

# Policy Tip Sheet



POLICY ANALYSIS FROM  
THE HEARTLAND INSTITUTE

## *E-Cigarettes Could Save States Billions in Medicaid Costs*

### **Problem:**

Medicaid recipients smoke at rates twice the average of privately insured persons, according to the Centers for Disease Control and Prevention (CDC). As of 2014, 27.9 and 29.1 percent of uninsured and Medicaid recipients, respectively, were current smokers. In the same year, only “12.9 percent of adults with private insurance” identified as current smokers.<sup>1</sup>

In fact, CDC estimates the United States spends more than \$300 billion each year on smoking-related illnesses.<sup>2</sup> More pointedly, in 2013, “smoking-related diseases cost Medicaid programs an average of \$833 million per state.”<sup>3</sup>

### **Policy Solution:**

As tobacco harm reduction (THR) tools, electronic cigarettes and vaping devices can significantly reduce Medicaid costs associated with smoking.

E-cigarettes are significantly less harmful than combustible cigarettes, which contain an estimated 600 ingredients. Even worse, “when burned [they] create more than 7,000 chemicals.”<sup>4</sup> This is what links cigarette smoking to cardiovascular and respiratory diseases.<sup>5</sup> By contrast, e-cigarettes create a vapor “generated by heating a solution, containing water, propylene glycol, vegetable glycerin and typically also some flavoring.”<sup>6</sup>

Numerous public health groups including Public Health England; the Royal College of Physicians; the National Academies of Sciences, Engineering and Medicine; and the American Cancer Society have noted the reduced harm associated with e-cigarette use.<sup>7 8 9 10</sup>

Moreover, researchers have estimated the potential savings to Medicaid programs if current smokers switch to e-cigarettes and vaping devices.

Indeed, a 2015 policy analysis by State Budget Solutions examined electronic cigarettes’ impact on Medicaid spending. The author estimated Medicaid savings could have amounted to \$48 billion in 2012 if e-cigarettes had been adopted in place of combustible tobacco cigarettes by all Medicaid recipients who currently consume these products.<sup>11</sup>

Additionally, a 2017 study by R Street Institute analyzed the reduction in Medicaid costs that would likely occur if a large number of current Medicaid recipients switched from combustible cigarettes to e-cigarettes or vaping devices. The author used a sample size of “1% of smokers [within] demographic groups permanently” switching. According to R Street’s analysis, Medicaid savings “will be approximately \$2.8 billion per 1 percent of enrollees,” over the next 25 years.<sup>12</sup>

Furthermore, e-cigarettes are twice as effective as nicotine replacement therapy (NRT) in helping smokers quit.<sup>13</sup> Despite this, many localities are proposing regulations to prohibit their use, while subsidizing NRT, including lozenges and nicotine gum.

### **Policy Message**

**Point 1:** Smoking-related health care costs in the United States exceed \$300 billion annually.

**Point 2:** Americans without health insurance and Medicaid recipients smoke at rates twice the average of insured persons.

**Point 3:** Smoking-related illnesses increased Medicaid costs, on average, by \$833 million per state in 2013.

**Point 4:** E-cigarettes are an effective tool for smoking abstinence and are significantly less harmful than combustible cigarettes

**Point 5:** One analysis found states could have saved \$48 billion in Medicaid programs in 2012 if all current smokers switched to e-cigarettes.

**Point 6:** Another analysis estimated potential Medicaid savings could amount to \$2.8 billion per one percent of Medicaid enrollees who switched from combustible cigarettes to e-cigarettes or vaping devices, over the next 25 years.

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<sup>1</sup> Centers for Disease Control and Prevention, “Smoking rates for uninsured and adults on Medicaid more than twice those for adults with private health insurance,” November 12, 2015,

<https://www.cdc.gov/media/releases/2015/p1112-smoking-rates.html>.

<sup>2</sup> Centers for Disease Control and Prevention, “Tobacco-Related Spending,” July 23, 2019, [https://www.cdc.gov/tobacco/data\\_statistics/fact\\_sheet/economics/econ\\_facts/index.htm](https://www.cdc.gov/tobacco/data_statistics/fact_sheet/economics/econ_facts/index.htm).

