

The Business Case for Insurance Coverage of Stop-Smoking Treatments is Clear

The Business Case for Covering Smoking Cessation Treatment is Clear

If your health insurance company invests in smoking cessation treatment, the company will enjoy the following benefits over time:

- Lower prevalence of death and disease among policyholders.
- Lower claim volumes and severity.
- More competitive health insurance premiums.

Lower Prevalence of Death and Disease Among Policyholders

Insurers can play an integral role in controlling the adverse health affects of smoking among their policyholders by covering smoking cessation treatments as part of their health insurance products.

Offering this coverage creates positive results, ranging from reducing incidence of hospital stays to preventing fires caused by careless smoking.

Smoking is the leading cause of preventable death each year in the United States, claiming more than 440,000 lives each year, including 7,350 in Wisconsin (4, 5). That's more than the combined death rates for AIDS, drugs, alcohol, homicide, suicide and motor vehicle accidents, according to the CDC.

Smokers tend to incur more medical costs, see physicians more often and be admitted to hospitals for longer periods than nonsmokers. According to the American Cancer Society, a study of health care utilization in 20,831 employees of a single, large employer showed employees who smoked had more hospital admissions per 1,000 (124 vs. 76), had a longer average length of stay (6.47 vs. 5.03 days), and made six more visits to health care facilities per year than nonsmoking employees (7). Careless smoking is the nation's leading cause of fire death, according to the U.S. Fire Administration (13).



Benefits of Quitting

According to the U.S. Surgeon General, quitting smoking has immediate as well as long-term benefits, reducing risks for diseases caused by smoking and improving health in general.

Lower Your Claim Volumes and Severity: Save Insurance Dollars



Research shows:

- Smoking is the nation's leading cause of preventable death and disease (16).
- Insurance coverage of tobacco cessation treatment increases the use of these treatments and the chances smokers will quit (15).
- Any additional expenses to cover such treatments are quickly recovered and insurers can experience a substantial savings in health care costs over time (15).

If a health plan had no smokers, estimated savings would be approximately \$1.3 million per year per 10,000 smokers, according to a healthcare actuarial study (8).

Annual Savings from Tobacco Cessation Coverage

\$1.3 million x each unit of 10,000 insureds who smoke = savings

Source: Leif Associates, Inc. (8)

Greater cost savings will likely occur within special populations such as pregnant women and persons with cardiac conditions. Smokers add approximately seven percent to the total cost of healthcare. Individual smokers average 31 percent higher healthcare costs than nonsmokers.

By the Numbers

30% = higher percentage of healthcare expenses for a smoker vs. nonsmoker (8)

74% = percentage of Wisconsin insurers covering some form of cessation medication (9)

\$490 = average extra annual medical expenses from regular exposure to secondhand smoke (10)

\$1,623 = average additional medical expenses per year for a smoker (4)

\$2.9 billion = combined healthcare expenses and lost productivity due to smoking in Wisconsin (5)

Businesses pay an average of \$1238 more in workers' compensation costs per smoker per year. (11)

Reduce Your Risk Exposure

Studies indicate many smokers quit during or after costly healthcare treatment on the advice of their physician or out of fear of future health consequences. Meanwhile, the U.S. Surgeon General has indicated smokers who quit dramatically reduce risk of illness and the human body can quickly recover from many aspects of the damage caused by smoking (14). This demonstrates an opportunity for insurers and healthcare providers to reduce healthcare expenses by treating tobacco addiction before the patient has a serious illness.

Small Investment, Big Savings

Research shows that, while healthcare costs decline over time for former smokers, healthcare costs of continuing smokers dramatically increase over time. Over a three-year period, expenditures for smoking cessation programs – in the range of \$100 to \$300 per smoker attempting to quit – should be fully offset by healthcare cost savings in a typical commercial population (17).



A Low-Risk Investment

Furthermore, the risk of losing your investment in smoking cessation coverage is minimal because most health insurers in Wisconsin already cover some form of tobacco dependence treatment (9). Seventy-four percent cover some form of medication while 64 percent cover behavioral treatment. So, even if some insureds switch policies, the benefits of the investment in cessation treatment will be shared by these insurers.

The payoff will likely be significant. The U.S. Centers for Disease Control and Prevention (CDC) estimates each smoker incurs \$1,623 a year in excess medical expenditures (4). In addition, estimated costs associated with secondhand smoke's effects on nonsmokers can add up to \$490 per smoker per year (10). One recent study showed smokers had more hospital admissions per 1,000 (124 vs. 76), had a longer average length of stay (6.47 vs. 5.03 days) and made six more visits to health care facilities per year than nonsmokers, according to the American Cancer Society (7).

The Centers for Disease Control (CDC) estimates the average annual healthcare costs related to smoking in Wisconsin to be \$1.5 billion. Wisconsin businesses lose an additional \$1.4 billion in worker productivity each year due to sickness and premature death caused by smoking. All told, smoking costs Wisconsin almost \$3 billion a year (4, 5).

More Competitive Health Insurance Premiums

What insurer doesn't want to offer premiums that are both competitive and profitable? Controlling healthcare claim severity is a key to positioning your company to meet that goal. When you provide comprehensive coverage for tobacco cessation, you're providing an opportunity for your insureds to improve their health, save lives and control severity.



That's savings you can use to keep your premiums competitive.

In short, research shows everybody wins when insurers cover tobacco cessation treatment.

For more, visit www.ctri.wisc.edu.

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