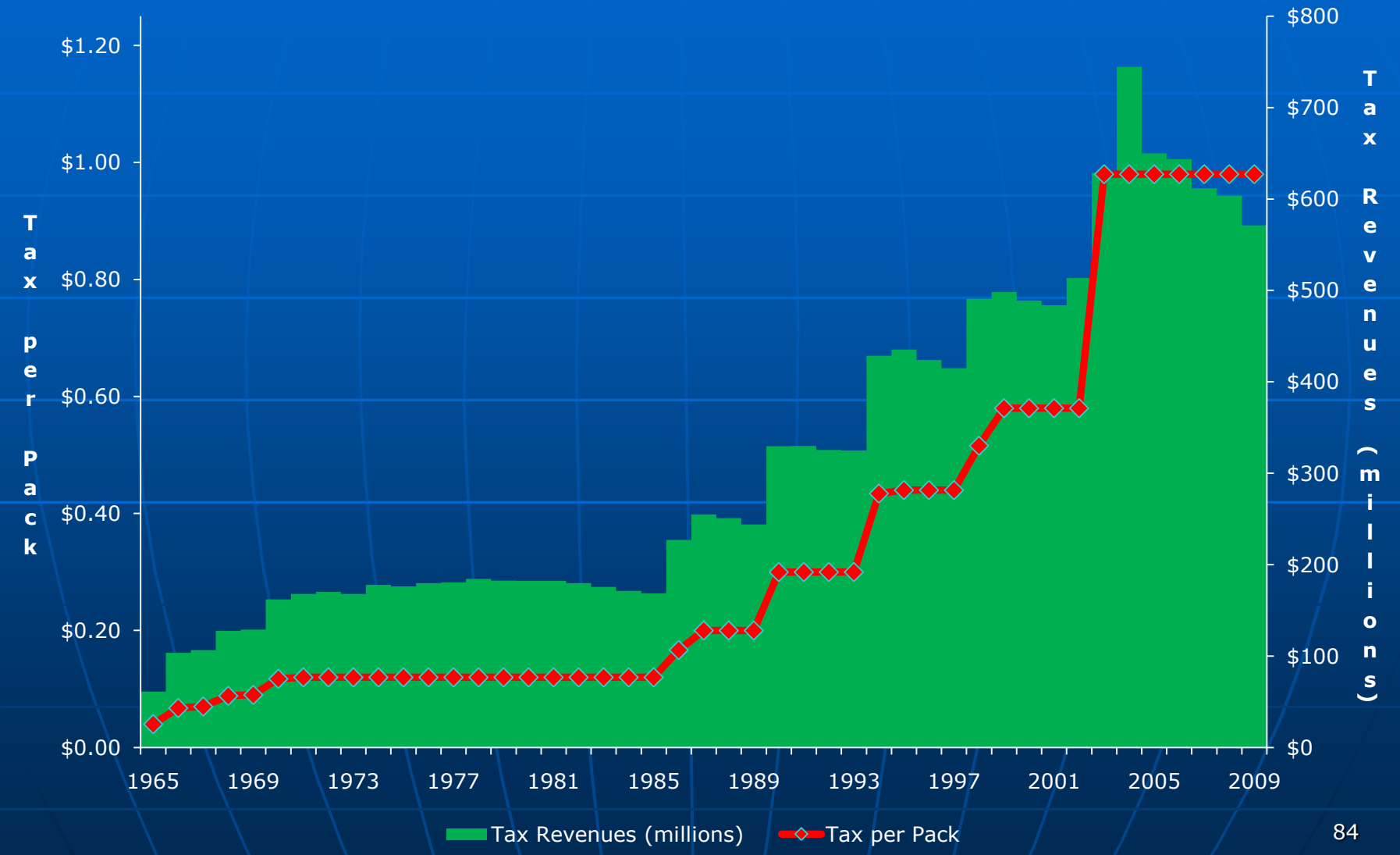


Source: World Health Organization, 2009

Tobacco Taxation

- **Where can we go?**
  - Raise the state cigarette excise tax
    - Getting back to 11th place would require $2.00 per pack tax
  - If raised to $2.00:
    - Nearly $500 million in additional tax revenues
    - Over 65,000 adult smokers would quit
    - Over 85,000 fewer kids would start
    - Prevent over 65,000 premature deaths from smoking among current population

