The State of Tobacco Control in Illinois:

One Economist’s Perspective

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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
"If you knew that economics was the 'dismal science,' why did you become an economist?"
Monitor
Cigarette Sales, Illinois and US, 1965-2009
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
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

\[ y = -0.052x + 13.851 \]

\[ R^2 = 0.0885 \]

Source: Chaloupka 2010
Impact of Smoke-Free Air Policies

\[ y = -0.0791x + 26.516 \]

\[ R^2 = 0.1169 \]

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?

- Admin: $0.31
- State/Comm.: $5.62
- Cessation: $1.00
- Health Comm.: $0.84
- Surv/Eval.: $0.42
- Total: $8.20

Per Capita Funding % of CDC Recommended
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 10% - 24% of CDC recommendation on tobacco prevention programs.
- States that are spending 25% - 49% 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
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

Image: 3%  
Price: 7%  
Merchandise: 2%  
Promotional allowances: 2%  
Other: 86%

Source: author’s calculations from data reported in FTC (2009)
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
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
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,....)
**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

- Full Flavor
- Lights
- Ultra Lights

- Green Label
- Gold Box
- Silver Box

- Salem
  - Smooth Refreshing Menthol
  - Refreshing Menthol
Tobacco Company Marketing

- **Where are we now?**

- **FDA regulation**
  - Large, graphic warning labels:
    - On smokeless products, July 2010
    - On cigarettes, October 2012
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

Sales (million packs): [Data points]
Price (Oct. 2009 dollars): [Data points]

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

\[ y = -1.7038x + 27.473 \]
\[ R^2 = 0.1756 \]

Source: BRFSS, *Tax Burden on Tobacco*, 2009, and author’s calculations
Cigarette Prices and Former Smoking Rates, 50 States & DC, 2007

\[ y = 1.6826x + 17.443 \]

\[ R^2 = 0.2317 \]

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
Where are we now?

- When tax last raised in 2002:
  - 98 cent per pack was 11\textsuperscript{th} highest
  - About 1.5 times the average state tax rate

- Currently:
  - 32\textsuperscript{nd} 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

Monthly Tax Paid Cigarette Sales, IL, FY02-FY03
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
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

Cigarette Tax Rate
Inflation Adjusted, Illinois, 1965-2009
Tobacco Taxation

Where can we go?

- Use portion of new revenues to fund state tobacco control program

Illinois: Tobacco Revenues vs. Program Funding, FY10

<table>
<thead>
<tr>
<th>Million Dollars</th>
<th>Funding</th>
<th>Revenues</th>
<th>CDC Recommended</th>
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<tbody>
<tr>
<td>$0</td>
<td>$10</td>
<td>$857</td>
<td>$157</td>
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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 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
**COMPANY ECONOMIST**

THE ECONOMY WILL EITHER RECOVER OR NOT.

**UNLESS TIME ITSELF IS AN ILLUSION, IN WHICH CASE ALL MATTER IS EITHER STATIONARY OR IMAGINED.**

I'D TAKE QUESTIONS, BUT I'M NOT ENTIRELY SURE YOU'RE REAL.

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[Website Links]

- fjc@uic.edu
- www.bridgingthegapresearch.org
- www.impacteen.org