



Legislative Fiscal Bureau

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June 8, 2007

Joint Committee on Finance

Paper #373

Tobacco Use Control Grants (DHFS -- Health Care Quality Fund)

Bill Section

[LFB 2007-09 Budget Summary: Page 242, #5]

CURRENT LAW

The Department of Health and Family Services' Division of Public Health administers the state's tobacco prevention and control program (tobacco control program). From October, 1999, through 2002-03, the state's tobacco control activities were administered primarily through the Wisconsin Tobacco Control Board, which was initially supported by funds the state received from the November 1998 Master Settlement Agreement with tobacco manufacturers. The Wisconsin Tobacco Control Board was eliminated at the end of 2002-03, and its tobacco control activities were transferred to DHFS.

The tobacco control program awards grants to organizations throughout the state for the following purposes: (1) community-based programs to reduce tobacco use; (2) community-based programs to reduce the burden of tobacco-related diseases; (3) school-based programs relating to tobacco use cessation and prevention, including grants for the Thomas T. Melvin youth tobacco prevention and education program; (4) enforcement of laws aimed at reducing exposure to secondhand smoke and restricting underage access to tobacco; (5) grants for partnerships among statewide organizations and businesses that support activities related to tobacco cessation and prevention; (6) marketing activities that promote tobacco use cessation and prevention; (7) projects designed to reduce tobacco use among minorities and pregnant women; (8) other tobacco use cessation or prevention programs, including tobacco research and intervention; (9) surveillance of indicators of tobacco use and evaluation of the activities funded under the tobacco control program; and (10) development of policies that restrict access to tobacco products and reduce exposure to environmental tobacco smoke.

As part of the state's tobacco control program, DHFS is also required by statute to establish criteria for grant recipients, provide a forum for the discussion, development, and recommendation of public policy alternatives in the field of smoking cessation and prevention, provide a clearinghouse of information on matters relating to tobacco issues, and to continue implementation of a strategic plan for a statewide tobacco use control program, including the allocation of funding. No later than April 15th of each year, DHFS is required to submit an annual report to the Governor and the Legislature that evaluates the success of the grants awarded under the tobacco control program.

In 2006-07, the tobacco control program is budgeted \$10,107,500 GPR (\$10,000,000 for tobacco use control grants, and \$107,500 to fund a full-time tobacco coordinator position). In addition, DHFS is budgeted to receive \$1,357,800 FED in 2006–07 from the Centers for Disease Control and Prevention (CDC), of which \$285,000 is used to support the activities of the Wisconsin Tobacco Quitline, with the balance used for program operations, including support for 9.85 positions in the tobacco control program.

GOVERNOR

Provide \$20,000,000 (\$30,000,000 SEG and -\$10,000,000 GPR) annually to: (a) increase funding to support tobacco use control grants (\$20,000,000 SEG annually); and (b) replace all base GPR funding for such grants with segregated funding from the health care quality fund (HCQF) (-\$10,000,000 GPR and \$10,000,000 SEG annually). Create a continuing appropriation from the HCQF for this purpose.

DISCUSSION POINTS

The Estimated Impact of Tobacco in Wisconsin

1. According to the CDC, cigarette smoking is the leading cause of preventable disease and death in the United States, resulting in approximately 438,000 deaths annually. In Wisconsin, the CDC estimates that approximately 7,200 people died in 2006 as a direct result of smoking, with an additional 850 deaths indirectly related to smoking (secondhand smoke, maternal smoking, and fires). Smoking is also a major cause of cancer and cardiovascular and respiratory disease, and the CDC estimates that for each person who dies from a smoking-related disease, approximately 20 other persons are living with a smoking-attributable illness.

