ECONOMICS OF TOBACCO CONTROL: LATIN AMERICA

Measuring tobacco-attributable costs and illicit trade effects for optimal tobacco tax scenarios in eight Latin America countries

“Tobacco is a huge burden on economies. Tax revenues from tobacco products barely cover 37% of smoking-attributable health expenditures in Latin America. Tax hikes are needed, but there is a sufficient lack of evidence to influence key decisionmakers.”

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<td>Assessment of disease burden, disease modelling, economic evaluation and analysing the impact of health interventions</td>
<td>September 2018 – September 2020 (24 months)</td>
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INTRODUCTION

The consumption of tobacco is one of the main causes of preventable disease – including some cases of cancer, stroke and lung disease - across the globe. The World Health Organization estimates that each year, tobacco consumption causes 6 million deaths worldwide, and in the Latin American region tobacco consumption is responsible for almost 380,000 deaths per year.

In this region, the direct medical costs of smoking-related diseases have been estimated to add up to US $33 billion per year. A 2016 analysis demonstrated that tax revenues from tobacco products cover just 37% of the smoking-attributable health expenditure in the region.

However, these medical costs do not include the indirect costs on the economy – such as loss of productivity in the workplace as well as premature death costs - or illicit trade effects, leading to a significant underestimation of the economic and disease-burden related to tobacco. Additionally, this lack of data leads false claims from the tobacco industry – for example, that tax increases are going to hurt the poor, lead to job loss, and promote illicit trade that countries in the region struggle to counter.

The potential effects of the tobacco tax policy on illicit trade, and the consequent tax evasion, constitute barriers to tax hike implementation in Latin American countries. Decisionmakers need accurate estimates of the health burden of tobacco and illicit trade effects in the region to strengthen policies and optimally increase tobacco taxes.
THE RESEARCH

The lead institution for the project is the Institute for Clinical Effectiveness and Health Policy (IECS) in Argentina. The IECS is an independent academic institution, and since 2002 it has been dedicated to research, education and technical cooperation in healthcare. The IECS’ goal is to improve the efficiency, equity, quality and sustainability of healthcare services and systems in Latin America.

The purpose of this research proposal is to inform decision-making in 8 Latin American countries - Argentina, Brazil, Chile, Colombia, Costa Rica, Peru, Ecuador and Mexico - on policies to increase tobacco taxes. To do this, the team have planned an extremely methodological approach, summarised into five components:

1. Identify the current information needs of decision makers for tobacco control in the 8 Latin American countries
2. Develop a methodology to estimate the indirect productivity costs associated with smoking (premature death, absenteeism, etc.)
3. Model the effects of potential illicit trade on the price of tobacco products, level of consumption, the burden of disease and tax revenue in the selected countries
4. Analyse the expected impact of tax hikes
5. Disseminate the results in participating countries

The country-level teams will identify and analyse economic, epidemiological and public policy information related to smoking - such as consumption patterns, tobacco tax structure and aspects of social and gender equity. The project will seek to inform tax increase scenarios in each country so that they reduce the total economic burden of tobacco consumption, and influence policymakers to make lasting change.

THE IMPACT

Tobacco control is central to meeting the United Nations 2030 Sustainable Development Goals (SDGs), notably SDG 1—to end poverty—and SDG 3—to ensure healthy lives. The evidence generated from this project will be oriented to meet the information needs of the different stakeholders involved in tobacco control in countries of Latin America. The team hope to inform decisionmakers about tobacco tax increase interventions, based on specific local and regional evidence.

The project will generate and develop new skills and knowledge in the countries of the region. This also will have an impact beyond tobacco-related disease, as learning how to measure productivity costs is useful for estimating the economic burden of other health events beyond those caused by smoking.

The team also plan to develop a standardised web platform containing all the materials generated by the project, so that decisionmakers, researchers and the public can access updated economic, epidemiological and public policy information on tobacco control.

The teams’ long-term goal is to foster tobacco tax increases and other evidence-informed public health measures to reduce and control tobacco-related harm in the countries of Latin America.