

**October 2007**

# **The Value of Healthy Kids**

**Health Care Cost Savings and  
Children's Health Improvements  
Through Measure 50**

**Oregon State Public Interest Research Group  
(OSPIRG)**

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## Executive Summary

Measure 50 on Oregon's November ballot would enact policies to help provide health insurance for over 100,000 uninsured children in Oregon, fund tobacco prevention and education, and provide funds to enroll an additional 10,000 low income adults in the Oregon Health Plan. The policies would be funded mainly by increasing Oregon's cigarette tax by 84.5 cents per pack.

The policies enacted by Measure 50 address the problems of children's lack of access to health care. Approximately 116,000 children in Oregon do not currently have health coverage. These children are much more likely than uninsured children to not receive preventive medical care, to not receive all necessary medical care, and to receive a lower quality of emergency care.

Measure 50 also addresses one of the drivers of rising health care costs, which is in turn making it more difficult for families to afford coverage: tobacco-caused health problems.

In this report, we found that enacting the policies in Measure 50 would result in a number of health care savings improvements for Oregon. Key findings include:

- Due to reduced youth smoking levels with the increased tobacco tax, Oregon will ultimately save an estimated \$43.7 million for every year that projected reductions are maintained.
- Due to the measure's investment in tobacco prevention and education programs, Oregon will ultimately save at least \$29.2 million per year in tobacco-related health costs.
- Each year, 2,730 Oregon children will not take up smoking, ultimately saving 874 children each year from premature death due to tobacco use.

Too many children in Oregon lack access to preventive health care and often experience negative health outcomes as a result. Too many Oregonians pay the price for tobacco use and related health costs.

For every year that Oregon delays enacting the policies in Measure 50, we are failing to prevent hundreds of premature deaths of youth who take up smoking, and we are locking in millions of dollars in future health costs.

The policies in Measure 50 will provide substantial benefits to Oregonians, in terms of health and access to health care for Oregon children, and in terms of health care cost savings and premature deaths averted from reduced tobacco use. OSPIRG recommends voters approve Measure 50.

## Introduction

By 8:00 pm on November 6, 2007, Oregonians will vote whether or not to pass Measure 50 to enact the Healthy Kids Initiative, a set of policies designed to provide health care to all Oregon children and reduce youth smoking, funded through an increase in the tobacco tax.

The plan comes in response to two significant threats to Oregon's youngest generation: The troubling trend of children lacking health coverage, and the health and health care cost impacts of tobacco use.

In this report, we examine the problems Measure 50 seeks to address, and estimate the specific impacts of Measure 50 on the future cost of tobacco-related health care.

## Policies in Measure 50, the Healthy Kids Initiative

Oregonians will decide by Nov 6, 2007 whether to pass Measure 50, the Healthy Kids Initiative. This plan contains several policies:

**Establishes the Healthy Kids Program.** This program would make quality health care affordable on a sliding scale, based on income, to Oregon families with children who lack health coverage, and do so using existing agencies like the Department of Human Services. The Healthy Kids Program would provide full health coverage for children in families that earn up to 200% of the federal poverty line. It makes health care available on a sliding scale for families between 200% and 300% of the federal poverty line. Also, it would allow families at any income level over 300% of the federal poverty line to enroll in private health plans negotiated by Oregon's Office of Private Health Partnerships. The Legislative Fiscal Office estimates that if measure 50 passes, Oregon could enroll approximately 91,755 children in the Healthy Kids Program by 2010.<sup>1</sup>

**Invests in Tobacco Prevention and Education.** This would bring additional resources to Oregon's Tobacco Use Reduction Act, estimated at about \$58 million over the next two biennia.<sup>2</sup>

**Supports existing programs.** This would provide funds to expand enrollment in the Oregon Health Plan for an additional 10,000 low income adults, and would provide new funding for rural clinics and safety net programs.

