

## Millennium Report

Cigarette smoking is the most important preventable cause of morbidity and premature mortality in the U.S.

# Smoking and the Workplace

## Millennium Report

By: Jacquelyn Rogers, **SMOKENDERS** International Founder

### Introduction

It was a 1952 report authored by Sir Richard Doll and Austin Bradford Hill which first correlated the incidence of cancer with the number of cigarettes consumed. Since the release of Doll/Hills findings nearly 50 years ago, over **60 million** people have died from smoking-related causes within developed countries alone. Why?

Why, despite the indisputable link between tobacco and a highly probable premature death did an estimated **500 million** of us mark the turn of the millennium as smokers?

This report will provide insight into this conundrum and the corresponding loss in employee productivity, life expectancy, medical costs and employee insurance expense. In the event that you are among the majority who believe the recent \$246 billion tobacco settlement will provide funds to subsidize these costs you'll discover why you had best think again.

Rather than citing a litany of statistics condemning smoking in the workplace, it is the purpose of this report to inform as well as **offer viable defenses** against the potentially deteriorating quality of life of your workforce; rising insurance rates that negatively impact your bottom-line; and, the premature loss of invaluable employee resources through the ravages of tobacco.

What follows represents the first in a series designed to keep you abreast of the changing legislative, legal, medical and economic landscape that surrounds **Smoking and the Workplace**.

**Of any group of 1,000 employees, age 30, who smoke ...**

- **250 will die from smoking prior to middle age**
- **250 more will die from smoking in retirement**

**... this grim total does not include those respiratory and cardiac cripples that will live out their lives in medical dependency.**

### Desire to quit vs. reality of addiction

A recent poll conducted by Harris Interactive (February 2000) found that 89% of the smokers surveyed believe that smoking will increase their risk of developing cancer; 86% believe that

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smoking will increase their risk of heart attack and 84% expect smoking to shorten their lives. Most telling, the poll also show that over 700 of the 1010 smokers participating in the poll have a strong desire to quit.

The Harris poll confirmed, once again, what health professionals have been espousing since 1952. Regular tobacco use is physically addictive and creates psychological dependency. Despite knowledge of the serious or even lethal consequences that confront them, it is extremely difficult for employees who smoke to rid themselves of the tobacco habit. The 70% of current smokers who do want to quit can derive significant benefit from the support of a positive, effective smoking cessation program that alters addictive behavioral patterns triggered by smoking and minimizes the symptoms of nicotine withdrawal.

It is important to note that employers who implement a health promotion and smoking cessation program in the workplace contribute significantly to improving the quality of life of their work force. Stopping smoking leads to other healthy decisions, such as increasing exercise and decreasing caffeine consumption. Correspondingly, this puts substantial downward pressure on soaring employee health costs which are expected to average 10% to 12% of payroll in 2000

### **Tobacco's contribution to the meteoric rise in employee care costs**

In 1993, the University of California and the Center for Disease Control jointly issued a comprehensive report which analyzed and updated data from a 1987 National Medical Expenditures Survey (NMES-2) and the Health Care Financing Administration (HCFA) to estimate the portion of annual U.S. medical expenses attributed to smoking. The report estimated smoking-attributable costs had more than **doubled** in just six years from \$22 billion in 1987 to \$50 billion in 1993.

- **Smoking accounts for a substantial and preventable portion of all medical costs in the U.S.**
- **Smoking-related medical costs in the U.S. will exceed \$133 billion in 2000**

To place matters in stark perspective, there were 24 billion packs of cigarettes sold in the U.S. in 1993. Each one of these packs triggered a corresponding \$2.06 in smoking-attributable medical care expense that year.

### **The Burning Issue: The TRUE cost of an employee smoker**

The true cost of an employee smoker to your company can be measured in a number of ways. The appreciable increase in direct medical expense, as cited above in the U of C/CDC survey, is straightforwardly based on documented medical claims costs. However, the indirect cost of employee smoking more than doubles the already disproportionately direct medical expense.

