



## Tobacco Surcharges

In an attempt to discourage use of tobacco products and cover additional health care costs associated with tobacco use, many employers and insurance companies are considering tobacco surcharges. The Affordable Care Act has changed policies regarding these surcharges – making health coverage potentially unaffordable for tobacco users.

### What is a tobacco surcharge?

- ➔ A tobacco surcharge is a variation in insurance premiums based on a policyholder (or dependent's) tobacco use.
- ➔ Tobacco surcharges are sometimes called tobacco premiums, premium incentives or nonsmoker discounts.
- ➔ Some states already prohibit tobacco surcharges: five states prohibit these surcharges in the individual market, and 16 states prohibit these surcharges in the small group market.<sup>1</sup>
- ➔ Starting January 1, 2014, many insurers and employers will be able to charge tobacco users up to 50 percent more in premiums.
- ➔ The proposed rule implementing this provision in the Affordable Care Act requires insurers in the small group market to remove the tobacco surcharge for a tobacco user who agrees to enroll in a program that will help them quit.

### The American Lung Association opposes the use of tobacco surcharges.

- ➔ Punitive measures like tobacco surcharges have not been proven effective in encouraging smokers to quit and reducing tobacco use.
- ➔ There are plenty of other policies that are proven to reduce tobacco use: like increasing tobacco taxes, enacting smokefree laws, funding tobacco control programs and making tobacco cessation treatment accessible through health insurance coverage and quitlines.
- ➔ Tobacco surcharges can result in tobacco users paying thousands of dollars more in health insurance premiums – a study in California showed that an average tobacco user could end up paying 18.7 percent of his annual income in premiums because of the surcharge allowed.<sup>2</sup>
- ➔ Expensive costs may cause tobacco users to remain uninsured. This would leave tobacco users without coverage for treatments that will help them quit, but they also will not have coverage any tobacco-caused illnesses that arise. Their families may also remain uninsured.
- ➔ While the Affordable Care Act allows tobacco surcharges up to 1.5 times the regular premium, states are able to limit these surcharges or prohibit them altogether. Making health insurance affordable for tobacco users is something state legislatures and insurance commissioners should consider.
- ➔ If an employer or insurer chooses to penalize tobacco users through a tobacco surcharge, it is only fair that policyholders have access to a comprehensive tobacco cessation benefit that will help them quit.

#### Tobacco Cessation Benefits Should Include

##### ALL of These:

Nicotine Patch	Individual Counseling
Nicotine Gum	Group Counseling
Nicotine Lozenge	Phone Counseling
Nicotine Nasal Spray	
Nicotine Inhaler	
Bupropion	
Varenicline	

#### Comprehensive Tobacco Cessation Benefit

Providing a comprehensive tobacco cessation benefit means requiring easy access to seven medications and three types of counseling recommended by the U.S. Department of Health and Human Services (HHS) to treat tobacco use and nicotine dependence. Quitting tobacco is extremely hard, and everyone responds to treatment differently. It is important that potential quitters have access to all treatments.

<sup>1</sup> Kaiser Family Foundation, Focus on Health Reform: "Health Insurance Market Reforms: Rate Restrictions." June 2012. Available at: <http://www.kff.org/healthreform/upload/8328.pdf>

<sup>2</sup> Curtis, Rick and Ed Neuschler, Institute for Health Policy Solutions. "Tobacco Rating Issues and Options for California under the ACA." June 2012. Available at: [http://www.ihips.org/pubs/Tobacco\\_Rating\\_Issue\\_Brief\\_21June2012.pdf](http://www.ihips.org/pubs/Tobacco_Rating_Issue_Brief_21June2012.pdf)