**Increases Oregon's tobacco tax.** The funding for these programs would come from an 84.5% increase in Oregon's cigarette tax, and a tax of 30% of the wholesale price of other tobacco products.

## The Health of Oregon's Children

Lack of health coverage among children in Oregon is a widespread and serious problem. There are approximately 116,000 children in Oregon who lack health coverage.<sup>3</sup> Uninsured children have a higher likelihood of not receiving preventive care, and of experiencing negative health outcomes when they do receive necessary health care. The consequences of lacking health insurance for a child are severe, and include a lack of preventive care, a lack of access to a regular source of care, and a higher likelihood of negative health outcomes.

### Access to Health Care

Children in Oregon without health insurance are almost six times more likely than insured children to lack a usual source of care<sup>4</sup>. They are three times more likely to be taken to the Emergency Department or an urgent care clinic for regular care than insured children.

**Table 1: Children's Access to Usual Care by Insurance Status**

	Access to a usual source of care	Emergency Department or Urgent Care Clinic as a usual source of care
Insured	92.9%	3.7%
Uninsured	68.3%	12%

Data from: Oregon Office of Health Policy and Research  
*Children's Access to Healthcare* Jan 2006

Access to a usual source of health care is important for children because it means their medical service provider is able to provide more consistent, higher quality preventive care. Using an Emergency Department as a usual source of care is a poor use of health resources, and can often mean higher cost treatment.

In addition to lacking a usual source of care, uninsured children are simply less likely to receive preventive medical and dental care than their insured counterparts, regardless of the source<sup>5</sup>. In fact:

- Almost 73% of uninsured children in Oregon go an entire year without receiving medical and dental preventive care.
- Uninsured children are 1.7 times more likely than insured children to go an entire year without both kinds of care.
- Almost half of all uninsured children go an entire year without a preventive medical care visit, such as “well child” visits.

**Table 2: Oregon Children Ages 0-17 Preventive Care in Last 12 Months**

	Insured	Uninsured
Did NOT receive both medical and dental preventive care	44.2%	72.8%
Did NOT receive preventive medical care	26.9%	49.6%

Data: National Survey of Children's Health 2003

Preventive care is important to children's health for a number of reasons. Receiving regular preventive care means that any potentially severe health problems have a much greater chance of being caught early on. Without preventive care, children often do not receive medical attention until their health problems require emergency care. This late-stage care can lead to a more negative health outcome for the child, and is almost always significantly more expensive than the preventive care would have been.

### Meeting Children's Health Care Needs

In addition to difficulties accessing preventive care, children lacking health coverage have a much greater likelihood than insured children of having unmet health care needs. Uninsured children are approximately 2.8 times more likely than insured children to have unmet medical needs.

**Table 3: Children With Unmet Medical Needs in the Past 12 Months**

	Insured	Uninsured
Did not receive needed medical care	13.5%	37.6%

Data from: Oregon Office of Health Policy and Research *Children's Access to Healthcare* Jan 2006

Providing children with access to health coverage is expected to also improve the quality of the care received. There is evidence that uninsured children in Oregon actually receive worse quality care than their insured counterparts for similar emergency health problems. According to a study done by Families USA, uninsured children in Oregon who are in emergency health situations fare worse than insured children according to several measures<sup>6</sup>:

- Uninsured children hospitalized for general injury in Oregon are more than 4.5 times more likely to die from their injuries than insured children.
- Uninsured children hospitalized for general injury in Oregon are 20% less likely to be released into rehabilitative care. Being released into rehabilitative care can be a signal that the most aggressive treatment path is being taken.

## Tobacco and Health Care

In addition to this newest generation of Oregon children facing high rates of uninsurance, they also face another aspect of the health care problem in Oregon, tobacco's huge toll in health care dollars, and in lives.

