



# The Uninsured and Tobacco Related Illness in Florida: The Cost of Inaction

Prepared by Community Catalyst and the Healthy Florida Alliance

*Florida is suffering from two epidemics. Alarming high and growing numbers of Floridians lack health insurance. At the same time, Florida has a high rate of preventable tobacco-related illness. Failure to address these problems is imposing a massive health and economic burden on the state of Florida—reducing productivity and economic growth, distorting the health care system, burdening thousands of Floridians with preventable and untreated illnesses, and leading to thousands of premature deaths every year.*

*Within this crisis lies an opportunity for Florida to simultaneously act on both problems. Florida has an untapped opportunity in low tobacco taxes—at 34 cents per pack, one of the lowest in the nation. Raising tobacco taxes and dedicating the funds to Medicaid and SCHIP is a proven, effective way to both raise revenue and improve public health. This issue brief, prepared for the Healthy Florida Alliance, will detail and attempt to quantify the costs that Florida incurs by not taking action. A future brief will focus on the potential benefits of addressing these pressing problems.*

## ***Florida's Health Insurance Crisis***

### **The Costs of Being Uninsured for Individuals and Families**

Florida is currently facing a crisis in the large number of uninsured. Twenty percent, or **3.6 million Floridians**, do not have health insurance, the third highest in the country.<sup>1</sup> Florida also has the third-highest rate of uninsured children, with 17% of kids lacking health coverage.<sup>2</sup> Many of the low-income uninsured could be covered by an expansion of the state's Medicaid program, but Florida currently has limited eligibility rules for Medicaid [for instance, eligibility for working parents is limited to 62% of the federal poverty level (FPL), or \$10,600/yr for a family of three].

Even for those who are eligible for Medicaid in Florida, many are unenrolled. Sixty-five percent of uninsured children are eligible for either Medicaid or KidCare, Florida's State Children's Health Insurance Program (SCHIP).<sup>3</sup> Administrative barriers to enrollment in Florida contribute to the number of eligible-but-unenrolled.<sup>4</sup>

Failing to extend Medicaid and KidCare to the fullest extent possible has health and economic consequences for the uninsured individuals themselves and for the entire state. This section of the brief discusses the "hidden costs" of uninsurance on families.<sup>5</sup>

***Health costs for individuals.*** Florida's uninsured residents have poorer health and greater economic insecurity as a whole than people with insurance. People without health insurance use fewer health services overall than those with insurance.<sup>6</sup> When they do get care, the uninsured typically rely more heavily on emergency rooms and urgent care, than primary and preventative care. As a result, the care that they get is both more expensive and less effective. Research finds that limited health visits and lack of



preventative care for the uninsured result in poorer health and earlier death than in the insured population.<sup>7,8</sup>

Uninsured children are less likely to see a doctor for chronic conditions such as asthma, and are more likely to miss school due to illness.<sup>9</sup> Kids without insurance are also more likely to not have seen a doctor in the past year for well-visits, and are five times more likely to have an unmet health, dental or vision need than insured children.<sup>10</sup>

***Economic costs for individuals.*** Beyond negative health consequences, the uninsured also face greater economic risks than people with health coverage. Although people without insurance use fewer health services, they pay a disproportionate amount of their earnings for care.<sup>11</sup> The uninsured typically pay about one-third of their health care out-of-pocket, have lower earnings due to poor health and chronic illness, and are unable to work as productively as insured counterparts. The uninsured face greater financial uncertainty due to unknown costs of health care, potential for medical debt, depleted assets and bankruptcy.<sup>12</sup> A study of uninsured adults found that about 20% had used all or most of their savings to pay for medical expenses.<sup>13</sup>

## **The Costs of Being Uninsured for Florida**

All costs of uninsurance are not borne by the uninsured; society also incurs costs from having a significant population without coverage. Florida is currently paying for the uninsured in numerous ways. This section attempts to quantify some of the economic and social costs of Florida's high rate of uninsurance.

***Health costs to Florida.*** The uninsured rely on free care, emergency rooms and the public health system for health services, rather than primary and preventative care typically used by people with insurance. The reliance on these services by the uninsured impacts the quality and availability of health and emergency care to the larger population.

