

# Seminar: HEALTH TAXES POLICIES IN LATIN AMERICA AND THE CARIBBEAN:

Are we making progress?

12 May 2022

The economic burden of NCDs and the use of fiscal policies to address risk factors

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# 71% OF ALL DEATHS GLOBALLY ARE FROM NCDs: TOBACCO, ALCOHOL, UNHEALTHY DIETS AND AIR POLLUTION ARE KEY RISK FACTORS

**41** MILLION NCD DEATHS GLOBALLY PER YEAR

**15** MILLION OF THESE NCD DEATHS ARE IN 30-69YR COHORTS

**77%** OF ALL NCD DEATHS ARE IN DEVELOPING COUNTRIES



CANCER



CARDIOVASCULAR DISEASE



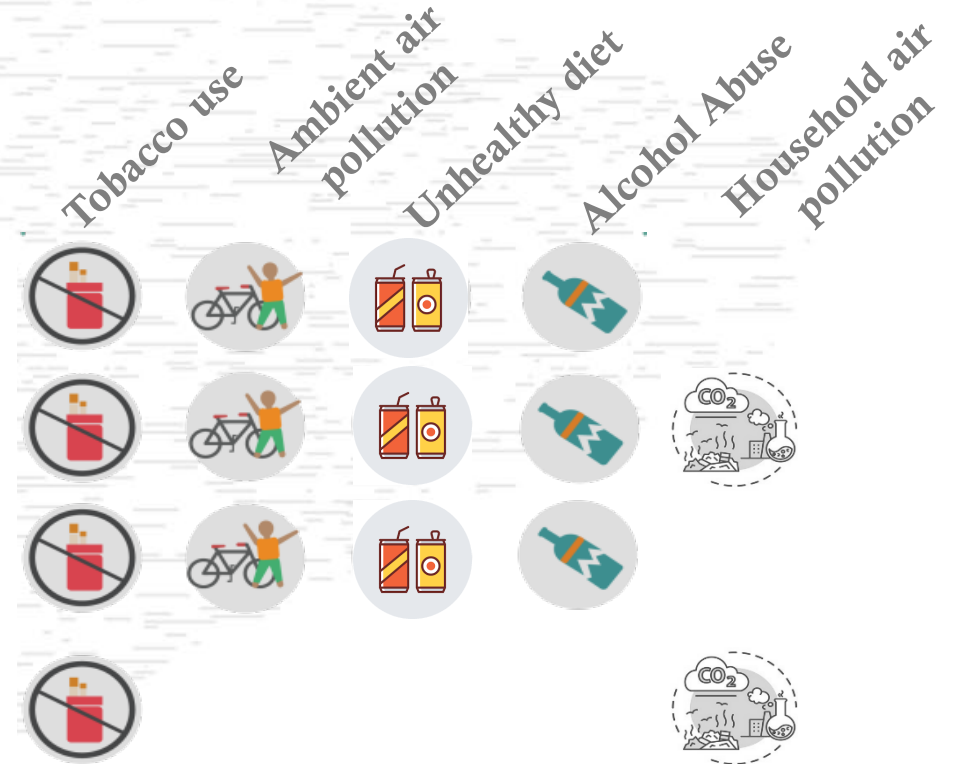
DIABETES



CHRONIC RESPIRATORY DISEASE



MENTAL HEALTH CONDITIONS



# WHY HEALTH TAXES? AN ECONOMIC PERSPECTIVE

- HEALTH TAXES ARE LEVIED ON PRODUCTS THAT HAVE NEGATIVE HEALTH IMPACTS.
- THEY CORRECT FOR INTERNALITIES AND EXTERNALITIES NOT PROPERLY ACCOUNTED FOR IN DECISION-MAKING AND PRICES.
- ELEVATED BY GLOBAL PRIORITIES LIKE THE WHO FRAMEWORK CONVENTION ON TOBACCO CONTROL AND THE PARIS AGREEMENT ON CLIMATE CHANGE.
- ADDRESS INEQUITY (AND POVERTY).



Lack of Information

Lack of Impulse Control

(e.g. Youth)