It is estimated that tobacco use is a contributing factor in approximately 6,244 deaths per year in Oregon, which amounts to 23% of all deaths in the state.<sup>7</sup> Tobacco use in Oregon causes tragically shortened lives, and in 2002 cost Oregon over \$1 billion dollars in direct medical expenditures<sup>8</sup> Tobacco use in Oregon causes more deaths than car accidents, murder, AIDS, and suicide *combined*.<sup>9</sup>

### Raising the Tobacco Tax Improves Children's Health

Raising the cigarette tax to \$2.02 would result in a price increase of about 16% assuming the price of that tax increase is passed on to the consumer. It is estimated that for every 10% increase in price, there is a 6-7% decrease in youth smokers.<sup>10</sup> An estimated 42,000 Oregon youth smoked in 2005<sup>11</sup>.

#### Finding:

•For every year that Oregon maintains projected smoking reductions due to the increased tobacco tax, measure 50 will prevent approximately 2,730 children from smoking, and 874 children's lives from being cut short by smoking-caused illness.

Increasing cigarette prices by 84.5 cents is expected to result in approximately 2,730 fewer children smoking in Oregon. It is also estimated that about 32% of youth who take up smoking will ultimately die prematurely due to a smoking related health problem<sup>12</sup>.

The annual number of children who won't take up smoking due to increased cigarette price adds up. The total number of children alive today who won't take up smoking due to the price increases in measure 50 is estimated at 29,500.<sup>13</sup>

**Table 3: Annual Youth Smoking Reductions and Premature Deaths Prevented**

Estimated youth each year who won't start smoking due to increased price	Estimated eventual reduction in premature deaths for <i>every year</i> those reductions are maintained.
<b>2,730</b>	<b>874</b>

## **Policies in Measure 50 Reduce Health care Costs**

The health care costs associated with smoking are significant. The overall lifetime health care cost for smokers is approximately \$16,000 more for those who smoke than for non-smokers.<sup>14</sup>

### **Finding:**

•Due to the reductions in the amount of youth smoking caused by the increase in price alone, we estimate Oregon can expect to eventually see a savings of \$43.7 million for each year the tax is in place.

These annual savings from reduced tobacco use add up to big future cost savings overall. The Campaign for Tobacco Free Kids estimates that future health care savings from Measure 50 at \$662.6 million, due to decreases in both youth and adult smoking.<sup>15</sup>

In addition to the steady reduction in smoking caused by the tobacco tax, Measure 50 also will reduce smoking through investment in tobacco prevention programs. Other states have experienced health savings from tobacco prevention programs ranging from \$2 for every dollar invested to more than \$3.60.<sup>16</sup> There is reason to believe that Oregon can at least match those savings thanks to our own experience with tobacco prevention programs and that of other states. For example, Oregon's Current Tobacco Prevention and Education Program saw a decrease in youth smoking 12% greater than the national average between 1996 and 2003.<sup>17</sup>

Through the tobacco prevention policy in Measure 50, Oregon would invest approximately \$58.5 million over the next 4 years, or an average of \$14.6 million per year, in Oregon's tobacco prevention programs.

### **Finding:**

•Oregon will experience estimated health care cost savings of between \$29.2 million and \$52.6 million for each year that it funds Tobacco prevention and education at the average level projected for the next two biennia.

## Conclusion

Too many children in Oregon lack access to affordable, adequate health care. As a result, their quality of life suffers. These children do not receive the same level of care as their insured counterparts, and often times they receive costly emergency care which is less effective in treating their illnesses as the preventive care more often enjoyed by their insured counterparts do. Expanding access to health care for 100,000 children that need it will substantially improve health outcomes, improving their quality of life.

Oregon pays tremendously for tobacco use, in terms of the suffering caused by tobacco related illnesses and premature death, and in terms of health care costs. We estimate that raising Oregon's tobacco tax by 84.5 cents would eventually prevent an estimated 874 premature deaths each year, due to preventing young people from taking up the habit.

