

A Union Guide to Tobacco: SMOKING & HEALTHCARE COSTS

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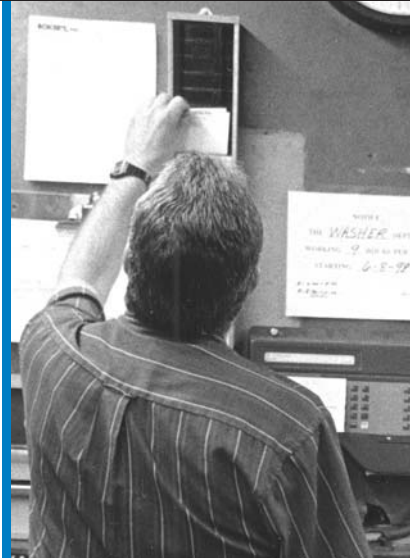
In this issue,

we address the economic costs associated with tobacco use and exposure to secondhand smoke in the workplace. You will find pertinent information within these pages about how smoking affects employers' costs of doing business and how employer-provided cessation coverage and smoke-free workplace policies can provide economic benefits. Perhaps most importantly, this issue identifies possible steps unions can take to lessen the burden of tobacco-related costs on union members.

As the cost of healthcare continues to skyrocket, unions are finding it increasingly difficult to secure decent wage increases and health insurance benefits for their members. The question of how to stem the tide of rapidly escalating healthcare costs has become one of the most pressing issues facing unions today.

Economic data show that tobacco-related healthcare and related workplace costs are primary drivers of the rapid escalation of healthcare costs. In both Minnesota and the U.S. as a whole, approximately two-thirds of all deaths are caused by chronic diseases, and smoking is the leading cause of many of these diseases.¹ The state of Minnesota, alone, loses billions of dollars every year on healthcare expenditures and lost productivity as a direct result of smoking.²

The good news is that tobacco-related healthcare costs can be reduced dramatically when employers provide comprehensive cessation services and implement smoke-free workplace policies. In fact, the most cost-effective health insurance benefit an employer can provide to adult employees is to support their quit attempts by paying for access to comprehensive cessation services.³ This issue provides practical resources and suggested action steps to help your union negotiate for smoke-free workplaces and employer-provided cessation benefits.



Costs of Smoking

The impact of smoking on rising healthcare costs is huge and cannot be ignored. In less than ten years, Minnesota's healthcare costs have increased over 70%, from \$12 billion in 1993 to almost \$22 billion in 2001.⁴ The chief drivers of the cost increases have been hospital care, physician services, prescription drugs, and other healthcare spending.⁴ Five chronic diseases—heart disease, cancer, chronic obstructive pulmonary disease (COPD), and strokes—account for 62% of all Minnesota deaths and 68% of all U.S. deaths,¹ and smoking is the leading cause of four of these five chronic diseases.

In all, Minnesota loses over \$1.6 billion each year on healthcare-related costs that are directly attributable to smoking and more than \$1 billion per year in lost productivity as a direct result of smoking.² Approximately 20% of the adult population of the city of Minneapolis and the state of Minnesota smoke cigarettes.⁵

Nationally, among adults, the economic cost of lost work time due to premature deaths related to smoking rose from \$47 billion in 1990 to \$84 billion in 1999.⁶ These calculations are low estimates, in that they do not include productivity losses that result from absenteeism, breaks, performance declines, early retirements, terminations due to smoking-related illnesses or disabilities, or training to replace workers who leave a job or die from smoking. These estimates also do not include the costs associated with deaths that are caused by workers' exposure to secondhand smoke or smoking-related fires.

Union members feel the pain of escalating healthcare costs when, in contract negotiations, their employers seek to raise healthcare co-payments, eliminate or reduce healthcare coverage, or give smaller or no wage increases to offset rising healthcare and productivity costs. All Minnesotans pay higher taxes and higher insurance premiums to cover tobacco-related health costs. These costs are not abstract—they directly affect a union's ability to negotiate higher wages, maintain health insurance benefits, and meet families' needs.

did you know?

- Medical costs attributable to smoking comprise 6 to 9% of the total national healthcare budget.⁸
- Every pack of cigarettes sold creates more than \$7 in medical care expenses and lost productivity.³
- For every smoker who quits, \$1,623 is saved annually in healthcare costs alone.⁹
- Smoking-attributable neonatal expenditures were estimated at \$366 million in 1996, or \$704 per maternal smoker.⁹
- Smokers tend to have more hospital admissions, take longer to recover from illness and injury, have higher outpatient healthcare costs, and have lower birthweight babies.⁸

Attitudes of Minnesota Union Members Toward Smoking-Related Healthcare Costs⁷

- 77% of union members agree that smoking increases healthcare costs.
- 72% believe that reducing smoking will reduce healthcare costs.