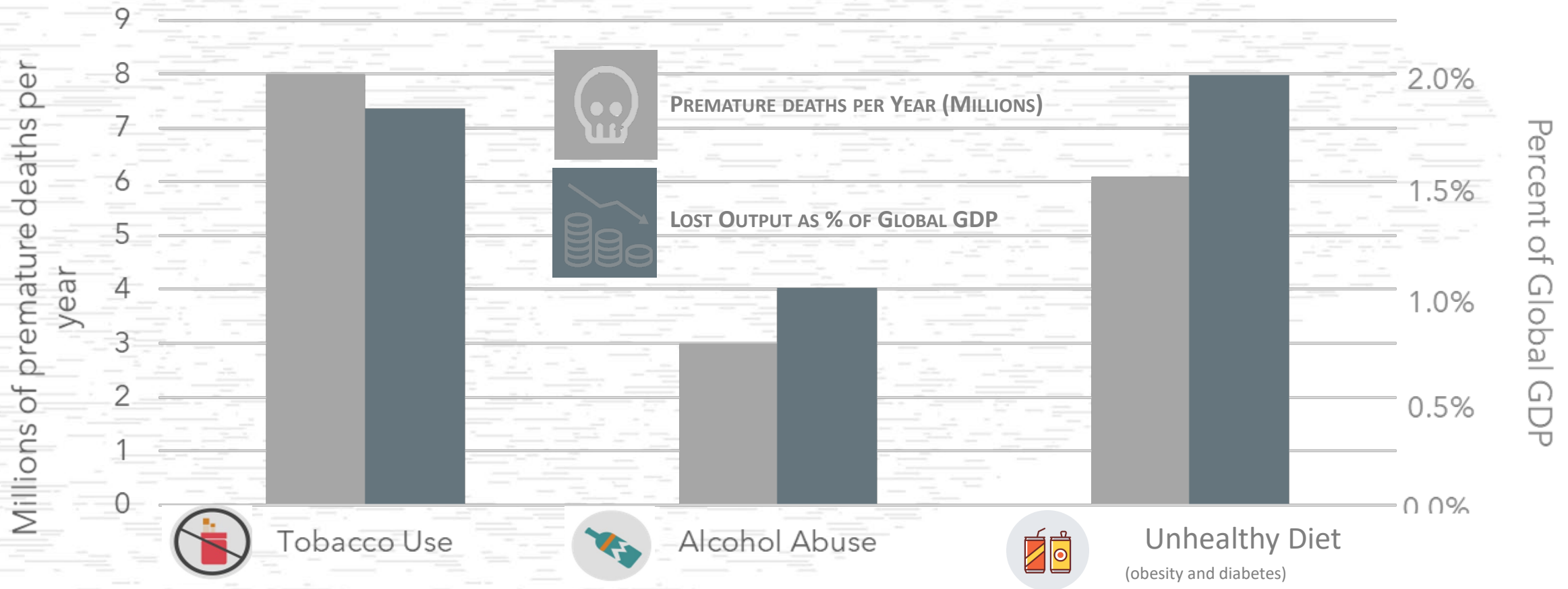
Underweighted Long-Term Harms

Healthcare Costs

Productivity Losses  
Indirect Harm to Others

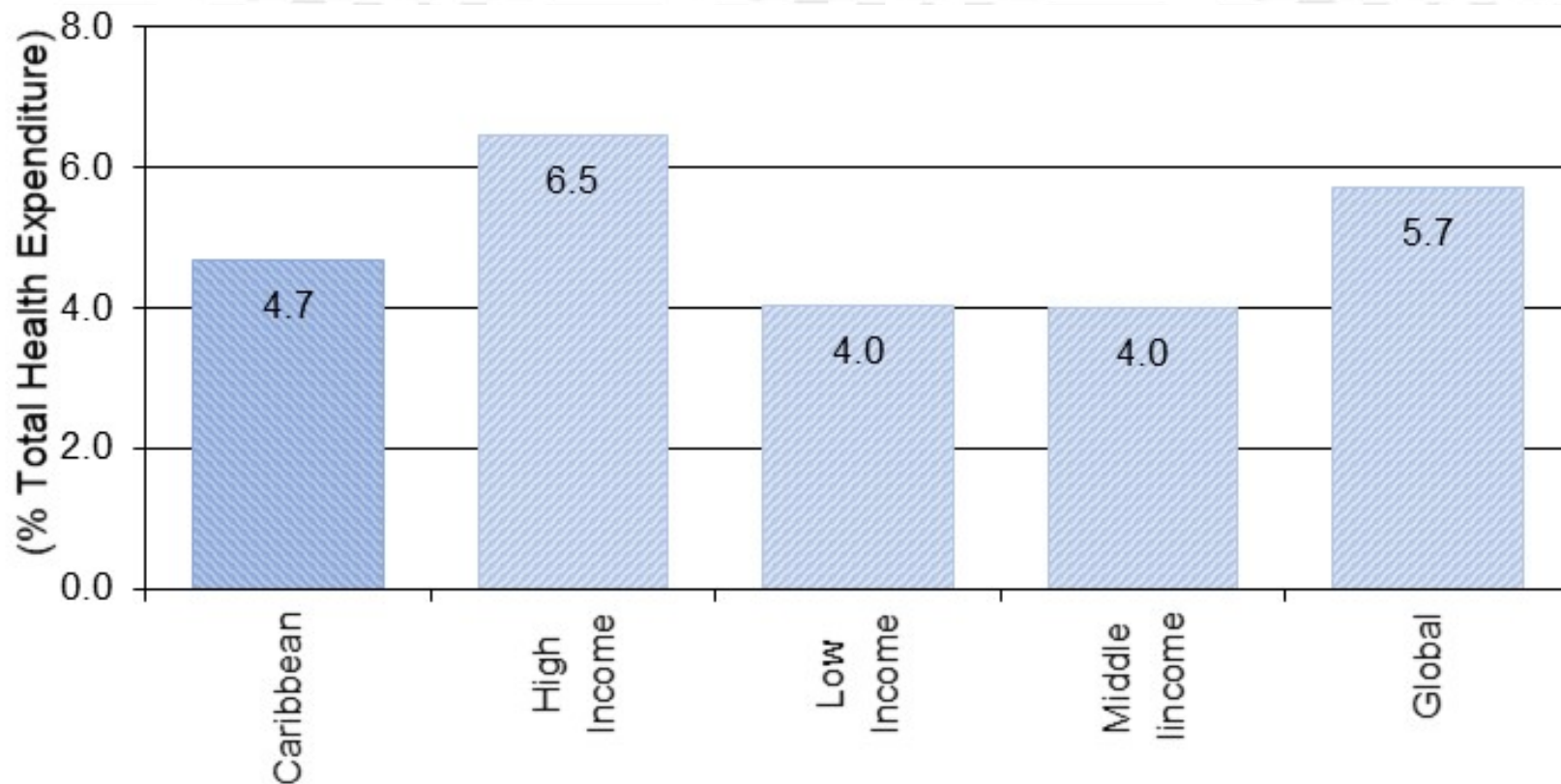


# TOBACCO, ALCOHOL, AND UNHEALTHY DIETS ARE RESPONSIBLE FOR ABOUT 15 MILLION DEATHS AND SIGNIFICANT ECONOMIC COSTS ANNUALLY



SOURCE: BASED ON FIGURES REPORTED IN BLOOMBERG TASK FORCE ON FISCAL POLICY FOR HEALTH REPORT "HEALTH TAXES TO SAVE LIVES"

# SMOKING-ATTRIBUTABLE HEALTH EXPENDITURES AMOUNT TO US\$ 422 BILLION PER ANNUM GLOBALLY



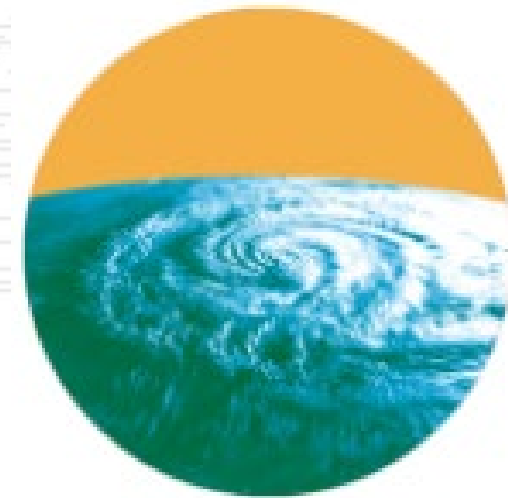
SMOKING-RELATED HEALTH EXPENDITURES FOR CARIBBEAN COUNTRIES WITH AVAILABLE DATA\* EXCEEDS US\$ 1 BILLION PER YEAR (4.7% OF TOTAL HEALTH SPENDING IN THESE COUNTRIES).