Indirect costs include the expenses associated with:

- lost on-the-job productivity
- high absenteeism
- training existing employees to fill-in for absent smokers

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- hiring of replacement workers in a prolonged absence
- premature death of employees in middle-age at the height of their value to your company
- property loss and burn care resulting from smoking
- extended prenatal care for low-birthweight infants of female employees who smoke; and Pränatale
- costs associated with environmental tobacco smoke (ETS) in the workplace

In 1990, indirect costs associated with smoking were calculated at \$47 billion dollars. Ten years later, in 2000, the ante has been raised to over **\$61 billion**. This, of course, is in addition to the estimated \$72 billion in direct medical costs covered by Medicare, Medicaid and other federal and state sources of public funding paid for by your company through higher insurance premiums.

Perhaps the most comprehensive assessment ever made on impact the health risk factors have on employer medical costs was completed recently by the MEDSTAT Group. MEDSTAT tracked 47,500 employees in six companies over a multiyear period. The assessment confirmed what many had already suspected. Employees at risk from smoking cost their employer, on average,

2880 annually in health insurance premiums. This is **\$1,714 more** than the typical \$1,166 annual premium for a non-smoker.

**A \$35,000/year employee who smokes costs your company about \$3500 additional per year in smoking-related expenses.**

### Employer health expense comparison

35 year old female employee – \$ 35,00 annual salary

	Smoker	Non-smoker
Employer-Paid Health Insurance Premium	\$ 2.880,00	\$ 1.166,00
Cigarette Breaks*	\$ 1.816,00	\$ 0,00
Sick Days**	(13 days) \$ 1.820,00	(5 day) \$ 700,00
Employer Paid Life Insurance Premium***	\$ 228,00	\$ 111,00
Increased Property Loss and Burn Damage	\$ 140,00	\$ 0,00
Added Cleaning	\$ 180,00	\$ 0,00
<b>Total</b>	<b>5.464,00 Dollar</b>	<b>1.977,00 Dollar</b>
<b>Vatiabile</b>	<b>+ 3.487,00 Dollar</b>	

\* Based on two 15-minute breaks/day per 227 day work. \*\* Based on (5) and (13) days sick leave per year at \$140 per day. \*\*\* Based on \$100,000 15-year term policy for 35 year old female.

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**Assuming that proceeds from the National Tobacco Settlement may help offset rising smoking-related employee medical costs?**

**Think again.**

It is a simple but harsh reality. The \$10 billion annually that State governments count on receiving over the next 25 years from the \$246 billion National Tobacco Settlement will be derived totally from proceeds realized from future cigarette sales. Obviously, any reduction in cigarette sales will have an adverse impact on the amount needed to satisfy principal and interest to their bondholders. It is no wonder that States have taken swift action to shore-up their scheduled windfall even before the first installment arrives!

**Selling increasing numbers of cigarettes is the financial “heart and soul” of the governments “War on Smoking”**

The Tobacco Settlement earmarks an ineffectual \$3 per smoker per year to smoking cessation. By example, the State of New York is betting that the number of smokers in its state, the 7<sup>th</sup> largest in tobacco consumption, will keep lighting up for the next quarter-century, at least. New York City is so confident that this will occur that it was the first in the nation to cash-in on the Tobacco Settlement by taking the brash step of floating tax-free municipal bonds securitizing a portion of its rights to future cash flow from the Settlement. The first \$709 million issued by New York City sold out in its first day. More than 90% of the issue was bought by large institutions. New York City plans three more issues over the next four years bringing their total float to \$2.5 billion. Taking a cue from the success of New York, dozens of states and municipalities across the country are now planning to float additional billions in Tobacco Settlement-backed securities later this year.