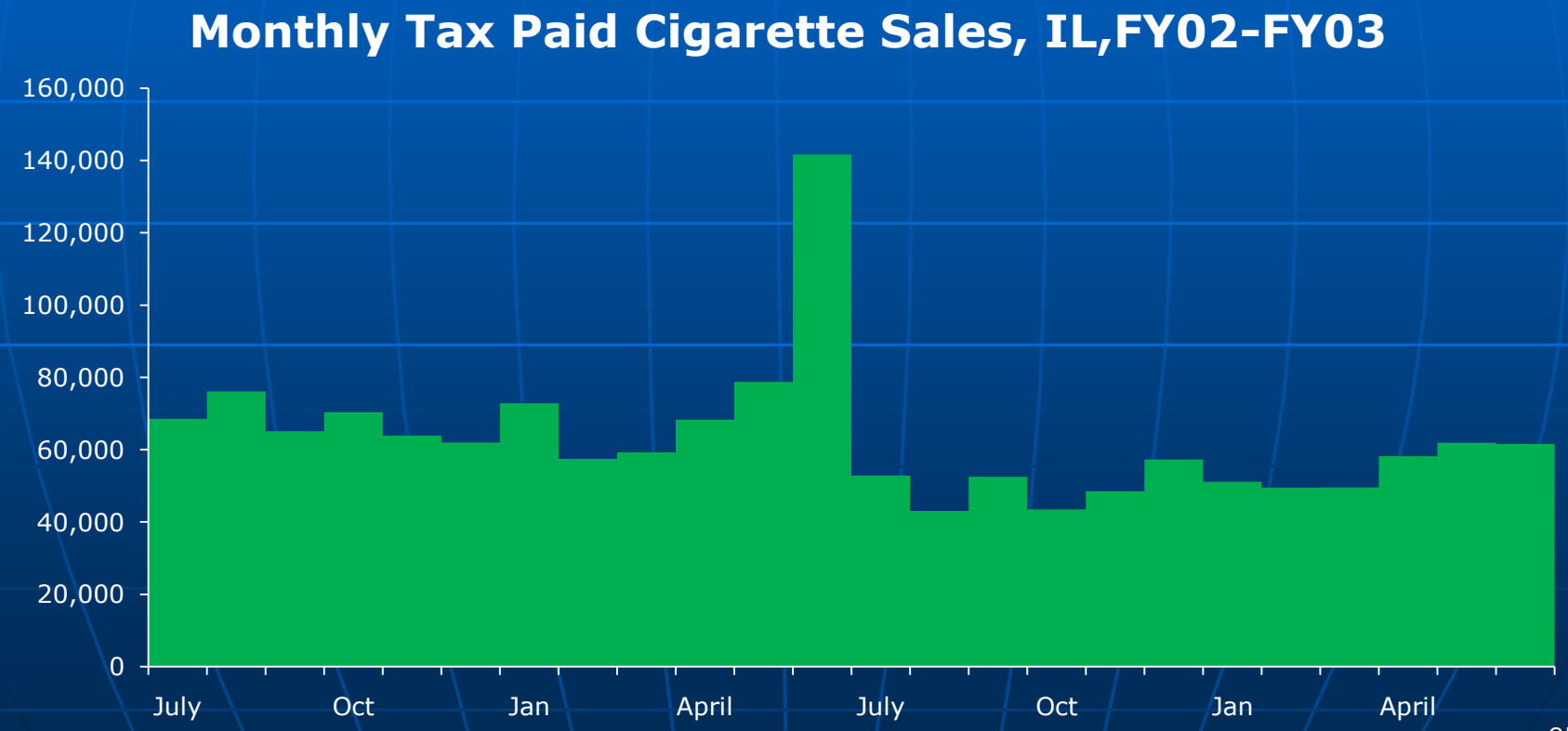
Cigarette Tax and Tax Revenues Illinois, 1965-2009



Source: TBOT and author's calculations

Tobacco Taxation

- **Where can we go?**
  - Impose floor tax when adopting tax increases



Tobacco Taxation

- **Where can we go?**
  - Raise the state's other tobacco product excise taxes
    - Currently 18% of wholesale prices
    - By comparison, WI is 100% of wholesale price
  - Tighten tobacco product definitions

Tobacco Taxation

- Little cigars
  - Taxed at lower rate
    - Exempt from various product regulations related to flavorings, packaging, marketing
  - Can redefine cigarettes to include:
    - "any roll of tobacco that weighs no more than four and a half pounds per thousand (unless wrapped in whole tobacco leaf and does not have a cellulose acetate or other cigarette-like filter
  - Redefine cigars as "any roll of tobacco that is not a cigarette"