***Economic costs to Florida.*** Because many of the uninsured rely on uncompensated care in hospitals, community health centers and clinics, this also places strain on the entire health system. To compensate for this expense, providers may reduce services or increase costs for people with private insurance, to recoup costs for free care and bad debt expenses from serving the uninsured.<sup>14,15</sup> A Families USA study found that in Florida in 2005, a family employer-sponsored premium cost an *additional \$1,313* per year to cover costs of caring for the uninsured.<sup>16</sup>

The cost of all uncompensated care to the uninsured (minus out-of-pocket costs paid by individuals) in Florida was about **\$2.9 billion** in 2005.<sup>17</sup> Of this, approximately \$900 million was paid by government resources--a combination of federal and state funds, and county taxes. The remaining \$1.9 billion was not publicly funded, and presumably was passed through the private insurance system.<sup>18</sup> By 2010, cost of care for the uninsured in Florida is expected to rise to over \$4 billion dollars per year.<sup>19</sup> Medical care for the uninsured costs everyone in Florida—through tax dollars and higher premiums.



Not all of the costs incurred from Florida's large number of uninsured result directly from medical expenses. Recently, research has attempted to quantify the economic losses from poorer health and higher mortality rates for people without insurance. The Institute of Medicine (IOM)'s studies of "health capital" (the value people place on their lives and future earnings) values a *healthy life year* at \$160,000.<sup>20</sup> This estimate includes lost productivity and earnings, and also the value that people place on being in good health.

***Direct Cost of Florida's  
Uncompensated Care  
= \$2.9 billion***

***Total Economic Loss due  
to Poorer Health Status  
= \$10.2 billion***

To estimate the costs of being uninsured, the IOM used measures of health and life expectancy to determine that the lost health capital for a person without insurance for one year is between \$1,645 and \$3,280 in 2001 dollars.<sup>21</sup> Taking the midpoint of this range and adjusting to 2007 dollars, the average economic loss for one uninsured person is about \$2,830 per year.<sup>22</sup> In Florida, this would mean that about **\$10.2 billion** is lost in health capital each year due to uninsurance. This number quantifies the societal loss of productivity, earnings and poorer health of the uninsured.

### ***Florida's Tobacco Crisis***

#### **The Costs of Tobacco-Related Illness**

***Costs to Medical System  
from Tobacco Use  
= \$6.32 billion***

***Economic Loss due to  
Tobacco-Related Illness and  
Mortality  
= \$6 billion***

Tobacco use is a proven cause of health problems and high medical costs for individuals. In addition, smoking creates expenses for the state through the costs of medical care for tobacco-related illnesses, and losses from lower productivity and increased mortality due to tobacco-related illness. This section discusses the health and economic costs of tobacco use for both individuals and the state of Florida.

***Health Costs of Tobacco Usage for Individuals.*** Health problems associated with smoking have been well-documented and include emphysema, cancer and heart disease. In Florida, 28,700 people die from tobacco use each year.<sup>23</sup> Smoking is the leading preventable cause of death in the United States, and male smokers are 22 times and female smokers about 12 times more likely to die from lung cancer than nonsmokers.<sup>24</sup>

***Economic Costs of Tobacco Usage for Florida.*** Costs related to smoking do not only impact individuals; Florida incurs economic costs from a high rate of tobacco use. Total medical costs for smoking-attributable conditions total **\$6.32 billion per year** in Florida.<sup>25</sup> Of smoking-related medical costs in Florida, \$1.2 billion are paid out of Medicaid dollars. Medicaid relies on a mix of state and federal dollars, but **\$515.5 million** of smoking-related costs are borne directly by the state of Florida.<sup>26</sup>



Beyond medical costs, health problems from smoking reduce productivity for workers. The Centers for Disease Control and Prevention (CDC) use illness and mortality rates to estimate productivity losses related to smoking at **\$6 billion** in Florida.<sup>27</sup> The state of Florida is bearing the economic costs of tobacco-related health problems.