Under the terms of the Tobacco Settlement a certain portion of the revenue received by the States is to be dedicated to support tobacco control and cessation programs. Just how much is to be set aside by each is unclear since all have yet to divulge their intentions. Don't anticipate that State governments will choose to jeopardize their cash cow by undermining the performance of their bonds with effective smoking prevention and cessation programs. Those states that have publicly “shown their hands” have signaled an alarming trend not at all conducive to lowering smoking-related medical costs or supporting smoking prevention and cessation programs.

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### Trivialization of the Tobacco Settlement

### By the numbers

Total Settlement	\$ 246 Billion
Total Years	25
Settlement \$ per Year	\$ 10 Billion
Total Smokers in U.S.	50 Million
<b>Per smoker data ...</b>	
Settlement \$ per year	\$ 200
% allocated to smoking prevention	Under 10%
\$ allocated to smoking prevention per year	Under 20 Dollar
% of above allocated to smoking cessation	Under 20%
\$ allocated to smoking cessation per year	\$3
<b>Cost per pack of cigarettes*</b>	\$ 4,05

\* Based on cost of Marlboro Lights, March 2000, State of New

## Government receives eight times more financial benefit from each cigarette sold than do the tobacco companies

Wisconsin has the dubious honor of being the most ineffective in the use of its Settlement funds. The state will see a \$400 million flow into its State treasury this year from cigarette taxes (\$238 million) and the first installment of the Tobacco Settlement (\$162 million). Yet the State has marked only **\$5 million** of the total for tobacco control and cessation programs.

The Center for Disease Control estimates that the annual cost to implement an effective tobacco control and prevention program in Wisconsin would vary from \$7 to \$20 per person. Wisconsin will commit an ineffective **\$1 per person** this year. ! Unfortunately, we expect Wisconsin to relinquish its leadership role for ineffectiveness to other States in the months ahead.

## A harbinger of things to come – the rise of the government run tobacco monopoly

One might theorize, for just a moment, that the \$246 billion payout facing the tobacco companies could serve to force them into bankruptcy thereby solving all of our problems save for the aforementioned institutions who would hold virtually worthless municipal bonds secured by Settlement dollars. Look a bit closer and you'll understand why our politicians will continue to do everything in their power to keep the tobacco industry afloat and cigarettes flowing in the marketplace.

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After all, have you ever known a politician to reject a dollar handed to them?

The vulnerable tobacco industry has become a ripe source of funds for state and federal government. Consider New York, whose cigarette tax is now the highest in the country. The wholesale price of each pack sold in New York generates \$2.28 in payments to state and federal treasuries. That \$2.28 equates to 70% of the wholesale cost of each pack and represents over \$1.6 billion each year in revenue to government. It's hard to believe the politicians would jeopardize such a "healthy" stream of cash. Right now, government settlements are **over eight times** the profit of the tobacco companies.

**Employees who smoke tend to exhibit multiple health risks with health costs averaging 228% higher than the norm.**

### Who's Hitting the Tobacco Jackpot?

You be the Judge (amounts based on \$3.48 wholesale cost per pack)\*

Cost of doing Business	Tobacco's Profit	Government and Settlement
0,28 Dollar	0,92 Dollar	2,28 Dollar

\* Source: New York Public Interest Research Group

### Viable defenses against tobacco's attack on your bottom line and your employees quality of life

It's evident that relief from the high cost of employee smoking will not come from the proceeds of the National Tobacco Settlement. And, we've shown that knowledge of the risks of smoking won't result in a behavior change in your employees who do smoke.

### What defenses can your company deploy to aggressively counter the escalating direct and indirect medical costs attached to employee smokers?

The first step would be to identify the real health needs of your employee population through a Personal Health Self-Assessment Survey. A health claims analysis will determine where your company's medical dollars are now being spent. A voluntary health self-appraisal, delivered to your employees over the company intranet, would follow. The online medium proves to be less intimidating to employees so a participation rate approaching 90% is possible. Moreover, completion indicates a willingness of the employee to change, the key element in any successful lifestyle change program.