Source: Eric Lindblom, Campaign for Tobacco-Free Kids

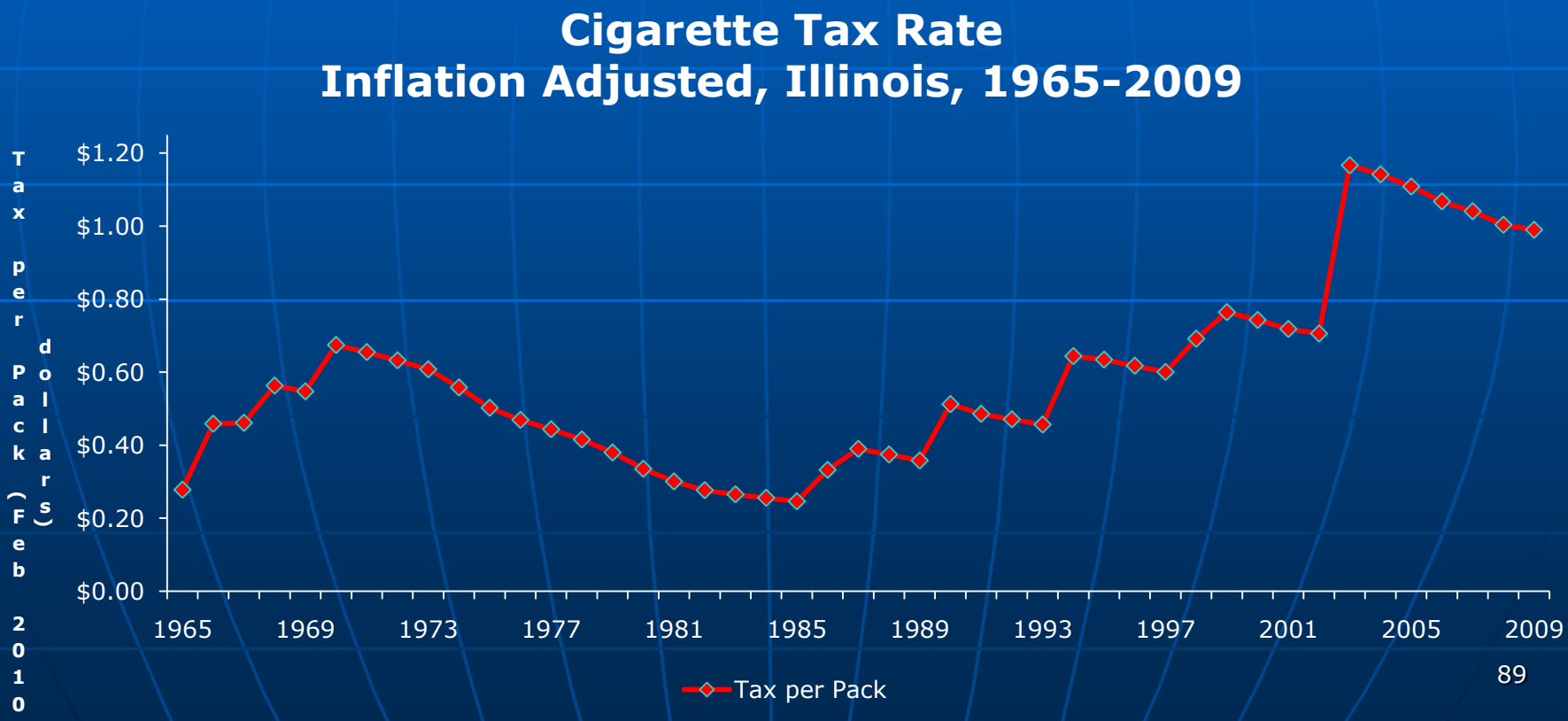
Tobacco Taxation

- Other product definitions
  - Non-combustible tobacco products – redefine smokeless tobacco products (or 'other tobacco products', 'tobacco products' to include:
    - "any other product containing tobacco that is intended or expected to be consumed without being combusted"