\* *BAHAMAS, BARBADOS, CUBA, DOMINICAN REPUBLIC, HAITI, JAMACIA, TRINIDAD AND TOBAGO.*

SOURCE: GOODCHILD M, NARGIS N, TURSAN D'ESPAIGNET E. GLOBAL ECONOMIC COST OF SMOKING-ATTRIBUTABLE DISEASES. TOBACCO CONTROL; 2018

## SUBOPTIMAL PRICING OF FOSSIL FUELS

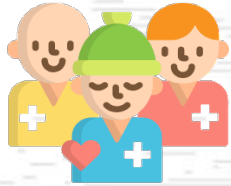
- FOSSIL FUELS ARE 'UNDER-PRICED' DUE TO EXTERNALITIES (AIR POLLUTION AND GLOBAL WARMING) AS WELL AS EXPLICIT SUBSIDIES MAINLY ON POWER GENERATION.
- INEFFICIENT PRICING OF FOSSIL FUELS COSTS US\$ 5.9 TRILLION ANNUALLY OR 6.8% OF GLOBAL GDP.
- MOST OF THE COST IS DUE TO EXTERNALITIES, NAMELY AIR POLLUTION (42% OF TOTAL) AND CLIMATE DAMAGES (29% OF TOTAL).
- EXPLICIT SUBSIDIES AMOUNT TO ABOUT \$0.45 TRILLION USDS ANNUALLY.



