

Tobacco Tax Proposal Advances the Interests of Low-Income Oregonians

By Alejandro Qeral

Low-income Oregonians will benefit from an increase in the tobacco tax to fund the Oregon Health Plan and tobacco use prevention programs. Tobacco use comes at a steep cost to the health and finances of those who consume it, as well as society at large. While legitimate concerns exist regarding the regressive nature of an excise tax such as the tobacco tax, low-income communities ultimately come out ahead through investments in health and prevention.

The tobacco tax package preserves health services for low-income Oregonians

For the first time in well over a decade, the Oregon legislature is considering raising tobacco taxes by a significant amount to help fund the Oregon Health Plan. Oregon's Medicaid program, the Oregon Health Plan provides health coverage to over one million low- and moderate-income Oregonians, including more than two-in-five Oregon children.¹ At the start of the current legislative session, the Oregon Health Plan faced a \$923 million budget gap.² The legislature has already filled about half of the gap through increased taxes on health providers,³ and is considering filling much of the remaining gap through an increase in tobacco taxes.

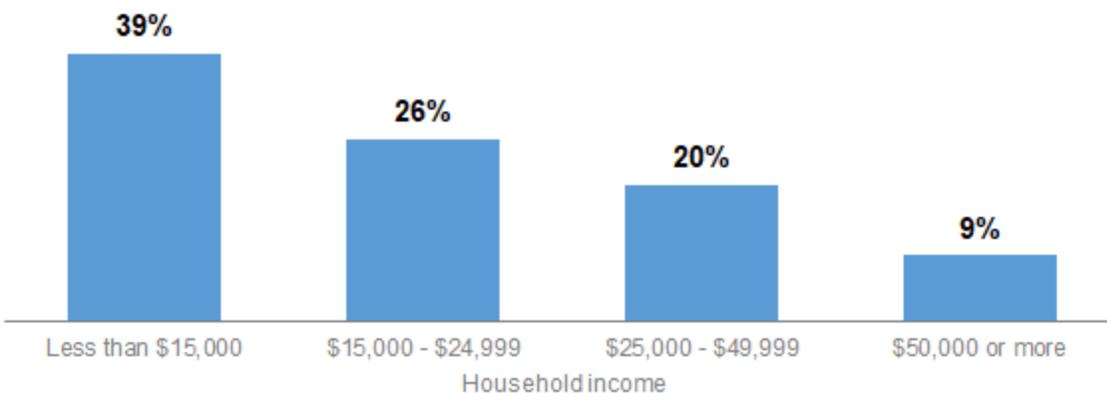
The Governor's proposal increases the tax on cigarettes by \$2 per pack and also raises taxes on other tobacco products, yielding as much as \$394 million in new revenue per biennium starting in 2021-23.⁴ The proposal allocates about 90 percent of the tobacco revenue to the Oregon Health Plan, with the remaining 10 percent going to tobacco prevention efforts and to upgrade Oregon's public health system.⁵ By closing the funding gap for the Oregon Health Plan, the tobacco tax proposal preserves health services for low-income Oregonians.

Tobacco use harms individuals, especially low-income Oregonians, and the state

Research has long established a link between tobacco use and poorer health. From heart disease to increased risk of stroke and lung cancer, tobacco killed nearly 8,000 Oregonians in 2016 — leading all other causes of preventable deaths in Oregon.⁶ And while exposure to secondhand smoke has been declining since 2001,⁷ more than 13 percent of adults report exposure to tobacco smoke at the workplace and almost 30 percent of school-aged children live with someone who smokes cigarettes.⁸ Secondhand smoke has been linked to serious respiratory problems among children, as well as increased risk of stroke and coronary heart disease among adults.⁹

Low-income Oregonians more likely to smoke

Share of adult Oregonians in each income group who smoke



Source: OCPP analysis of Oregon Health Authority data covering 2011 to 2016.