For every year that Oregon postpones enacting the policies in measure 50, we would be failing to prevent hundreds of premature deaths for the youth who take up smoking and we would lock in millions of dollars in future health care costs from tobacco use.

If enacted, the policies in measure 50 would reduce youth smoking, save lives, save money, and provide access to medical care for over 100,000 uninsured Oregon children. OSPIRG recommends voters enact Measure 50.

## Methodology

To estimate premature deaths prevented and cost savings from reducing tobacco use in Oregon, we first estimated a reduction in youth smoking as a result of the price increase enacted by Measure 50. We applied formulas from the Centers for Disease Control and the Campaign for Tobacco Free Kids to determine estimates for future premature deaths prevented and eventual health care cost savings for each year projected reductions in smoking remain in place.

To estimate the savings of investing in tobacco use and prevention, we looked at state results for health care savings from investing in tobacco prevention collected by the Campaign for Tobacco Free Kids. We applied these per dollar savings to Oregon's expected investment in tobacco prevention over two biennia.

## End Notes

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- <sup>1</sup> Legislative Fiscal Office  
Fiscal Impact Statement for SB 3. June 22, 2007
- <sup>2</sup> Legislative Revenue Office  
Revenue Impact Statement for SB 3. June 13, 2007
- <sup>3</sup> Oregon Progress Board. *2006 Oregon Population Survey*  
Available online at: <http://www.oregon.gov/DAS/OPB/popsurvey.shtml>
- <sup>4</sup> Oregon Office of Health Policy and Research *Children's Access to Healthcare: Results From the Oregon Survey* Jan 2006  
Available online at: <http://oregon.gov/DAS/OHPPR/OHREC/>
- <sup>5</sup> Child and Adolescent Health Measurement Initiative. *National Survey of Children's Health 2003*. Data Resource Center on Child and Adolescent Health website. Available online at <http://www.nschdata.org>
- <sup>6</sup> Families USA 2007 *The Great Divide: When Kids Get Sick, Insurance Matters*  
Available online at: <http://familiesusa.org/assets/pdfs/the-great-divide.pdf>
- <sup>7</sup> Oregon Death Certificate Statistical file 2005
- <sup>8</sup> Oregon Department of Human Services *Oregon Tobacco Facts* June 2006  
Available online at: <http://www.oregon.gov/DHS/ph/tobacco/docs/>
- <sup>9</sup> Oregon Death Statistical File 2005
- <sup>10</sup> Campaign for Tobacco Free Kids Fact Sheet: *Raising Cigarette Taxes Reduces Smoking, Especially Among Kids* June 2007  
Available online at <http://tobaccofreekids.org/research/factsheets/pdf/0146.pdf>
- <sup>11</sup> Oregon Department of Human Services 2006 *op cit*
- <sup>12</sup> Centers for Disease Control, Weekly Mortality and Morbidity Report, Nov 08, 1996  
Available online at: <http://www.cdc.gov/mmwr/preview/mmwrhtml/00044348.html>
- <sup>13</sup> Campaign for Tobacco Free Kids Report: *Tobacco Tax Benefits for Oregon* October 2007  
Available online at [http://www.tobaccofreekids.org/reports/prices/Oregon\\_Report\\_10\\_2007.pdf](http://www.tobaccofreekids.org/reports/prices/Oregon_Report_10_2007.pdf)
- <sup>14</sup> Campaign for Tobacco Free Kids Fact Sheet: *Comprehensive Statewide Tobacco Prevention Programs Save Money* February 2005  
Available online at <http://tobaccofreekids.org/research/factsheets/pdf/0168.pdf>
- <sup>15</sup> Campaign for Tobacco Free Kids Report: *Tobacco Tax Benefits for Oregon* *op cit*
- <sup>16</sup> Campaign for Tobacco Free Kids Fact Sheet: *Comprehensive Statewide Tobacco Prevention Programs Save Money* *op cit*
- <sup>17</sup> Oregon Department of Human Services 2006 *op cit*