2. Smoking also imposes significant direct and indirect economic costs. The CDC estimates that smoking-attributable health care expenditures totaled \$75 billion in 1998, with an additional \$92 billion in lost productivity. In Wisconsin, the estimated health costs attributable to cigarette smoking in 2003 were approximately \$2.16 billion. That estimate appears in *The Burden of Tobacco in Wisconsin*, a collaborative report of the University of Wisconsin Tobacco Surveillance and Evaluation Program, the American Cancer Society, and the DHFS tobacco control program. The estimate is based on a software program called Smoking-Attributable Mortality,

Morbidity, and Economic Costs (SAMMEC) that uses national and state medical expenditure data to estimate the economic costs of smoking. The CDC has used the SAMMEC software to estimate the disease impact of smoking for the nation, states, and large populations since 1987.

3. In addition, the CDC has estimated that Wisconsin's medical assistance program spent approximately \$480 million in 2004 for health care costs directly related to smoking.

4. While these figures indicate that tobacco continues to impose very significant health and economic costs, progress has been made in reducing cigarette consumption in Wisconsin. According to *Wisconsin Tobacco Facts 2006*, published by the DHFS tobacco control program, per capita sales of cigarettes in Wisconsin declined from 94.0 packs in 1990 to 69.9 packs in 2004. That decline was similar to the average decline nationally during that same period.

5. Declining rates of cigarette consumption are also reflected in the percentage of Wisconsin adults who smoke. According to DHFS statistics, that percentage declined from 25% in 1990 to 21% in 2005. Again, those percentages closely mirror the national averages during that period. Embedded within the statewide average, however, are relatively higher smoking rates among people with lower income, lower educational level, and lower age (only 8% of people age 65 or older currently smoke). In addition, African Americans, Native Americans, and Hispanics were all more likely to be current smokers than the statewide average.

6. DHFS also surveys the percentage of Wisconsin middle and high school students who currently smoke cigarettes. For purposes of these surveys, a current cigarette smoker is defined as a student who smoked a cigarette on one or more of the 30-days prior to the survey. According to these surveys, the percentage of Wisconsin high school students who currently smoke declined from 33% in the year 2000, to 20% in 2006. The percentage of middle school students in Wisconsin identified as current smokers also declined that period, from 12% in 2000 to 5.8% in 2006.

7. Many factors may help explain the decline in tobacco consumption in Wisconsin during the past several decades, such as tighter enforcement of the laws prohibiting the sale of tobacco products to minors, higher state tobacco taxes, and an increased awareness of the health risks associated with smoking. Leading public health agencies have concluded that comprehensive state tobacco control programs (which address these and other issues) contribute to this progress. For example, in a report entitled *Tobacco Control State Highlights 2002: Impact and Opportunity*, the CDC concluded that, "If adequately funded, tobacco control programs that draw on strong scientifically-based interventions can reduce the number of adults who smoke by promoting quitting, prevent young people from ever starting, reduce exposure to secondhand smoke, and eliminate disparities in tobacco use among population groups."

8. Similarly, in a May, 2007, report entitled *Ending the Tobacco Problem: A Blueprint for the Nation*, the Institute of Medicine of the National Academies stated the following:

"The committee finds compelling evidence that comprehensive state tobacco control programs can achieve substantial reductions in tobacco use. To effectively reduce tobacco use, states must maintain over time a comprehensive integrated tobacco control strategy. However, large budget cutbacks in many states' tobacco control programs have seriously jeopardized further success. In the committee's view, states should adopt a funding strategy designed to provide stable support for the level of tobacco control funding recommended by the Centers for Disease Control and Prevention."

9. The CDC has developed guidelines to assist states in developing comprehensive tobacco control programs. Those guidelines, which are contained in a document entitled *Best Practices for Comprehensive Tobacco Control Programs*, provide detailed programmatic and funding information regarding the following nine elements of a comprehensive tobacco control program: (1) community programs to reduce tobacco use; (2) chronic disease programs to reduce the burden of tobacco-related diseases; (3) school programs; (4) enforcement; (5) statewide programs; (6) counter-marketing; (7) cessation programs; (8) surveillance and evaluation; and (9) administration and management.