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The damaging effects on health from tobacco use fall disproportionately on low-income people. Nearly two fifths (38.7 percent) of adult cigarette smokers live in households making less than \$15,000 per year.¹⁰ That low-income people are more likely to smoke is not an accident as low income communities are often the target of advertising campaigns by the tobacco industry.¹¹ Researchers have also found that communities with high rates of poverty have higher densities of tobacco retailers.¹²

The adverse health effects from tobacco have a direct impact on Oregon's economy. The health care costs associated with tobacco use in Oregon topped \$1.4 billion in 2013.¹³ When considering that nearly 9 percent of all health care spending in the U.S. is attributable to cigarette smoking, it is clear that reducing smoking rates would help control health care costs.¹⁴

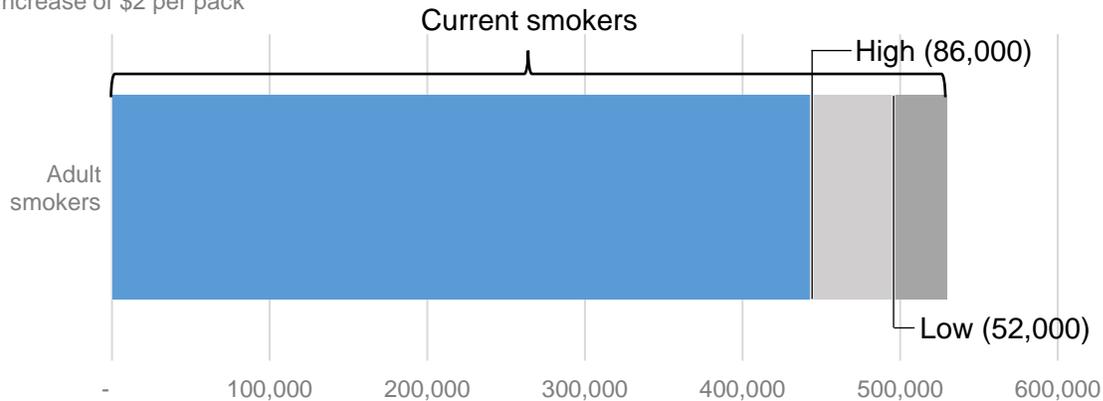
Prevention and cessation of tobacco use benefit low-income Oregonians

Cigarette smoking harms not only health, but family finances as well. A household with one smoker who consumes one pack of cigarettes per day, for example, currently spends about \$2,200 per year.¹⁵ For low-income families especially, that is a significant sum. While some advocates raise a legitimate concern when they point to the regressive nature of tobacco taxes, inducing smokers to quit leaves them better off financially and enjoying improved health.

Raising the tobacco tax is intended to encourage users to quit and prevent children and others from picking up the habit in the first place. Research shows that increasing the price of cigarettes is the single most effective way to reduce consumption. For every 10 percent increase in the price of cigarettes, consumption falls by 3 to 5 percent.¹⁶ As such, the proposed increase of \$2 per pack would cut smoking in Oregon by 10 to 16 percent. This increase would prompt between 52,000 and 86,000 current smokers to stop smoking.¹⁷

Tobacco tax increase would reduce number of smokers

Estimated (high and low) reduction in number of adult cigarette smokers in Oregon in 2017 from a tax increase of \$2 per pack



Source: OCPP analysis of Oregon Health Authority and U.S. Center for Disease Control data.

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The tobacco tax package also aims to reduce tobacco use through prevention, education, and cessation programs. Of course, quitting is extremely difficult. Nicotine is a powerfully addictive ingredient in cigarettes and other tobacco products. The tobacco tax package invests 10 percent of the new revenue in programs that over the years have shown to be effective at preventing use of tobacco and helping people to quit.¹⁸

Conclusion

The tobacco tax package proposed by Governor Brown is a sensible approach to funding the Oregon Health Plan. Tobacco use costs Oregonians, especially low-income Oregonians, dearly. It damages their health and finances, while exacting increased health care costs on the state. The tobacco tax package preserves health care coverage for low-income Oregonians, discourages the use of tobacco, and invests in prevention and cessation programs. Ultimately, the package advances the interests of low-income Oregonians and the state as a whole.

Endnotes

¹ Janet Bauer, *Oregon Should Turn to Health Industry to Fill Medicaid Budget Gap*, Oregon Center for Public Policy, January 18, 2017, available at <https://www.ocpp.org/media/uploads/pdf/2017/01/rpt20170118MedicaidFunding-fnl.pdf>.

² Patrick Allen and Lori Coyner, *Oregon Health Plan*, Oregon Health Authority, Health Systems Division, Slide 37. Presented to Joint Committee on Ways and Means Subcommittee on Human Services March 7, 2019.

