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March 25, 2019

TO: Chair Nathanson and Members of the House Revenue Committee
FROM: Patrick Allen, Director, Oregon Health Authority
SUBJECT: March 21, 2019, Committee Questions

Dear Chair Nathanson and Members of the House Revenue Committee,

Thank you for the opportunity to present before the House Revenue Committee on March 21, 2019, regarding taxation of tobacco and inhalant delivery systems to fund the Oregon Health Plan. Please find below a response to questions raised during that presentation. Please do not hesitate to contact me or my office if you have further questions.

1. **Representative Smith asked, What would be the decrease in the number of people who smoke if the tobacco tax went in place?**

   Based on national statistics, for every 10% increase in the price of cigarettes, adult consumption drops by 4% and youth consumption drops by 7%.

   Our projections for Oregon specifically are that, once the effect of a $2.00 per pack cigarette tax increase is fully felt, about 31,300 fewer adults would smoke cigarettes, compared to what we would expect based on current trends without a tax increase.

   For youth, about 19,200 fewer youth who are currently aged 17 or under will be kept from smoking cigarettes as adults, compared to what we would expect based on current trends without a tax increase.

2. **Representative Reschke asked, what are youth smoking and vaping rates in Washington and California?**

   Data for Oregon, Washington, and California are not directly comparable as they survey different grades in different years, and have different survey methods. Other factors, such as tobacco prevention and cessation resources, youth access to tobacco products, and other tobacco regulations, also influence youth tobacco use rates. However, the overall trends are consistent, nationally and in Oregon, Washington, and California.

   Youth cigarette use has been decreasing for many years, both before and after e-cigarettes became popular:

   - In Oregon, from 1996 to 2017, cigarette smoking among 11th graders declined from 28% to 8%

- In Washington, from 2002 to 2016, cigarette smoking among 12th graders declined from 23% to 11%
- In California, from 2002 to 2016, cigarette smoking among high school aged youth (grades 9-12) declined from 16% to 4%

In recent years, youth e-cigarette use has increased:

- In Oregon, from 2013 to 2017, e-cigarette use among Oregon 11th graders rose from 5% to 13%
- In Washington, from 2012 to 2016, e-cigarette use among 12th graders rose from 7% to 20%
- In California, in 2017, e-cigarette use among high school aged youth (9-12) was 9%

California increased their tobacco tax by $2.00 per pack in 2017 and also implemented a new e-cigarette tax. New youth survey data that covers the time after the cost increased will be available in April 2019.

3. **Representative Reschke asked, If the driver of youth tobacco use right now is vaping, can we get back on track from a health perspective if we only tax vapor products?**

   The greatest health improvement for all Oregonians would result from a comprehensive approach that increases the price of all products that contain nicotine.

   A recent literature review of inhalant delivery systems conducted by the Oregon Health Authority found strong evidence that youth use of e-cigarettes is linked to addiction and future use of combustible tobacco such as cigarettes. Increasing the prices of cigarettes and e-cigarettes would make both products less accessible to youth, who are more sensitive to tobacco prices than adults. If the price of both products does not increase, youth would likely switch to products that remain cheapest or most easily accessible, such as cigarettes or small cigars.

   More information about the link between inhalant delivery systems and combustible tobacco products can be found at:
   https://www.oregon.gov/oha/PH/PREVENTIONWELLNESS/TOBACCOPREVENTION/Documents/HB2546Report.pdf

4. **Representative Hernandez asked, Do we have data on what marijuana causes in terms of health consequences, medical expenses, and death? How does this compare to tobacco?**

   OHA has limited data on the public health impacts of marijuana use, due to marijuana not being legal in the state until recently.

   Some indicators we track which may be affected by marijuana legalization are:

   - From October 2015 through November 2018, the rate of emergency department visits with marijuana-involved codes or text descriptions increased from 3.5 per 1,000 visits to 6.3 per 1,000 visits
   - From 2012 to 2016, the majority of traffic fatalities in Oregon which involved marijuana use in some manner also involved the driver using alcohol and/or other drugs; unlike with alcohol, there is no chemical test nor specific target level for marijuana in someone's system to be able to say definitely that a person was intoxicated, so if someone had both alcohol and marijuana in their system, it is common that this gets recorded as alcohol intoxication
   - There have been no known deaths in Oregon specifically attributed to marijuana

The Oregon Retail Marijuana Scientific Advisory Committee reviewed published scientific evidence on the health effects associated with marijuana use. Potential health consequences include mental illness, including severe mental illness such as schizophrenia and depression, and cardiovascular disease. In addition, marijuana smoke contains many of the same cancer-causing chemicals as tobacco smoke. Regular marijuana use by adolescents and young adults – even occasional use – is associated with adult high-risk use of alcohol, tobacco, and other drugs. More information on the health effects of marijuana is available at:
https://www.oregon.gov/oha/ph/PreventionWellness/marijuana/Pages/index.aspx

Tobacco is number one cause of preventable death in Oregon and across the country. Tobacco use costs Oregon $1.5 billion per year in health care costs and causes nearly 8,000 deaths. The health costs and consequences of marijuana are not well-established in the scientific literature.

5. **Representative March asked, How has the Oregon Health Plan performed compared to the 3.4% target on costs?**

   From the following table, the Oregon Health Plan per-member-per month (PMPM) cost growth was 4.0 percent from State Fiscal Year (SFY) 2016 to SFY 2017. From SFY 2017 to SFY 2018, the PMPM cost growth was 5.6 percent. This analysis includes both CCO capitation payments and fee-for-services costs.

Per Member Per Month Cost Comparison SFY 2016-2018

	SFY16			SFY17				SFY18			
	Expenditures	Eligibles	PMPM	Expenditures	Eligibles	PMPM	% Increase	Expenditures	Eligibles	PMPM	% Increase
Elderly	$ 192,889,496	41,001	$ 392	$ 212,592,762	42,968	$ 412	5.2%	$ 265,173,611	44,496	$ 497	20.4%
Disabled	$1,126,663,179	81,436	$1,153	$1,184,563,784	82,905	$1,191	3.3%	$1,320,572,970	84,418	$1,304	9.5%
Children	$1,377,839,784	434,472	$ 264	$1,417,237,857	422,986	$ 279	5.7%	$1,402,670,000	414,513	$ 282	1.0%
Expansion	$2,838,610,830	434,825	$ 544	$2,582,666,833	382,560	$ 563	3.4%	$2,536,092,144	357,039	$ 592	5.2%
Other Adults	$ 658,751,119	84,119	$ 653	$ 731,234,642	91,696	$ 665	1.8%	$ 702,625,018	83,643	$ 700	5.3%
Total:	**$6,194,754,407**	**1,075,852**	**$ 480**	**$6,128,295,879**	**1,023,116**	**$ 499**	**4.0%**	**$6,227,133,742**	**984,109**	**$ 527**	**5.6%**

Excludes Non-OHP populations & services, Cover All Kids, and Leverage.

SFY18 excludes Insurers Tax and Qualified Directed Payment programs which began Jan 2018

6. **Representative Smith Warner asked, How many Medicaid enrollees are dual enrollees (in both Medicaid and Medicare)?**

   Currently in Oregon, there are 75,843 dual-eligible Medicare/Medicaid members, out of approximately one million Medicaid members.

Again, please contact me or my office if you have any further questions. Thank you.