10. The CDC's Best Practices guidelines also recommend funding levels for each of these nine program elements, and for a state's total tobacco control program. For medium-size states like Wisconsin, the CDC estimates that the approximate annual cost of implementing all nine program elements ranges from \$6 to \$17 per capita. For Wisconsin, the CDC's estimated annual cost for a comprehensive tobacco control program ranges from \$31.2 million to \$82.3 million. According to the CDC's most recent summary of state programs, only four states, Maine, Colorado, Delaware, and Mississippi, were spending the CDC's minimum recommended per capita amount for their tobacco control programs as of November, 2005. That is a smaller number of states than had been meeting or exceeding the lower estimated funding recommendation in 2002. This decline has led the CDC to declare that, "Current state funding levels for comprehensive tobacco prevention and control programs are sorely inadequate to support effective and sustained tobacco control efforts."

11. Wisconsin's tobacco control program relies heavily on the best practices framework developed by the CDC. According to DHFS, the grants awarded by the state's tobacco control program in 2006-07 fell into the following seven different program components:

Tobacco Dependence Treatment (\$1,600,000)

Primary Activities: (1) Promote the clinical practice guidelines for treating tobacco use and dependence with providers and health systems; (2) manage 25,000 to 30,000 calls per year to the Wisconsin Tobacco Quit Line; (3) target tobacco dependence treatment to disparately-impacted populations; and (4) work with insurers and providers to assure coverage of evidence-based treatments detailed in the clinical practice guidelines.

Youth Programs (\$1,612,250)

Primary Activities: (1) support school-based and school-linked prevention and cessation programs; (2) engage youth in peer education and advocacy efforts; (3) assure compliance with tobacco retail sales laws; and (4) prevent spit tobacco use.

Tobacco-Related Disparities (\$1,116,156)

Primary Activities: (1) support Wisconsin's Ethnic Networks and the Poverty and Prevention Network; and (2) implement culturally competent tobacco dependence treatment and youth prevention programs.

Community Coalitions (\$2,174,388)

Primary Activities: Assure every county has an active and adequately funded comprehensive effort to prevent and reduce tobacco use;

Media and Counter-Marketing (\$1,700,000)

Primary Activities: Implement integrated media campaigns supporting evidence-based tobacco dependence treatment, youth prevention, tobacco-related disparities, and smoke-free air programs.

Evaluation (\$650,400)

Primary Activities: Collect surveillance and program evaluation data to assure program improvement and outcomes.

Infrastructure (\$1,146,806)

Primary Activities: (1) provide support for local and statewide partners through training and technical assistance efforts and contact administration; and (2) provide access to tobacco prevention and control information and materials through the Tobacco Resource Center for Wisconsin.

12. Several recent studies have examined the effectiveness of Wisconsin's tobacco control program. In a report published in the Wisconsin Medical Journal entitled *Progress in Reducing Cigarette Consumption: The Wisconsin Tobacco Control Program, 2001-2003*, the authors assessed the impact of Wisconsin's tobacco control program in state fiscal years 2002 and 2003. Those two years were selected because most of the tobacco control activities initially funded by the Tobacco Control Board did not become fully operational until July 2001. Progress was assessed by measuring reductions in cigarette consumption (based on per capita sales of packs of cigarettes) compared to trends at the national level and among a peer group of states. Those peer states were selected on the basis of such factors as state education level, Hispanic ethnicity, average inflation-adjusted price per pack of cigarettes, and the level of smoke-free laws. Using those criteria, Wisconsin was placed in a peer group that included Alaska, Delaware, Kansas, Maine,

Maryland, Michigan, Nebraska, New Hampshire, and Vermont (peer states). The study reported that during the first two years of Wisconsin's tobacco control program, cigarette consumption in Wisconsin declined by 9.2%, compared to a 3.8% decline nationally, and a 4.2% average decline for Wisconsin's peer states. That data, the study concluded, "suggest that the Wisconsin Tobacco Control Program was effective in reducing cigarette consumption relative to national and peer state trends in the first 2 years of its implementation." The study noted several possible limitations to its conclusion, however, one of those being that in October 2001, Wisconsin raised its state cigarette tax from 59 cents a pack to 77 cents a pack. As the study stated, "it can be hypothesized that this tax increase may have contributed in part to the decreases in cigarette consumption seen in Wisconsin after FY 2001."