Source: Eric Lindblom, Campaign for Tobacco-Free Kids

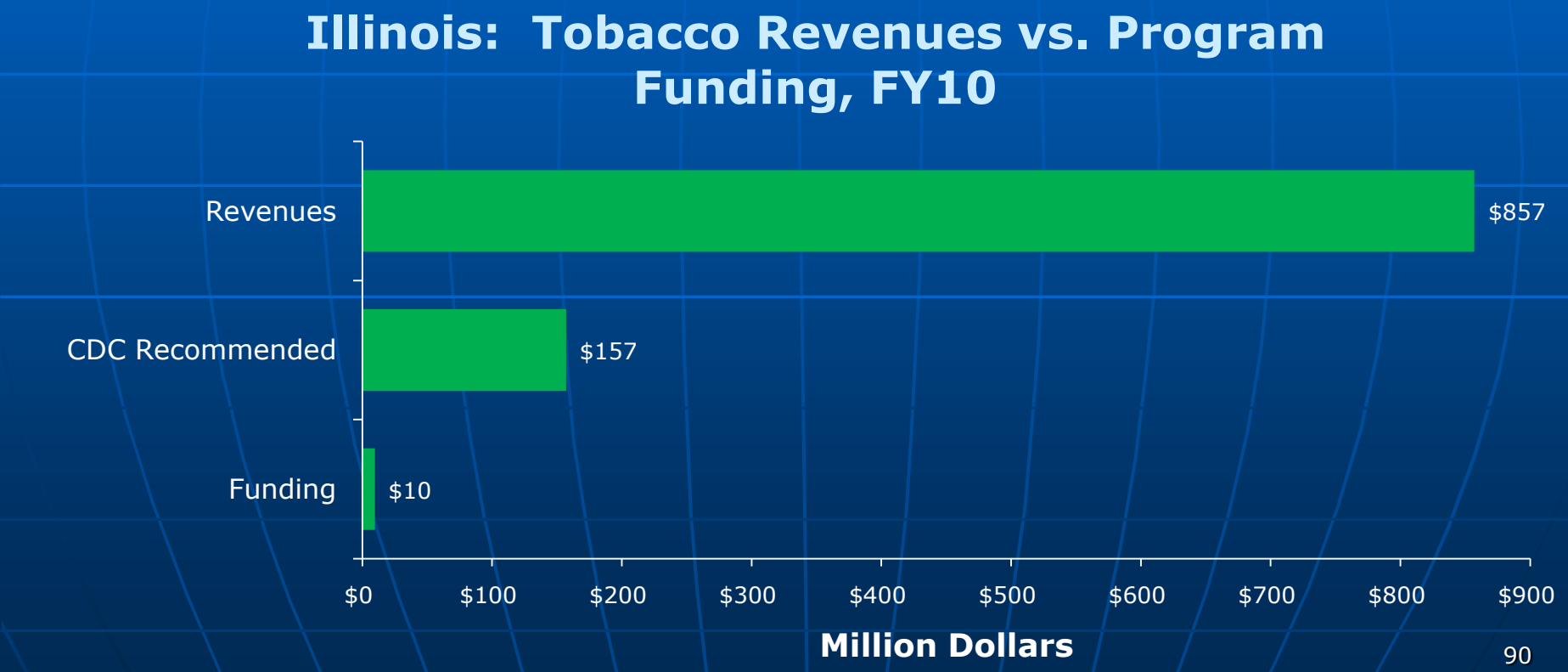
Tobacco Taxation

- **Where can we go?**
  - Allow for annual administrative tax increases to keep pace with inflation



Tobacco Taxation

- **Where can we go?**
  - Use portion of new revenues to fund state tobacco control program



Tobacco Taxation

- **Where can we go?**
  - Adopt high tech tax stamp and license all involved in tobacco distribution
  - Expand enforcement efforts
  - California – only state so far; generated additional $124 million in revenues in first 20 months