Minnesota Industry and Occupation Employment Statistics¹⁰

Blue-collar workers	.24%
Service or service-related workers	.41%
Manufacturing workers	.16%
White-collar workers	.36%

Minnesota Levels of Educational Attainment: 16 years and Older¹¹

Less than high school	.12%
High school graduate	.29%
Some college	.24%
Associate's degree	8%
Bachelor's degree or higher	.27%

U.S. Smoking Rates by Occupation¹²

Transportation and material moving occupations	.46%
Waiters/waitresses	.45%
Construction laborers	.42%
Construction trades	.40%
Laborers, except construction	.39%
Fabricators, assemblers, inspectors	.37%
Health service occupations	.35%
Sales and retail workers	.27%
Executives, administrators, managers	.24%
Secretaries	.21%
Teachers	.12%

Employer Costs Attributable to Smoking

In a 1994 report, the Congressional Office of Technology Assessment estimated that each worker who smokes costs an employer between \$2,000 and \$5,000 per year in increased healthcare and fire insurance premiums, absenteeism, lost productivity and property damage.¹³ A more recent 2002 report by the Centers for Disease Control (CDC) estimated that each adult smoker costs employers \$3,400 per year in lost productivity and excess medical expenditures.⁹

How much does tobacco cost employers?

Determining an employer's smoking-related costs is difficult because many factors and variables can influence the calculation. Based on the CDC's estimate that each adult smoker costs employers \$3,400 per year, the following formula may provide a useful starting point in determining the cost of smoking to a particular employer in your occupational setting.

Step 1: Multiply the total number of employees times the estimated percentage of employees who smoke. To calculate the percentage of employees who smoke, enter either the percentage of adult Minnesotans who smoke (20%), or the percentage of smokers within your occupation (from the occupation table). The resulting number provides an estimate of the total number of smokers within a workplace.

Step 2: Multiply the total number of smokers times the CDC estimate of the cost per smoker (\$3,400).

$$\begin{array}{r}
 \text{_____} \quad \text{Total number of employees} \\
 \times \\
 \text{_____} \quad \text{Estimated \% of employees who} \\
 \quad \text{smoke (20\% of Minnesota adults} \\
 \quad \text{or \% from occupation table)} \\
 = \\
 \text{_____} \quad \text{Total \# of smokers} \\
 \times \\
 \$3,400 \quad \text{cost per smoker (CDC estimate)} \\
 = \\
 \text{_____} \quad \text{Employer's estimated cost of smoking} \\
 \quad \text{per year}
 \end{array}$$

Smoking-Attributable Employer Costs⁸

- Increased absenteeism
- Decreased productivity
- Increased health and life insurance premiums and claims
- Increased level of early retirements
- Increased cleaning and maintenance expenses, property damage and related expenses
- Increased fire insurance premiums and costs of fires caused by smoking
- Increased potential legal liability
 - Where smoking is permitted, nonsmoking employees have received workers' compensation settlements, unemployment compensation benefits and disability benefits based on claims of exposure to secondhand smoke.

Investing in Tobacco Cessation Cuts Employer Costs³

Short-term benefits:

- Increased productivity
- Savings on fire insurance premiums
- Savings on ventilation services, property upkeep and repair

Long-term benefits:

- Reduced healthcare costs
- Reduced absenteeism
- Increased productivity
- Reduced life insurance costs

Smoking cessation treatment is referred to as the 'gold standard' of preventative interventions.¹⁷



Cost Benefits of Smoke-Free Workplace Policies

Among our nation's health goals for the year 2010 is to reduce the rates of current smoking among adults to 12% or less;¹⁴ however, unless cessation programs and other tobacco control efforts are expanded, this 2010 national health objective will not be achieved.¹⁵ This is because unless smoking cessation among current smokers increases quite rapidly, the rate of smoking-attributable deaths is not expected to decline substantially for many years.⁸ Unions can help reduce the rate of current smoking by working with employers to develop smoke-free workplace policies and negotiate the provision of cessation coverage.

Reducing the number of smokers in the workplace is cost-effective, even for cash-strapped budgets. Cessation programs are relatively low-cost, and studies show that they yield financial returns for employers over the short- and long-term that far outweigh their costs.¹⁶ In fact, tobacco cessation is the single most cost-effective clinical preventive service that employers can provide to employees, costing considerably less than other disease prevention interventions, such as treatment of hypertension and high blood cholesterol.³ A theoretical model for the U.S. estimates the potential net benefit of a smoking cessation program in a manufacturing workforce of 10,000 to be about \$4.7 million after 25 years.¹⁶

How Much Does Cessation Coverage Cost?³

- Providing a comprehensive tobacco cessation benefit costs between 10 and 40 cents per member per month. Costs vary based on utilization and dependent coverage.
- Cost analyses have shown tobacco cessation benefits to be either cost-saving or cost-neutral. Generally, cost/expenditure to employers equalizes at 3 years; by 5 years, benefits exceed costs.

did you know?