### **The Opportunity: Raising the Tobacco Tax and Expanding Medicaid**

Florida currently has a tobacco tax of 34 cents per pack—at 45<sup>th</sup> out of 50 states, one of the lowest in the nation.<sup>28</sup> There is an opportunity to raise tobacco taxes to address Florida’s pressing public health problems. Increasing the cost of tobacco is one of the most successful ways to reduce smoking-related preventable illnesses.<sup>29</sup> Raising the price of tobacco products is most effective in reducing smoking in teens; a 10% tobacco tax increase results in a 7% decline in youth smoking.<sup>30</sup>

States have raised taxes on tobacco in recent years, with the result of reduced smoking levels and a significant increase in revenue.<sup>31</sup> A number of states, most recently Colorado, have used the additional revenue from a tax on tobacco to fund Medicaid expansions.<sup>32</sup> Tobacco taxes have proven a valuable and predictable resource for supporting Medicaid costs.<sup>33</sup>

The state receives federal matching funds of 58 cents for every dollar spent on Medicaid. Furthermore, every federal Medicaid dollar that flows into the state generates additional economic activity and increases Florida’s return on federal tax dollars. Every \$1 million in Medicaid funds generates \$2 million in business activity, \$1 million in wages and salaries, and 31 jobs.<sup>34</sup>

Tobacco tax revenue can also be used to expand enrollment in KidCare. Funds raised by an increase in the tobacco tax can enhance outreach and enrollment assistance to children currently eligible but not enrolled in KidCare. In addition, tobacco revenue can increase provider rates, which reduces cost-shifting and improves access to physicians.<sup>35</sup> Leveraging tobacco tax funds for Medicaid spending will help to dramatically decrease the number of children and adults without insurance in Florida.

Florida has one of the lowest tax rates on tobacco in the nation, at 34 cents per pack. It also has one of the highest rates of uninsurance. Today Florida has an opportunity to raise the funds necessary to both reduce smoking rates and expand coverage to the uninsured through Medicaid and KidCare.

The Healthy Florida Alliance knows that Florida can do better. Investing in Medicaid and KidCare through tobacco taxes will lead to a state that is healthier and more economically stable.

### **About the Healthy Florida Alliance**

HFA brings together a growing number of advocates, physician organizations, voluntary health agencies and community groups to reduce tobacco-related illness and expand health coverage in the state of Florida. The Alliance’s priority is to raise the tobacco tax by \$1 and dedicate a substantial portion of the funding to:



- Fully funding KidCare
- Expanding Medicaid eligibility
- Increasing provider reimbursement in Medicaid and KidCare to improve access for enrollees and reduce cost-shifting onto the private sector

For more information about the Alliance contact:

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- <sup>1</sup> Income, Poverty, and Health Insurance Coverage in the United States: 2005. Carmen DeNavas-Walt, Bernadette D. Proctor, Cheryl Hill Lee. US Census Bureau, August 2006.
- <sup>2</sup> State Health Facts. Kaiser Family Foundation. [www.statehealthfacts.org](http://www.statehealthfacts.org).
- <sup>3</sup> National Association of Children's Hospitals. Florida Medicaid Facts.
- <sup>4</sup> See New York Times. Lacking Papers, Citizens are Cut from Medicaid, March 12, 2007.
- <sup>5</sup> The Institute of Medicine (IOM) has conducted research to quantify the societal costs of uninsurance in America. See Hidden Costs, Value Lost: Uninsurance in America. Institute of Medicine, 2003.
- <sup>6</sup> Hidden Costs, Value Lost: Uninsurance in America. IOM, 2003, pp 39.
- <sup>7</sup> Sicker and Poorer: The Consequences of Being Uninsured: Jack Hadley. Kaiser Family Foundation, 2002.
- <sup>8</sup> Care Without Coverage: Too Little, Too Late. IOM, 2002.
- <sup>9</sup> American Medical Student Association. Facts on Uninsured Children, 2007.
- <sup>10</sup> No Shelter from the Storm: America's Uninsured Children. Campaign for Children's Health Care, September 2006.
- <sup>11</sup> Hidden Costs, Value Lost: Uninsurance in America. IOM, 2003, pp 59.
- <sup>12</sup> Hidden Costs, Value Lost: Uninsurance in America. IOM, 2003, pp 30.
- <sup>13</sup> Duchon, Lisa, Cathy Schoen, Michelle Doty, Karen Davis, et al. 2001. Security Matters: How Instability in Health Insurance Puts U.S. Workers at Risk. New York: Commonwealth Fund.
- <sup>14</sup> Hidden Costs, Value Lost: Uninsurance in America. IOM, 2003, pp 91.
- <sup>15</sup> Caring for the Uninsured in Massachusetts: What Does It Cost, Who Pays and What Would Full Coverage Add to Medical Spending? John Holahan, Randall Bovbjerg, Jack Hadley. Blue Cross Blue Shield of Massachusetts Foundation, November 2004.
- <sup>16</sup> Paying a Premium: The Added Cost of Care for the Uninsured. Families USA. Kathleen Stoll and Kenneth Thorpe, June 2005. [http://www.familiesusa.org/assets/pdfs/Paying\\_a\\_Premium\\_rev\\_July\\_13731e.pdf](http://www.familiesusa.org/assets/pdfs/Paying_a_Premium_rev_July_13731e.pdf).
- <sup>17</sup> Ibid. Economist Kenneth Thorpe estimated costs of uncompensated care for each of the 50 states using the Medical Expenditure Panel Survey-Household Component (MEPS-HC) and the Current Population Survey (CPS), along with Centers for Medicare and Medicaid Services (CMS) data on DSH and Medicaid spending per state.
- <sup>18</sup> Ibid.
- <sup>19</sup> Ibid. To calculate uncompensated care in 2010, Thorpe used CPS population and insurance data, as well as CPI data.
- <sup>20</sup> Hidden Costs, Value Lost: Uninsurance in America. IOM, 2003. See report for methodology.
- <sup>21</sup> Ibid. pp 69. This range is an average based on estimates of the effect of uninsurance on health and mortality.
- <sup>22</sup> Inflation based on Bureau of Labor Statistics Consumer Price Index.
- <sup>23</sup> Centers for Disease Control and Prevention. Smoking-Attributable Mortality, Morbidity and Economic Costs. <http://apps.nccd.cdc.gov>.
- <sup>24</sup> Centers for Disease Control and Prevention. Tobacco-Related Mortality, 2006.
- <sup>25</sup> Campaign for Tobacco Free Kids. Data provided by Centers for Disease Control and Prevention.
- <sup>26</sup> Ibid.
- <sup>27</sup> Centers for Disease Control and Prevention. Smoking-Attributable Mortality, Morbidity and Economic Costs. Average Annual Smoking-Attributable Productivity Losses.
- <sup>28</sup> Campaign for Tobacco Free Kids.
- <sup>29</sup> Reducing Tobacco Use: A Report of the Surgeon General. Centers for Disease Control and Prevention, 2000. [http://www.cdc.gov/tobacco/data\\_statistics/sgr/sgr\\_2000/00\\_pdfs/execsumm.pdf](http://www.cdc.gov/tobacco/data_statistics/sgr/sgr_2000/00_pdfs/execsumm.pdf)
- <sup>30</sup> Campaign for Tobacco Free Kids.
- <sup>31</sup> Campaign for Tobacco Free Kids. <http://tobaccofreekids.org/research/factsheets/pdf/0098.pdf>
- <sup>32</sup> For information on state reform, see In a Time of Growing Need: State Choices Influence Health Coverage Access for Children and Families. A 50 State Update on Eligibility Rules, Enrollment and Renewal Procedures, and Cost-Sharing Practices in Medicaid and SCHIP for Children and Families. Donna Cohen Ross and Laura Cox, Center on Budget and Policy Priorities, October 2005.



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<sup>33</sup> While tobacco tax should not be relied upon as the sole funding source for Medicaid, it can provide important supplemental funds. See Using Tobacco Taxes to Support Medicaid: A Win-Win Scenario. Community Catalyst, November 2003.

<sup>34</sup> Families USA. Calculate the Impact: Medicaid Cuts and your State's Economy.

<sup>35</sup> Low Medicaid provider rates are another source of cost-shifting that raises private insurance costs. See Financing New Hampshire Hospitals: Cost Shifting in 2005. Steve Norton, New Hampshire Center for Public Policy Studies, March 2007.