13. More recently, a program brief issued by the University of Wisconsin Tobacco Surveillance and Evaluation Program entitled, *Reducing Tobacco Consumption In Wisconsin: Has Early Progress in Reducing Tobacco Use Stalled?*, updated the aforementioned study using data from 2004 and 2005. The program brief compared rates of tobacco consumption in Wisconsin to rates in Wisconsin's peer states, as well as to a group of neighboring states (Illinois, Indiana, Iowa, Michigan, and Minnesota). Again using per capita sales of packs of cigarettes as the measuring stick, the program brief found that Wisconsin had only a slight reduction (-1%) in per capita tobacco consumption between 2003 and 2005, compared to its peer states (-9%) and its neighboring states (-7%). The study suggested several reasons why the reduction in tobacco consumption in Wisconsin between 2003 and 2005 was less than its peer states and neighboring states. Those reasons included the following:

- Wisconsin's tobacco control funding was reduced by one-half, from \$20.8 million in 2001 to approximately \$11 million in 2005, while funding in the peer group of states remained relatively stable [Note: In 2001-02 and 2002-03, the tobacco use control grants were budgeted at \$15,000,000 annually. Beginning in 2003-04, annual funding has been budgeted at \$10,000,000];
- During the period at issue, three of Wisconsin's peer states banned smoking in all public places, while Wisconsin's smokefree air rating decreased slightly [Note: Since the release of the program brief, Minnesota enacted a state-wide smoking ban, and a state-wide ban recently passed both houses of the Illinois Legislature]; and
- Every peer state and every neighboring state (except Iowa) increased their cigarette tax between 2001 and 2005, while Wisconsin's remained constant at 77 cents per pack. [Note: Iowa has since increased its cigarette tax by \$1.00 per pack, to \$1.36].

14. The program brief concluded that, "taken collectively, cuts in funding, no change in tobacco tax and little change in smokefree air laws, may be responsible for the recent lack of improvement in Wisconsin's per capita tobacco consumption." Information regarding cigarette consumption in Wisconsin released after the program brief indicates somewhat mixed results. According to the tobacco control program's 2006 annual report, while rates of current smoking among adults, middle school students, and high school students all declined in 2006, the per capita

consumption of cigarettes appears to have increased slightly, from 70 packs in 2005 to 71 packs in 2006.

15. As indicated, studies that have examined tobacco control efforts nationally and in Wisconsin have identified a number of factors that appear to impact rates of tobacco consumption. One factor consistently identified in that regard is a state's tobacco tax. In its May 2007 report, *Ending the Tobacco Problem: A Blueprint for the Nation*, the Institute of Medicine stated that, "Experience has shown that increasing taxes on cigarettes is one of the most effective strategies for reducing the level of smoking, especially among adolescents, and indeed many states have already increased their cigarette taxes greatly." According to information provided by the National Conference of State Legislatures, Wisconsin's cigarette tax of 77 cents per pack is the 30th highest among the fifty states. Information on the Campaign for Tobacco Free Kids website indicates that the average state cigarette tax as of May 1, 2007 was \$1.037 per pack. That same website lists Wisconsin as one of only seven states that has not raised its state cigarette tax since 2001.

16. The Governor recommends increasing funding for Wisconsin's tobacco control program by \$20 million a year, to a total of \$30 million annually. The Governor would fund the entire grant program from the HCQF, which would be created in the bill. The Governor recommends funding the HCQF from several different sources, including a \$1.25 per pack increase in Wisconsin's cigarette tax. The Governor's recommendation would eliminate the current GPR funding for the state's tobacco use control grants, \$10 million in 2006-07, and replace that GPR with segregated funds from the HCQF. The additional funding for the tobacco control program under the Governor's bill would be appropriated to DHFS, which would then award the funding in the form of tobacco use control grants for the purposes set forth in statute. The administration has indicated that the additional funding provided under the bill would be allocated to tobacco use control grants consistent with the program initiatives outlined in Discussion Point 11.