- Tobacco use treatment doubles quitting success rates.¹⁷
- Working in a smoke-free workplace is associated more strongly with successful quitting than either physician advice or use of nicotine replacement products.¹⁸
- The smoking rate among Union Pacific Railroad employees decreased from 40% to 25% in a 7-year period during which the employer offered a cessation benefit as part of a comprehensive cessation program.¹⁹
- Smokers employed in smoke-free workplaces smoke fewer cigarettes per day, are more likely to be considering quitting, and quit at greater rates than smokers employed in workplaces that allow smoking.²⁰
- If all workplaces became smoke-free, the per-capita consumption of cigarettes across the U.S. would decrease by 4.5% per year.²¹
- Minnesota can save \$9.2 million in Medicaid costs per year by expanding and funding programs that reduce tobacco use by only 25%.²²
- Employers with smoke-free workplaces may be able to negotiate reduced insurance rates for life, fire or health insurance. Some insurers have offered up to 45% discounts on life insurance for nonsmokers.²³

Negotiating Health Insurance Benefits

Among the key strengths of unions is the power to negotiate benefits for members, including the negotiation of affordable, high-quality healthcare insurance. Fully-funded, comprehensive tobacco prevention programs save both lives and money. They are cost-effective and provide the best long-term solution to the negative impacts of smoking.²⁴

Approximately 2,500 Taft Hartley Funds provide group healthcare benefits for 33 million Americans, most of whom are blue-collar workers and their dependents.²⁴ Results of a recent trial smoking cessation program for one Fund, the Carpenters Health and Security Trust of Western Washington, estimated the compounded savings in reduced lifetime tobacco-related medical costs for participants who quit were 15 times the cost of the program—yielding a 28% annual return on the investment.²⁴

As representatives of large segments of the U.S. workforce, including a large portion of blue-collar and service workers, unions have the responsibility to advocate on behalf of their members' best interests. The rapid escalation of healthcare and health insurance costs has become a primary concern for union representatives, employers, and employees. By working together to establish smoke-free workplace policies and negotiate the provision of smoking cessation coverage, unions and employers can promote cost-effective preventative measures. These measures will help reduce the rate of smoking among workers, the incidence rate of smoking-related illnesses, smoking-attributable medical expenses, and associated employer expenses.



With a nonsmoking population, the length of life as well as the length of a disability-free life will be extended.⁸

action steps

There are many possible ways unions can take action to help reduce the rate of smoking among workers, as well as the rate of exposure to secondhand smoke:

1. **Support Smoke-Free Union Halls.** Unions may wish to begin by supporting tobacco control close to home by choosing to make their union meeting halls smoke-free in an effort to protect every member from secondhand smoke.
2. **Develop Workplace Smoking Policies.** Union leaders can work together with employers to develop reasonable workplace smoking policies, with the goal of creating safe, smoke-free work environments for all workers.
3. **Advocate for Cessation Services.** Unions can advocate for employer-provided, comprehensive smoking cessation services that include:
 - Behavioral interventions (such as telephone, internet, face-to-face or group counseling programs)
 - Nicotine Replacement Therapy (NRT) products
 - Follow-up cessation services to prevent relapses
4. **Provide Support and Motivation for Members Who Use Tobacco.** Unions can offer support and motivation for smokers and ex-smokers by providing members and their families with a credible source of information and referrals for preventing or stopping tobacco use. Quitting is never easy, but with support and solidarity from multiple sources, an individual's chances increase greatly.
5. **Partner with Public Health Advocates.** By working in partnership with tobacco control and public health advocates, unions can help ensure that the needs of smoking and nonsmoking union members are met with regard to workplace smoking policies and cessation services.²⁵ Possible action steps include:
 - Developing and implementing a tobacco control research agenda that addresses the needs of unionized workers,
 - Joining or forming advocacy coalitions with tobacco control and public health organizations around shared goals—for example, the allocation of tobacco settlement dollars toward cessation programs for workers, and
 - Working with tobacco control organizations to provide ongoing technical assistance on union-relevant topics—for example, to address how to establish workplace smoking policies and cessation programs in unionized settings.

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for more information

WorkSHIFTS is a collaborative labor outreach initiative of the Tobacco Law Center at William Mitchell College of Law, partnering with Minnesota's labor community.

WorkSHIFTS' goal is to provide practical tools and resources that support labor's efforts to address tobacco-related workplace concerns through education, collective bargaining, policy initiatives and the assertion of workers' rights to health and safety.



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