<sup>3</sup> American Lung Foundation, “Approaches to Promoting Medicaid Tobacco Cessation Coverage: Promising Practices and Lessons Learned,” June 9, 2016, <https://www.lung.org/assets/documents/advocacy-archive/promoting-medicaid-tobacco-cessation.pdf>.

<sup>4</sup> American Lung Foundation, “What’s In a Cigarette?,” February 20, 2019, <https://www.lung.org/stop-smoking/smoking-facts/whats-in-a-cigarette.html>.

<sup>5</sup> Centers for Disease Control and Prevention, “Health Effects of Cigarette Smoking,” January 17, 2018, [https://www.cdc.gov/tobacco/data\\_statistics/fact\\_sheets/health\\_effects/effects\\_cig\\_smoking/index.html](https://www.cdc.gov/tobacco/data_statistics/fact_sheets/health_effects/effects_cig_smoking/index.html).

<sup>6</sup> Royal College of Physicians, *supra* note 4.

<sup>7</sup> A. McNeil, *et al.*, “Evidence review of e-cigarettes and heated tobacco products 2018,” *Public Health England*, February 2018, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/684963/Evidence\\_review\\_of\\_e-cigarettes\\_and\\_heated\\_tobacco\\_products\\_2018.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/684963/Evidence_review_of_e-cigarettes_and_heated_tobacco_products_2018.pdf).

<sup>8</sup> Royal College of Physicians, *Nicotine without Smoke: Tobacco Harm Reduction*, April, 2016, <https://www.rcplondon.ac.uk/projects/outputs/nicotine-without-smoke-tobacco-harm-reduction-0>.

<sup>9</sup> Committee on the Review of the Health Effects of Electronic Nicotine Delivery Systems, “Public Health Consequences of E-Cigarettes,” *The National Academies of Science, Engineering, and Medicine*, 2018, <https://www.nap.edu/catalog/24952/public-health-consequences-of-e-cigarettes>.

<sup>10</sup> American Cancer Society, “What Do We Know About E-cigarettes?,” June 19, 2019, <https://www.cancer.org/cancer/cancer-causes/tobacco-and-cancer/e-cigarettes.html>.

<sup>11</sup> J. Scott Moody, “E-Cigarettes Poised to Save Medicaid Billions,” *State Budget Solutions*, March 31, 2015, [https://www.heartland.org/template-assets/documents/publications/20150331\\_sbsmediacide-cigarettes033115.pdf](https://www.heartland.org/template-assets/documents/publications/20150331_sbsmediacide-cigarettes033115.pdf).

<sup>12</sup> Edward Anselm, “Tobacco Harm Reduction Potential for ‘Heat Not Burn,’” *R Street Institute*, February 2017, <https://www.rstreet.org/wp-content/uploads/2017/02/85>.

<sup>13</sup> Lindsey Stroud, “Randomized Trial Finds E-Cigarettes Are a More Effective Smoking Cessation Tool than Nicotine Replacement Therapy,” *Research & Commentary*, *The Heartland Institute*, February 11, 2019, <https://www.heartland.org/publications-resources/publications/research-commentary-randomized-trial-finds-e-cigarettes-are-more-effective-smoking-cessation-tool-than-nicotine-replacement-therapy>.

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Nothing in this *Policy Tip Sheet* is intended to influence the passage of legislation, and it does not necessarily represent the views of The Heartland Institute or Tobacco Harm Reduction 101. For further information on this and other topics, visit the [Budget & Tax News](#) website, [The Heartland Institute’s website](#), our [Consumer Freedom Lounge](#), and [PolicyBot](#), Heartland’s free online research database.

The Heartland Institute can send an expert to your state to testify or brief your caucus; host an event in your state; or send you further information on a topic. Please don’t hesitate to contact us if we can be of assistance! If you have any questions or comments, contact Lindsey Stroud, a state government relations manager at Heartland, at [lstroud@heartland.org](mailto:lstroud@heartland.org) or 757/354-8170.