17. For the reasons discussed above, the Committee could approve the Governor's recommendation to increase funding for the state's tobacco control program. Doing so would increase state support for the tobacco control program to the CDC's estimated minimum per capita costs needed to fully implement its best practices comprehensive tobacco control recommendations.

18. The Committee could also approve an amount less than the Governor's recommendation. An annual funding increase of \$10 million, rather than \$20 million as recommended by the Governor, would increase the level of state support for the program to approximately two-thirds of the CDC's recommended minimum per capita funding, a higher percentage than the national average (37.3%), and higher than all but one of Wisconsin's neighboring states, Illinois (13.1%), Indiana (31.3%), Iowa (33.6%), Michigan (0.0%), and Minnesota (75.8%), according to information provided on the Campaign for Tobacco-Free Kids website.

19. The Committee could also modify the bill by appropriating any increased funding for the state's tobacco control program from GPR rather than SEG, in the event it chooses not to create the HCQF or chooses not to spend segregated funds from the HCQF for this purpose.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation and provide \$20,000,000 (\$30,000,000 SEG and -\$10,000,000 GPR) annually to increase funding for Wisconsin's tobacco control program, and create a continuing appropriation from the HCQF for this purpose. Under this alternative, total state funding for the tobacco control program would increase to \$30,000,000 SEG annually during the 2007-09 biennium.

ALT 1	Change to Bill Funding	Change to Base Funding
GPR	\$0	-\$20,000,000
SEG	<u>0</u>	<u>60,000,000</u>
Total	\$0	\$40,000,000

2. Modify the Governor's recommendation by providing \$10,000,000 (\$20,000,000 SEG and -\$10,000,000 GPR) annually to increase funding for Wisconsin's tobacco control program, and create a continuing appropriation from the HCQF for this purpose. Under this alternative, total state funding for the tobacco control program would increase to \$20,000,000 SEG annually during the 2007-09 biennium.

ALT 2	Change to Bill Funding	Change to Base Funding
GPR	\$0	-\$20,000,000
SEG	<u>- 20,000,000</u>	<u>40,000,000</u>
Total	-\$20,000,000	\$20,000,000

3. Modify the Governor's recommendation by maintaining funding for the tobacco control program at \$10,000,000 annually, but replace current GPR funding with segregated revenues from the HCQF (\$10,000,000 SEG and -\$10,000,000 GPR annually), and create a continuing appropriation from the HCQF for this purpose. Under this alternative, total state funding for the tobacco control program would remain at \$10,000,000 annually, but would be funded from SEG rather than GPR.

ALT 3	Change to Bill Funding	Change to Base Funding
GPR	\$0	-\$20,000,000
SEG	<u>- 40,000,000</u>	<u>20,000,000</u>
Total	-\$40,000,000	\$0

4. Delete provision. Instead, increase funding for the tobacco control program by \$20,000,000 GPR annually so that \$30,000,000 GPR would be budgeted annually for the program.

ALT 4	Change to Bill Funding	Change to Base Funding
GPR	\$60,000,000	\$40,000,000
SEG	<u>- 60,000,000</u>	<u>0</u>
Total	\$0	\$40,000,000

5. Delete provision. Instead, increase funding for the tobacco control program by \$10,000,000 GPR annually so that \$20,000,000 GPR would be budgeted annually for the program.

ALT 5	Change to Bill Funding	Change to Base Funding
GPR	\$40,000,000	\$20,000,000
SEG	<u>- 60,000,000</u>	<u>0</u>
Total	-\$20,000,000	\$20,000,000

6. Delete provision.

ALT 6	Change to Bill Funding	Change to Base Funding
GPR	\$20,000,000	\$0
SEG	<u>- 60,000,000</u>	<u>0</u>
Total	-\$40,000,000	\$0

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