

A publication of the **IU Center for Health Policy** highlighting Indiana's health care environment, trends, policy, and future.



**IU Center  
for  
Health Policy**

# e-Health Policy News

**IU Center for Health Policy**

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Welcome to the first issue of the new Indiana University Center for Health Policy's electronic newsletter . This publication is only part of the contribution



to Indiana that the brand new Center for Health Policy hopes to give. The mission of the new Center is to conduct high quality research, program evaluation, and educational programs on critical health issues. The Center works in collaboration with federal, state, and local government and with both public and private health care organizations.

Each issue will give readers insight into a different important health issue confronting

Indiana. Articles about various sectors such as academia and research, policy, and media, will be included to provide a package of information that examines different aspects of the problem.

This first issue examines the challenge of the high smoking rate in Indiana. We will look at strategies that policymakers and researchers recommend to address the problem, news from the Statehouse, and how solutions are being formulated.

Thank you for your interest,  
Eric Wright, Ph.D.

# Hoosier Smoking

**Indiana University Center for Health Policy -**

## **Raising Cigarette Tax Would Reduce Smoking Rate**

The possible public policy impact from an increase in the state's cigarette tax was the focus of discussion at the Health Policy Forum sponsored by the new Center for Health Policy and the Center for Urban Policy and the Environment on Nov. 15 at the Indiana Government Center South. Noted health policy experts Corinne Husten, M.D., M.P.H., and Frank Chaloupka, Ph.D., were the featured presenters.

Husten, director of the Office of Smoking and Health at the U.S. Centers for Disease Control and Prevention, and Chaloupka, director of the Health Policy Center at the School of Public Health at the University of Illinois, demonstrated how an increase in the state cigarette tax could not only cut the smoking rate in Indiana but also help reduce the state's health care costs.

Indiana has the second highest smoking rate in the country and ranks 34<sup>th</sup> in its taxation rate of cigarettes. Of Indiana's four neighboring states, only Kentucky has cigarette taxes lower than Indiana. The following is a breakdown of the cost per pack in cents by state:

<b>Indiana -</b>	<b>55.5 cents</b>
Illinois -	98 cents
Kentucky -	30 cents
Michigan -	200 cents (\$2.00)
Ohio -	125 cents (\$1.25)

According to Chaloupka, "There is a direct inverse relationship between smoking prevalence and cigarette prices in the United States." He explained that there is growing statistical evidence that demonstrates the impact higher cigarette prices have on smoking cessation. Based on national data, a 50 cents per pack increase in the state cigarette tax would:

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Generate more than \$280 million in new revenues

- Lead almost 34,000 adult smokers to quit
- Prevent almost 48,000 youth from starting to smoke
- Prevent more than 23,000 premature deaths caused by smoking
- Generate significant reductions in spending on health care to treat smoking-related illnesses
- Reduce cigarette sales by about 32 million packs per year

And, if the revenues generated by the additional tax were used to fully fund smoking interventions, the net impact on Indiana smoking would be larger and faster. Said Husten, "Investment equals impact."

[Click here to see a copy of the Center for Health Policy's report, "State Cigarette Tax Increase Would Cut Smoking Rate and Ease Costs."](#)

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**From the Governor's Office -**

## **Cigarette Tax Funds Plan For a Healthier Indiana**

Gov. Mitch Daniels' plan to create a healthier state proposes raising the state cigarette tax by at least 25 cents per pack. The tax increase will be used to fund smoking prevention and cessation programs, health insurance for the poor, and an increase in child immunizations. The health services provision and insurance portion of the plan is contained in SB0503, which has passed through committee and is now on the Senate floor for full debate.

This is the second time Gov. Daniels has asked for an increase in Indiana's cigarette tax. Its initial introduction last year was shot down due to the lack of a plan to spend the revenues generated from the tax hike. His new proposal spells out a coordinated effort to utilize the funds to not only prevent youth smoking and decrease current smoking in Indiana, but also to expand immunizations of children under age, and establish a program that offers health insurance to Hoosiers making up to 200 percent of the federal poverty level. The insurance coverage includes \$500 of free preventive care and a "personal wellness responsibility account" of \$1,100 per adult. This account, which is similar to a medical savings account, can be used for health expenses.

"Indiana can't be a healthy state with the second highest rate of smoking in the country, and we can't lower our smoking rate when we sell some of the cheapest cigarettes in America," said Daniels, when the proposal was announced.

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## The Democrats' Plan

### Cigarette Tax Up and Down

The governor asked for an increase of at least 25 cents in the cigarette tax. Rep. Charlie Brown, D-Gary, initially proposed 4.5 cents and later 29.5 cents. A few days later, the proposal was pushed up to 54.5 cents; and now it is back down to 25 cents.

Rep. Brown's 4.5 cent increase proposal, which was increased to 29.5 cents, initiated the tax language in the House. A few days later, the House Public Health Committee unanimously voted to boost the proposed tax increase to 54.5 cents, nearly doubling the current tax to \$1.10 per pack of cigarettes. HB1008 then moved to the House Ways and Means Committee. This committee lowered the proposed increase to 25 cents higher in a narrow 12-11 vote. The bill now moves to the floor of the full House.

Included in the bill, along with the tax, is a plan to increase health insurance coverage for children and low-income adults. The bill also contains provisions for employees of local governmental entities such as schools and libraries, and small businesses with two to fifty employees; a health incentive savings program; a tax credit for businesses that offer a wellness program; an increase in Medicaid reimbursement for primary care physicians; and a provision for children to remain eligible to be covered by their parents' health plans until age 24.



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