State of Tobacco Control in Illinois

Summary

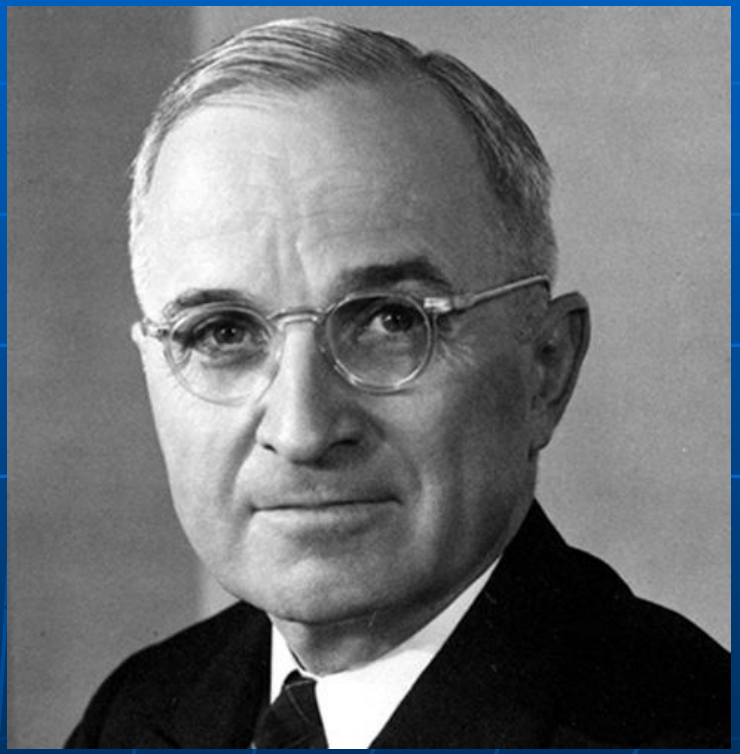
- **Harry Truman:**

Give me a one-handed economist!

All my economists say

On the one hand……

And on the other….



Summary

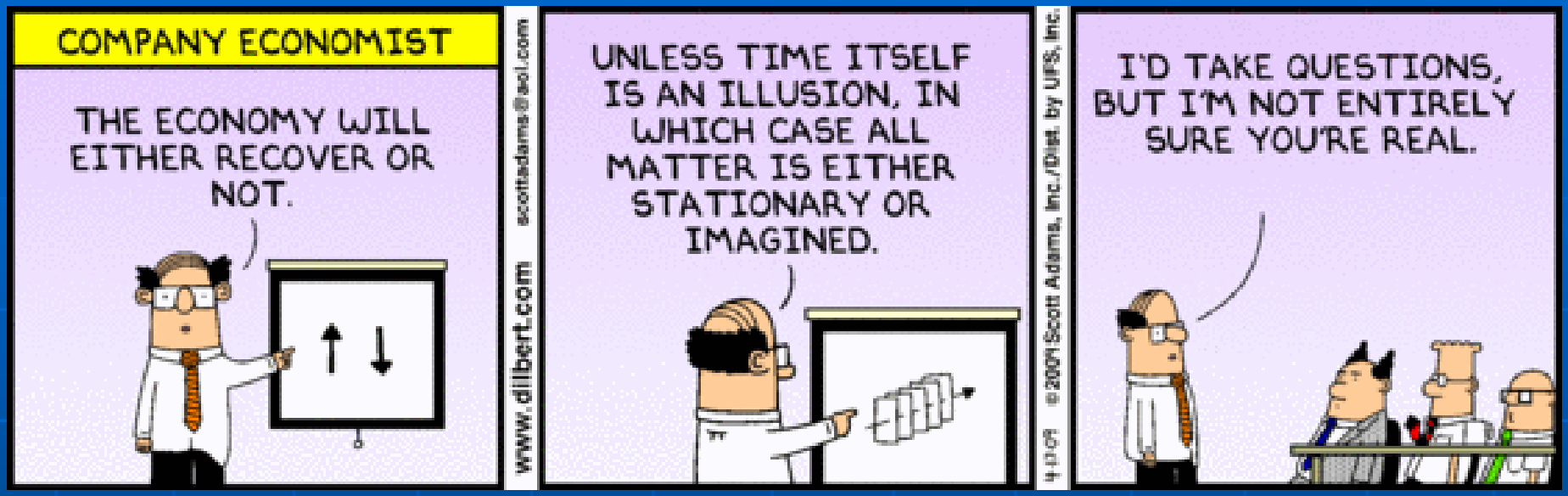
- **On the one hand, some positives**
  - Continuing declines in tobacco use among adults and youth
    - Compare favorably to US and neighbors
  - One of the most comprehensive state smoke-free air policies in the world
    - Additional local policies thanks to elimination of pre-emption

Summary

- **On the other hand, several negatives**
  - Prevalence stubbornly high and persistent disparities in tobacco use
  - Woefully underfunded state tobacco control program
  - Have fallen behind on tobacco taxes

Summary

- **And on the other other hand, some opportunities**
  - Increased taxes on all tobacco products
    - Inflation adjustments, high-tech tax stamps, and increased enforcement
    - Funding for state tobacco control efforts
  - Comprehensive restrictions on tobacco company marketing



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