



PUBLIC HEALTH BENEFITS AND HEALTHCARE COST SAVINGS FROM THE FEDERAL CIGARETTE TAX INCREASE

Current Federal Cigarette Tax: 39 Cents Per Pack

Smoking-caused costs in the U.S. per taxed pack sold: \$10.28
Average retail price per pack: \$4.10

Annual health care expenditures in the U.S. directly caused by tobacco use: \$96.7 billion
Total federal-state Medicaid program smoking costs each year: \$30.9 billion
Total Medicare program smoking costs each year: \$18.9 billion
Annual productivity losses from smoking each year: More than \$97.6 billion

Projected Benefits from Increasing the Federal Cigarette Tax by 61.66 Cents Per Pack

The 61.66-cent federal cigarette tax increase, passed by Congress and signed into law by President Barack Obama to expand the State Children's Health Insurance Program (SCHIP), will produce the following public health benefits and related healthcare cost savings in the U.S.

- **Increase in total number of kids alive today who will not become smokers: 1,992,000**
- **Number of current adult smokers in the US who would quit: 1,020,000**
- **Number of smoking-affected births avoided over next five years: 248,000**
- **Number of total smokers saved from future smoking-caused death: 905,000**
- **5-year health care savings from fewer smoking-affected pregnancies & births: \$423.2 million**
- **5-year health care savings from fewer smoking-caused heart attacks & strokes: \$493.3 million**
- **Long-term healthcare savings in the US from adult & youth smoking declines: \$44.5 billion**
 - **Share of healthcare savings in federal-state Medicaid program: \$7.5 billion**
 - **Share of healthcare savings in federal Medicare program: \$8.6 billion**

The SCHIP expansion also includes increases to the federal excise tax on other tobacco products, which will produce additional public health benefits and healthcare cost savings for the country. These projections are based on research findings that a 10% cigarette price increase reduces youth smoking rates by 6.5%, adult rates by 2%, and total consumption by 4% (with adjustments to account for tax evasion effects). Kids stopped from smoking or dying are from all kids alive today. Long-term savings accrue over lifetimes of persons who stop smoking or never start because of the cigarette tax increase. Savings are in 2004 dollars. Increasing the federal cigarette tax rate will not only reduce smoking levels and related harms and costs but also increase federal revenues because the higher tax rate per pack brings in more new revenue than is lost from the drop in the number of packs sold.

Campaign for Tobacco-Free Kids 1.08.09 / Eric Lindblom, February 4, 2009

For more information, see the Campaign Factsheets at

<http://www.tobaccofreekids.org/research/factsheets/index.php?CategoryID=11>.

Sources. Chaloupka, F, "Macro-Social Influences: Effects of Prices and Tobacco Control Policies on the Demand for Tobacco Products," *Nicotine & Tobacco Research*, 1999, and other price studies at <http://tigger.uic.edu/~fjc> and www.uic.edu/orgs/impacteen. Orzechowski & Walker, *Tax Burden on Tobacco*, 2006. USDA Economic Research Service, www.ers.usda.gov/Briefing/tobacco. Farelly, M, et al., *State Cigarette Excise Taxes: Implications for Revenue and Tax Evasion*, RTI International, May, 2003, http://www.rti.org/pubs/8742_Excise_Taxes_FR_5-03.pdf. Country tax offices. CDC, *Data Highlights 2006* [and underlying CDC data/estimates]. Miller, P, et al., "Birth and First-Year Costs for Mothers and Infants Attributable to Maternal Smoking," *Nicotine & Tobacco Research* 3(1):25-35, February 2001. Lightwood, J & Glantz, S, "Short-Term Economic and Health Benefits of Smoking Cessation - Myocardial Infarction and Stroke," *Circulation* 96(4):1089-1096, August 19, 1997, <http://circ.ahajournals.org/cgi/content/full/96/4/1089>. Hodgson, T, "Cigarette Smoking and Lifetime Medical Expenditures," *The Millbank Quarterly* 70(1), 1992. U.S. Census. National Center for Health Statistics. Please direct questions to Eric Lindblom, 202-296-5469 or elindblom@tobaccofreekids.org.

Projections will be updated and improved as updated underlying data becomes available and when new data and research findings prompt refinements to the projection models and formulas.