³ Elizabeth Hayes, *Gov. Kate Brown Signs Medicaid Funding Package Into Law*, Portland Business Journal, March 14, 2019. Available at: <https://www.bizjournals.com/portland/news/2019/03/14/gov-kate-brown-signs-medicaid-funding-package-into.html>

⁴ Presentation by Patrick Allen, Oregon Health Authority Director, and Lori Coyner, State Medicaid Director, to Joint Committee on Ways and Means Subcommittee on Human Services, March 7, 2019, at slide 37.

⁵ Ibid. See also Governor Kate Brown, *Turning Point: An Agenda for Oregon's Future, 2019-2021 Governor's Recommended Budget and Policy Agenda*, State of Oregon, available at https://www.oregon.gov/gov/policy/Documents/019-21_turning-point.pdf at p. 19

⁶ *Oregon Tobacco Facts 2018*, Oregon Health Authority, at p. 2. Available at: <https://apps.state.or.us/Forms/Served/le9139.pdf>

⁷ Ibid., Tables 9.1 and 9.2 at 40- 41.

⁸ Ibid., Table 9.3 at 43.

⁹ *Smoking and Tobacco Use: Health Effects of Secondhand Smoke*, Centers for Disease Control and Prevention, accessed on April 22, 2019: https://www.cdc.gov/tobacco/data_statistics/fact_sheets/secondhand_smoke/health_effects/index.htm.

¹⁰ *Oregon Tobacco Facts 2018*, Oregon Health Authority, Table 4.6 at 17. Available at <https://apps.state.or.us/Forms/Served/le9139.pdf>

¹¹ *Smoking and Tobacco Use: Cigarette Smoking and Tobacco Use Among People of Low Socioeconomic Status*, Centers for Disease Control and Prevention, citing U.S. Department of Health and Human Services, available at <https://www.cdc.gov/tobacco/disparities/low-ses/index.htm> (accessed on April 22, 2019); *The Health Consequences of Smoking—50 Years of Progress: A Report of the Surgeon General*, Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2014, available at <https://www.surgeongeneral.gov/library/reports/50-years-of-progress/full-report.pdf>.

¹² D. Yu, et. al., “Tobacco Outlet Density and Demographics: Analyzing the Relationships with a Spatial Regression Approach,” *Public Health*, 2010, 124(7):412–6.

¹³ *Oregon Tobacco Facts 2018*, Oregon Health Authority, Table 2.4, available at: <https://apps.state.or.us/Forms/Served/le9139.pdf>

¹⁴ X. Xu. et. al., “Annual Health Care Spending Attributable to Cigarette Smoking,” *American Journal of Preventive Medicine*, March 2015, 48(3): 326-333. Available at <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4603661/>

¹⁵ Assuming a per-pack cost of \$6.12. See *The Tax Burden on Tobacco, 1970-2017*, Center for Disease Control and Prevention, available at <https://chronicdata.cdc.gov/Policy/The-Tax-Burden-on-Tobacco-1970-2017/7nwe-3aj9/data> (data accessed on April 22, 2019).

¹⁶ *Smoking and Tobacco Use: Economic Trends in Tobacco*, Centers for Disease Control and Prevention, available at https://www.cdc.gov/tobacco/data_statistics/fact_sheets/economics/econ_facts/index.htm (accessed on April 22, 2019). See also Frank Chaloupka, et. al., *Effectiveness of tax and price policies in tobacco control*, Tobacco Control, 2011, at 20:235-238. Lois Biener, et. al., “Reactions of adult and teenaged smokers to the Massachusetts Tobacco Tax,” *American Journal of Public Health*, September 1998, vol. 88, at 1389-1391.

¹⁷ OCPP analysis of data on adult smokers from the Oregon Health Authority, Oregon Behavioral Risk Factor Surveillance Survey, 2017. The price elasticity factor used to estimate the number of adults who would quit in response to the \$2 price increase per pack of cigarettes includes youth and young adults, who are two to three times more sensitive to price increases.

¹⁸ *Ending the Tobacco Problem: A Blueprint for the Nation*, Institute of Medicine, 2007, available at <https://doi.org/10.17226/11795>.