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**May 24, 2017**  
**Ohio Senate Finance Subcommittee on Health and Medicaid**

Chairman Hackett, Vice Chair Tavares, and Members of the Subcommittee:

My name is Micah Berman and I am an assistant professor of public health and law at Ohio State University. I am also a member of the OSU-James Comprehensive Cancer Center. I teach courses on Public Health Law and Tobacco Regulation, and I have been studying tobacco policy for more than a decade. My research is funded primarily by the National Cancer Institute, and I am affiliated with Ohio State's federally-funded Center of Excellence in Regulatory Tobacco Science.

As I'm sure you all know, tobacco is the leading cause of death in Ohio and in the nation, killing nearly half a million Americans and more than 20,000 Ohioans every year. If current trends continue, more than 250,000 Ohio kids alive today will die prematurely from a tobacco-related disease. Despite progress that has been made over the years, reducing tobacco use and protecting the next generation from nicotine addiction remains critical for Ohio – critical for our health, and also critical for our economy.

Right now, **Ohio is ranked 43<sup>th</sup>** in terms of adult smoking, meaning that there are only a handful of states with higher smoking rates. Moreover, smoking rates among Ohioans on Medicaid are staggeringly high. The 2015 Ohio Medicaid Assessment Survey estimated that more than 40% of Medicaid enrollees aged 19-64 were current smokers. Thus, it should not come as a surprise that Ohio spends more than \$1.7 billion each year to treat smoking-related diseases, which is considerably more than it receives annually in tobacco tax revenue. Reducing tobacco use is one of the most straightforward ways to reign in Medicaid costs.

We know from decades of research that tobacco taxes are **the #1 most effective policy lever** for reducing tobacco use. Literally hundreds of peer-reviewed studies have shown that a 10% increase in the price of cigarettes reduces cigarette consumption overall by 3-5%, with an even larger impact on youth. The once-secret tobacco company internal documents show that they have recognized the powerful impact of tobacco taxes for decades. Despite claims to the contrary, higher cigarette taxes reliably reduce use (not just sales, but use), despite concerns that smokers will turn to cross-border purchases or online sales. Simply put, there is a very clear inverse relationship between prices and use, even when accounting for these other potential factors. Higher tobacco taxes save lives.

## **Increasing the Cigarette Tax Rate & Investing in Cessation**

Governor Kasich proposed a \$0.65 increase in the cigarette tax, which was not included in HB 49, as passed by the House of Representatives.

I strongly urge you to include a cigarette tax increase in the budget, and to increase the tax by *more* than \$0.65 – to at least \$1.00 per pack. Such a tax would powerfully dissuade people from starting to smoke and to encourage current smokers to quit. Smaller, incremental tax increases, though they generate some revenue for the state, are unlikely to meaningfully reduce tobacco use. Increasing the tobacco tax by at least \$1.00/pack, however, *will* reduce smoking. And doing so is urgently needed for Ohio's health – and for Ohio's economy.

A recent analysis by the Health Policy Institute of Ohio found that Ohio was ranked 46<sup>th</sup> in the nation in terms of health value. In other words, we are spending more on health care than most other states, while at the same time getting worse health outcomes. The report found that that smoking is one of the key drivers of Ohio's poor health value ranking. We can keep spending more and more on health care, but we won't actually succeed in improving health unless we prioritize reducing the smoking rate – and again, increasing the cigarette tax is the most effective way to do so.

At the same time, when we discuss increasing the cigarette tax, it is important to ensure that we invest a portion of the resulting revenue in tobacco cessation efforts, so that current smokers – the vast majority of whom want to quit – have the support and resources necessary to do so. Unfortunately, the House's budget moves in the opposite direction, slashing funding for tobacco prevention and cessation. As the Columbus Dispatch correctly noted, this “makes about as much sense as sawing off your toes to lose weight.” Right now, Ohio is doing a poor job getting cessation support to those who need it most – Ohio is one of the very few states that does not fully fund its Tobacco Quit Line, and few of Ohio Medicaid's enrollees take advantage of covered tobacco cessation support. As a result, Ohio is throwing away money that it could be saving. For example, a Massachusetts study (Richard, et al., 2012) found that for every \$1 the state invested in cessation support for individuals on Medicaid, it saved more than \$2. Research from other states has reached similar results.

Additionally, the amount that Ohio currently spends on tobacco prevention and cessation has to be viewed in context. Ohio spends less than 12% of the amount recommended by the Centers for Disease Control and Prevention. But perhaps more importantly, its tobacco prevention and cessation spending is less than 4% of the amount that the tobacco industry spends on marketing its products in Ohio each year, and only about 1% of the amount of tobacco-related revenue the state receives in a given year.