A Personal Health Self-Assessment Survey will ask your employees about their health interests (life skills, men's and women's health issues, exercise) and identify what behaviors they are ready to begin changing (smoking, body weight, stress).

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### **SMOKENDERS** returns benefits of about \$6 for every \$1 invested

The Survey could also identify chronic health concerns and rate the employees perception of their individual health. Lastly, the Survey will identify an employees learning style preferences so that appropriate change resources (online, group, home study) are implemented.

It's hardly surprising that the results of your analysis and survey will probably reveal that those employees who fall into the most medically expensive group at your company are burdened with multiple health-risk factors. Typically, this group consists of employees who are current smokers, overweight with high stress, high blood pressure and poor exercise habits. You'll find that this group, on average, has health care expenditures **averaging 228% greater** than employees without these risk factors. The best news is that, when your employees stop smoking, other positives, like improved fitness and reduced intake of caffeine, tend to follow.

### Typical cost/benefit ratio of a **SMOKENDERS** smoking cessation program

The cost of your smoking cessation program depends, to some extent, on the depth of intervention and level of assistance that your company wishes to provide for your employees. There are, however, some statistics on the cost/benefit ratios experienced by the Fortune 1000 companies who have implemented the **SMOKENDERS** Smoking Cessation Program over the course of the last 30 years. Sponsorship of a fully funded **SMOKENDERS** Smoking Cessation Program typically returns about \$6 for every dollar invested, an amazing two month pay out.

Gesundheitsprogramme mit dem besten Return on Investment *	
1	Smoking Cessation
2	Health Risk Assessment
3	Exercise
4	Cholesterol Screening
5	Weight Control

Source: International Society of Certified Employee Benefits Specialists

When done with thorough planning and careful implementation, the **SMOKENDERS** Smoking Cessation Program offers a solid return on investment. At the same time your company will raise invaluable goodwill among employees along with substantial decreasing company health care costs. **Everybody wins.**

### Efficiency of the **SMOKENDERS** Program

Over the course of its 30-year history, **SMOKENDERS** has successfully helped more than one million smokers break the nicotine habit. In doing so, it has earned its place as of the foremost self-help and motivational brands in America.

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### **Success Factors**

- Proven methodology which effectively removes both the chemical and the psychological barriers that prevent smokers from quitting.
- The only self-help program taught exclusively by its graduates. By doing so, selected graduates contribute their own life-experiences as a former smoker, to each group they moderate. All moderators undergo extensive and ongoing training by **SMOKENDERS** faculty.
- Compatible with all leading pharmaceutical treatments. Proven to increase the effectiveness of the nicotine patch and nicotine gum.
- **SMOKENDERS** elected as the behavioral modification therapy partner for Habitrol, Ciba-Geigy's nicotine patch.
- Easily adaptable across all socio-economic and age demographics. Delivery through online, live seminar or at-home formats.

### **Success Qualifiers**

- Decades of independent research studies, including one authenticated by Nobel laureate Dr. Rosalind Yonno, **SMOKENDERS** as the **most effective stop smoking program ever devised**.
- Recent 1997 study conducted in cooperation with Johns Hopkins University quantified **SMOKENDERS** success rate at 81% on "cutoff date proving it **twice** as effective as any other known smoking cessation program regardless of methodology. (Available upon request)
- An ever increasing number of HMO's, insurance carriers and employers are reimbursing the cost of **SMOKENDERS** participation including nearly every HMO and insurance carrier in Washington, one of America's most progressive healthcare states.

The success of the **SMOKENDERS** methodology can be attributed to the ease in which participants learn and implement important behavior modification, problem solving and emotional adjustment skills. These acquired skills continue to support graduates as they encounter the myriad of stresses and negative influences that present themselves throughout the course of ordinary daily life. The vast majority of **SMOKENDERS** graduates will concur that the experience has not only rid them of the smoking habit but has positively affected their overall quality of life.

**For further information please contact us.**

Phillipsburg, May 2000

Jacquelyn Rogers, **SMOKENDERS**