

MEMORANDUM

TO: Vermont House Committee on Ways and Means

FROM: Vermont Health Commissioner Mark Levine, MD

DATE: February 7, 2024

SUBJECT: S.18, Tobacco-Associated Costs and Health, Economic Benefits from Reducing Use

Preventing and treating smoking, vaping and other forms of tobacco use is a public health priority. It is also an economic priority. Reducing tobacco use saves the state money. Tobacco-related costs to Vermont outweigh annual tax revenue. On average, the state generates about \$75 million from tobacco taxes, with revenue from flavored products generating about \$5.5 million annually. This amount is far less than the annual smoking-related expenditures to VT Medicaid (\$94 million) and the overall smoking-related healthcare costs to the state (\$404 million). When adding in lost workforce productivity, the state's annual tobacco-related costs are \$576 million.

Importantly, all Vermonters share the high cost of Tobacco use. Smoking costs Vermonters \$1,072 per household in state and federal tax burden from smoking-caused government expenditures, with a total annual cost to Vermont households of \$282 million.

Tobacco is a major cause of death, disability, and disease in Vermont. In fact, Tobacco use is the number one preventable cause of death in Vermont and results in ~1,000 deaths per year. 18% of all VT deaths among adults over 35 are attributable to cigarette smoking and nearly one-third of cancer-related deaths. Smoking and other forms of tobacco use are major contributors to chronic disease, which is very costly to the state. In 2022, over \$1 billion was paid to treat chronic disease in Vermont.

For tobacco-associated cancers alone, the state annually spends \$188 million on cancer-related healthcare. For Chronic Obstructive Pulmonary Disease (COPD), which is primarily caused by smoking and impacts 7% of Vermonters, the costs are also significant: \$164 million every year. Cancer and COPD are unfortunately common in Vermont, but they are preventable.

Tobacco-related health burdens and economic costs also detrimentally impact our schools, students and their learning, families and their health, workers and their wellness, and the economic vitality of our state's businesses.





Research shows that flavor and menthol bans help people quit. The CDC estimates that a flavored tobacco ban will help an additional 600 Vermont adults to quit menthol cigarettes. Importantly, a flavor ban also prevents future use (by reducing youth access to attractive flavored products) while helping those already addicted to quit, saving the states millions of dollars over the course of a year or two and into the future.

Already tobacco control and prevention in Vermont has paid off. RTI analyzed VT's tobacco control efforts from 2001 – 2014 and found that by reducing adult smoking rates the state saved \$245 million in healthcare costs. Cost savings have continued. From 2017-2023, our analysis shows that we have saved \$19 million in healthcare costs to VT Medicaid's budget by continuing to work on prevention and treatment.

Youth initiation and adult use has decreased in Massachusetts following their flavored tobacco ban. We can expect the same here. Just a 1% decrease in adult smoking prevalence among VT Medicaid-insured in 2022 is estimated to save an additional \$8.3 million to the Medicaid budget in 2023. By enacting public health measures like a flavored tobacco ban, we can incur health and economic benefits in the near and long term.

In sum, there are compelling economic and health reasons to advance S.18:

- **Tobacco-associated healthcare costs far exceed tobacco revenue.** Compared to the healthcare costs and the human toll caused by tobacco use in VT, the loss in tax revenue from tobacco sales would be a drop in the bucket.
- **Annual tobacco-associated cancer healthcare costs alone at \$188 million eclipses the annual tobacco tax revenue of \$75 million (~\$5.5 million from flavored products).** These economic benefits don't include the future cost savings of reducing youth initiation of vaping and smoking.
- **Tobacco control and prevention pay off.** Analysis by RTI and the Vermont Department of Health show that there was \$245 million saved in tobacco-associated healthcare costs from the start of our state efforts (2001) through 2014. More recently, through collaboration with DVHA and partners we have been able to reduce smoking rates among Medicaid-insured, saving \$19 million in healthcare costs, 2017-2023.

