

Evidence Suggests that the ACA's Tobacco Surcharges Reduced Insurance Take-Up and Did Not Increase Smoking Cessation

Take Away Points

- Higher tobacco surcharges resulted in lower rates of insurance enrollment among smokers in the first year of ACA implementation, hindering the goals of universal coverage (including financial protection from high health care costs).
- Tobacco smokers with low surcharges had significantly lower likelihood of quitting compared to smokers facing no surcharges; medium and high surcharges were not associated with differences in smoking cessation.

The Issue

The Affordable Care Act (ACA) introduced several policies designed to increase insurance enrollment and smoking cessation, including the attachment of financial disincentives for tobacco use. In particular, the ACA allows insurers to impose a surcharge on tobacco users' premiums for plans offered on the health insurance exchanges, also known as Marketplaces. This tobacco premium rating allows plans to charge tobacco users up to 50% more in premiums than nonusers. States varied widely in their adoption of such tobacco premiums, with some prohibiting surcharges entirely and others imposing lower level caps.

In addition, there is a financial penalty associated with the ACA's individual mandate which is designed to encourage insurance take-up, however individuals are exempt if premiums are deemed "unaffordable." Specifically, individuals do not have to pay the penalty if the annual premium of their exchange's least expensive bronze-tier plan (which includes tobacco surcharges) exceeds 8% of their household income. It is conceivable that the combination of surcharges and exemptions from the individual mandate could jointly suppress tobacco users' insurance enrollment rates.

An additional provision of the ACA was the introduction of coverage for tobacco cessation treatment with no cost-sharing by individuals. The availability of such treatment could potentially increase quit rates among tobacco smokers who obtain insurance coverage under ACA.

The primary objective of this study was to estimate the effect of tobacco surcharges on health insurance enrollment and smoking cessation, through systematic comparisons of national datasets before and after the surcharges went into effect.

Study Methods and Design

Source

Friedman AS, Schpero WL, and Busch SH. (2016). Evidence suggests that the ACA's tobacco surcharges reduced insurance take-up and did not increase smoking cessation. *Health Affairs*.
<http://content.healthaffairs.org.ezproxy.uky.edu/content/35/7/1176>

To examine the impact of tobacco surcharges on insurance coverage as well as smoking cessation, two primary data sources were used. Respondent-level data on insurance coverage and current tobacco use were obtained from the Centers for Disease Control and Prevention, Behavioral Risk Factor Surveillance System (BRFSS), which provides a representative sample of noninstitutionalized adults for each state and the District of Columbia. The selected time period covered 2011-2014, which included three years before (2011-2013) and one year after (2014) implementation of the ACA exchanges.

Data on insurance premiums and tobacco surcharges (2014) for thirty-five states and the District of Columbia came from the Centers for Medicare and Medicaid Services' Health Insurance Marketplace Public Use Files, with other states' data obtained through a variety of mechanisms. Respondents were categorized as facing one of the following four median tobacco surcharge levels for their age across all bronze-level plans in their state (percentage increase over the unsubsidized premium): zero (no surcharge), low (more than zero and less than 10%), medium (at least 10% and less than 30%), and high (30% or more).

Key Findings

Characteristics of the respondents: Of the respondents to BRFSS surveys (2011-2014), 80% (N=206,952) reported having health insurance, and 25% reported smoking in the previous six months. In the subsample of respondents who reported smoking in this time period (n=48,942), 73% had health insurance, and 7% reported having quit (self-reported to be a former smoker and not having smoked for more than 30 days).

Insurance Coverage: During the first year of the ACA's implementation (2014), **non-smokers** displayed an increased likelihood of having health insurance that did not differ by tobacco surcharge category. **For smokers**, however, high surcharges were found to significantly reduce gains in health insurance coverage:

- Compared to those with no surcharges, smokers facing high surcharges overall exhibited an 11.6 percentage point reduction in insurance coverage.
- **For smokers younger than 40 years of age facing high surcharges**, analysis demonstrated a 20 percentage point reduction in insurance coverage relative to those facing no surcharges. Younger adults' enrollment in exchange plans is fundamentally important for risk pooling: Their participation, or lack thereof, may have broad implications for the long-term stability of states' Marketplaces with high surcharge levels.

Smoking cessation: The predicted likelihood of quitting smoking varied somewhat by surcharge level:

- **No surcharges:** showed a statistically **non-significant increase** in their likelihood of quitting from 2013 to 2014 (2.0 percentage points; 95% CI: -4.1, 8.0).
- **Low surcharges:** displayed a **significantly lower likelihood of quitting** smoking (5.6 percentage points; 95% CI: -10.9, -0.3), relative to the no surcharge group.
- **Medium and High surcharges:** showed statistically **non-significant effects** on the likelihood of quitting relative to the no surcharge group.

Limitations: Due to a variety of limiting factors in the availability of specific data types and inexact measurement properties, a number of individual-level characteristics had to be imputed, leading to inexact assignment of surcharges, income level, and tobacco use type and frequency. Additionally, this analysis included only one year of ACA implementation data. Enrollment patterns may change as the penalty for remaining uninsured rises to its full level in 2016 and consumers become more familiar with tobacco surcharges.

Final Thoughts

Medium and high tobacco surcharges dampen increases in smokers' insurance coverage, which is concerning in light of the ACA goal to achieve universal coverage. Low surcharges were associated with significant reductions in smoking cessation. These results can be used to inform policy on tobacco-premium ratings; findings indicate that having no tobacco surcharges would be most consistent with achieving the goals of universal health coverage and smoking cessation.