

CAMPAIGN For TOBACCO-FREE Kids®

PROJECTED MEDICAID PROGRAM SAVINGS IN NORTH CAROLINA FROM A 75-CENT CIGARETTE TAX INCREASE (All Dollar Amounts in Millions of Dollars)

Tax Increase Amount	New State Revenue	Adults Who Quit	Youths Prevented From Addicted Use	Premature Smoking Deaths Prevented	Smoking-Caused Births Avoided Each Year	5-Year Pregnancy Medicaid Savings	5-Year Heart & Stroke Medicaid Savings	5-Year Medicaid H&S and Pregnancy Savings	Long-Term Medicaid Savings From Adult Smoking Declines	Long-Term Medicaid Savings From Youth Smoking Declines	Total Future Medicaid Savings Locked In By Cig. Tax Increase
\$0.75	\$346.5	70,000	101,000	47,700	2,630	\$7.5	\$3.9	\$11.4	\$71.1	\$149.3	\$220.5

- The current cigarette tax in North Carolina is \$0.05 per pack; and the nationwide average is \$0.84 per pack. According to the U.S. Centers for Disease Control & Prevention, smoking-caused health costs and lost worker productivity in North Carolina total \$6.59 per pack sold in the state.
- These projections are fiscally conservative because they include a generous adjustment for lost state pack sales (and tax revenues) from new tax avoidance efforts after the tax increase by continuing in-state smokers, fewer sales to smokers from other states, and fewer sales to supply informal smugglers, criminal smuggling organizations, or multistate internet sellers. The projected Medicaid savings are even more conservative because they do not account for the fact that smoking rates are much higher among the Medicaid population than among the general population and that lower-income smokers are much more likely to quit in response to cigarette tax increases than higher income smokers – which means the cigarette tax increase should produce even larger reductions in smoking-related demands on Medicaid than projected here.
- Medicaid Savings equal reductions to the smoking-caused expenditures of the state's Medicaid program. Medicaid covers approximately 12.3% of the state's total healthcare costs and roughly 50% of the state's pregnancy-related health costs. Miller, L. et al., "State Estimates of Medicaid Expenditures Attributable to Cigarette Smoking, Fiscal Year 1993," *Public Health Reports* 113: 140-151, March/April 1998; Orleans, CT, et al., "Helping Pregnant Smokers Quit: Meeting The Challenge in the Next Decade", *Tobacco Control* 9(Supplemental III): 6-11, 2000.
- Adults that quit equals those adults who quit because of the state's tobacco prevention efforts. Youths prevented from addicted use equals the number of kids alive today in North Carolina who will not become addicted adult smokers because of the tobacco tax increase.
- The 5-Year savings from fewer smoking-caused heart attacks and strokes and from fewer smoking-effected pregnancies accrue in the first five years after the state cigarette tax increase. Heart attack and stroke savings start out small and increase sharply each year until peaking in 8 or 10 years and then staying at that high rate thereafter. These Medicaid savings represent only the tip of the iceberg. Substantial reductions to other Medicaid smoking-caused costs will also occur in the short term, but available research and data does not yet provide an adequate basis for making projections of these additional savings. Other Medicaid savings from reduced smoking-caused cancer will begin to accrue in 5 to 10 years and then rise sharply. The state will also see reductions to the smoking-caused costs in other state or state-funded programs because of the smoking declines prompted by the cigarette tax increase – and private sector and individual smoking-caused costs will also decline sharply.
- Long-term state Medicaid program savings from the adult and youth smoking declines prompted by the cigarette tax increase occur over the lifetimes of those adults and youth alive in the state today who quit or never start smoking because of the cigarette tax increase.

For additional information, see the TFK factsheets at <http://tobaccofreekids.org/research/factsheets/index.php?CategoryID=18> .