In short, it is clear that if Ohio is to make progress in reducing tobacco use, two things must happen: (1) the state needs to significantly raise tobacco taxes, and (2) some portion of that money needs to be dedicated to tobacco prevention and cessation.

## **Cross-Border Purchases & Economic Impact**

Every time Ohio's cigarette tax is increased, the same concerns are raised about cross-border sales. But every time, Ohio ends up collecting significantly more revenue, with only minor changes to tobacco tax revenue in surrounding states. This is consistent with that is seen around the country, even in places where the size of states is much smaller and the tax differential between bordering states is much greater. Our very preliminary research at Ohio State suggests that while some people who live right along the Kentucky or West Virginia border do make cross-border purchases of tobacco products, such purchases are very rarely made by anyone outside of a border county.

While of course reducing tobacco use may decrease tobacco sales (whether or not cross-border purchasing occurs), it is important to emphasize that retailers have *long* been on notice that relying too heavily on cigarettes sales is not a sustainable long-term business strategy. The immense amount of death and disease caused by tobacco-use has been well known for more than 50 years. The impact of an increased tobacco tax on retailers is likely to be minimal – money not spent on cigarettes is spent on other products – but in any event, it is long past time to stop putting tobacco sales ahead of health.

Moreover, the offsetting benefits to the state – and to business more specifically – of reduced tobacco use far outweigh any transitional costs to retailers. For example, my colleagues and I published a paper in 2014 demonstrating that private businesses pay, on average, more than \$5,800 dollars per year more to employ an person who smokes cigarettes, compared to the cost of employing a person who has never smoked. The vast majority of businesses in Ohio know that smoking is a major drag on their bottom line. For that reason, Reuters recently reported that chambers of commerce around the country are now promoting cigarette tax increase and other tobacco control measures. [Julian Mincer, *Business Groups, Once Tobacco Friendly, Switch Sides in Fight*, Reuters, Feb. 28, 2017, <http://www.reuters.com/article/us-usa-healthcare-chambers-idUSKBN1670H6>]

## **Other Tobacco Products (OTP) Tax**

While increasing cigarette taxes is critical, I also want to emphasize the importance of addressing Ohio's Other Tobacco Products (OTP) tax. Ohio's OTP tax, which is set at 17% of wholesale price (with the exception of little cigars, which have a higher tax rate), has not changed since 1993 – twenty-four years ago. There is only one state in the entire country that has gone longer without raising its OTP tax.

While Ohio's smokeless tobacco use rate is not much higher than the national average, there are parts of Ohio—particularly in the Appalachian counties— where smokeless tobacco use (particularly among young boys) is especially high. As with cigarette taxes, the OTP tax has its largest effect on youth. Increasing the OTP tax can prevent thousands of kids from starting down a path of nicotine addiction that can ultimately

lead to mouth cancer, throat cancer, esophageal cancer, and numerous others painful and expensive diseases that result from smokeless tobacco use.

Increasing the OTP tax also helps to reduce *dual use* – the concurrent use of multiple forms of tobacco. While I do not have data from our studies to report today, the issue of dual use is a focus of our research work at Ohio State, because there is reason to believe that dual use may lead to faster addiction, deepened dependence, and more difficulty quitting.

In addition to smokeless tobacco, the OTP tax also applies to products like pipe tobacco and roll-your-own tobacco. When the OTP tax is significantly lower than the cigarette tax, as it is now, it encourages consumers to purchase roll-your-own tobacco rather than manufactured cigarettes. This form of tax avoidance serves no public health purpose and only costs the state income.

I urge you to increase the OTP tax to make it roughly equivalent to the cigarette tax.

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In closing, Ohio used to be a leader in supporting tobacco prevention and cessation, but lost that distinction when it defunded the Ohio Tobacco Prevention Foundation in 2008. Since that time, Ohio's tobacco control efforts have been dramatically underfunded, and Ohio now has one of the highest smoking rates as a result. The House budget shortsightedly proposes further cuts in tobacco prevention and cessation funding, which would move us further in the wrong direction.

Meanwhile, increasing the cigarette tax by \$1/pack – and including a corresponding increase in the OTP tax— could make Ohio both healthier and more economically competitive. And with only a small portion of the new revenue, you could fund needed increases in tobacco prevention and cessation.

I ask you to please support the recommendations outlined above, and I would be happy to answer any questions.