

## Memorandum

**To:** House Human Services Committee Chair, Ann Pugh  
Senate Health and Welfare Committee Chair, Claire Ayer  
House Appropriations Chair, Catherine Toll  
Senate Appropriations Chair, Jane Kitchel  
**From:** Amy Brewer, VTERB Board Chair  
**Re:** Sustainability of Tobacco Programs [H.172. Sec. E.300.4]  
**Date:** March 1, 2017

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Recognizing that tobacco use is Vermont's number one driver of health care costs and preventable deaths, last year the Legislature charged "the Secretary of Administration or designee, Secretary of Human Services or designee, the Vermont Tobacco Evaluation and Review Board and participating stakeholders" with developing "an action plan for tobacco program funding at a level necessary to maintain the gains made in preventing and reducing tobacco use." [Act 172. Sec. E.300.4]. The plan was "to consider utilizing a percentage of tobacco revenues and inclusion of monies that may be received by the State of Vermont in future years." Act 172 required that this action plan be presented to Joint Fiscal Committee in November 2016. The thorough report presented, however, did not contain the funding recommendations.

**Below you will find the funding recommendations as required by Act 172 as well as a description of the continued high health care costs associated with *not* adequately funding the statewide Tobacco Control Program.**

### **Recommendations for Sustaining the VT Tobacco Control Program:**

The VT Tobacco Evaluation & Review Board met with designees of the VT Secretary of the Administration, VT Secretary of Human Services and participating stakeholders in September and developed recommendations for sustaining the funding for this important program.

Published evidence overwhelmingly demonstrates that funding statewide comprehensive tobacco control leads to a return on investment over time in health care costs savings. For example, Massachusetts saw a 2:1 savings in Medicaid savings in just over three years.<sup>1</sup> **The participants agreed that investment in tobacco control would both save Vermont money and improve the health of Vermonters, especially low income Vermonters.**

At the meeting, participants identified several sustainable funding options which collectively - *in addition to* annual Master Settlement Agreement funding allocations – could sustain the program. These options included:

- 1. Dedicating a percentage of tobacco product excise taxes to the Tobacco Control Program,**
- 2. Increasing excise taxes on tobacco products which increases cessation and reduces youth use, and**
- 3. Appropriating monies the state receives that were withheld from the tobacco industry.**

### **Low Income Vermonters Suffer Disproportionately from Tobacco Use & Its Impacts:**

- The high rate of smoking among those enrolled in Medicaid accounts for 41% of all smoking-related health care costs in VT.<sup>2</sup>
- 29% of Vermonters at or below the federal poverty level are smokers.
- Funding for VT's Tobacco Control Program has relied on annual appropriations from the Master Settlement Agreement (MSA). In FY17, this appropriation was approximately 10% of the MSA compared to the nearly 82% directed to Medicaid. In addition, 0% of the annual tobacco product tax revenue (projected to raise \$77 million in FY17) is appropriated to the comprehensive tobacco control program.
- State Tobacco Control Programs have documented **return on investments (ROI)** of between **2:1** (cardiovascular hospital admissions among Medicaid population in Massachusetts over a 3 year period) and **50:1** (health care costs in California over a 10 year period).
- Vermont has appropriated nearly \$73 million to the Tobacco Control Program between 2001 & 2014 and there has been an estimated savings of **\$1.43 billion** in overall smoking-related healthcare costs, including **\$586 million in Medicaid costs**. Additional decreases in tobacco use will result in additional health care savings<sup>2</sup>.

**The Governor's budget proposal** provides level funding to the Agencies and Departments responsible for implementing many of the Tobacco Control Program's components, but eliminates funding for Program Evaluation and Coordination by a part-time staff member. Evaluation is a required element of the VT Tobacco Evaluation & Review Board as can be seen in statute *18 V.S.A. § 9504*.

**Historically**, the VT Tobacco Control Program is receiving its lowest amount of funding since its inception in 2001. Despite youth cigarette use declining to 11%, youth regular tobacco use rates (smoking, smokeless, electronic-cigarettes/vaping devices) is at an alarming **25%**. Vermont adult use rates have remained flat in the past 5 years. This is due in part to reductions in program funding that has led to fewer ongoing media campaigns, shown to prevent kids from starting to smoke and motivate smokers to quit. In addition, the cigarette excise tax has not increased significantly since 2008. A 10% increase in the pack price of cigarettes (and equivalent for other tobacco products) is one of the most effective tools lawmakers have to reduce smoking.

The VTERB is committed to working through a process in which we identify expected outcomes that, as a result of sustained funding, will contribute to decreased costs for Vermont and its residents.

I look forward to meeting with you to any aspect of this program or its sustainability recommendations at your convenience.

### **Cc:**

Members of the House Human Services Committee  
Members of the Senate Health & Welfare Committee  
Members of the House Appropriations Committee  
Members of the Senate Appropriations Committee

### Notes:

1. Richard P, West K, Ku L. The return on investment of a Medicaid tobacco cessation program in Massachusetts. PLoS One. 2012;7(1):e29665.
2. RTI International's "Independent Evaluation of the VT Tobacco Control Program: 2015 Annual Report – a Historical Look at Progress Achieved, Successes, and Lessons Learned and RTI Recommendations for Tobacco Control in Vermont for the Years 2015-2020," pg. 2-5 & 2-6)