SOURCE: IAN PARRY, SIMON BLACK & NATE VERNON. STILL NOT GETTING ENERGY PRICES RIGHT: A GLOBAL AND COUNTRY UPDATE OF FOSSIL FUEL SUBSIDIES. WASHINGTON DC, INTERNATIONAL MONETARY FUND; SEPT 2021



# WHAT CAN HEALTH TAXES DO?



**REDUCE OVER CONSUMPTION OF PRODUCTS WITH NEGATIVE HEALTH IMPACT**

- IMPROVE HEALTH OUTCOMES
- IMPROVE PRODUCTIVITY

**CHANGE INVESTMENT, PRODUCTION AND CONSUMPTION PATTERNS**

**HEALTH TAXES AN AN INVESTMENT IN A HEALTHIER ECONOMY**

**HEALTH TAXES PROMOTE SUSTAINABLE DEVELOPMENT**

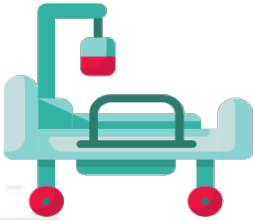
**INCREASE EXCISE TAX REVENUES**

- FINANCE DEVELOPMENT PRIORITIES ESPECIALLY PRO-POOR PROGRAMMES



**REDUCE NCD HEALTH CARE BURDENS**

- REALLOCATE SCARCE HEALTH SECTOR RESOURCES, THUS INCREASING BENEFITS
- EXPAND HEALTH FINANCING (HARD & SOFT EARMARKING)

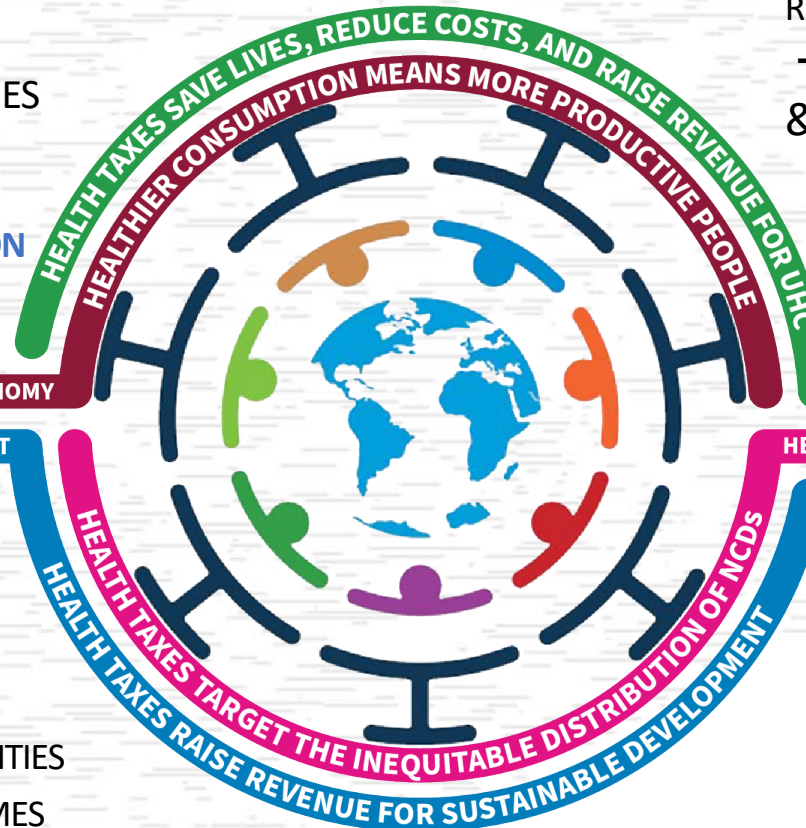


**HEALTH TAXES ARE AN INVESTMENT IN A HEALTHIER SOCIETY**

**HEALTH TAXES AN INVESTMENT IN A MORE EQUITABLE FUTURE**

**REDUCE DISPROPORTIONATE NCD RISK IN LOWER-INCOME GROUPS**

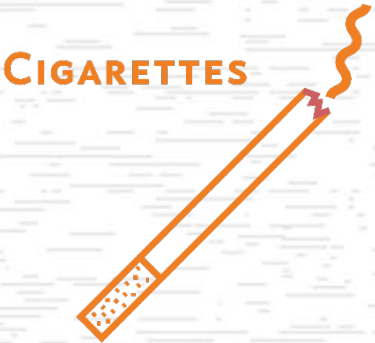
- INCREASE HEALTH EQUITY AND REDUCE FINANCIAL HARDSHIP



# HEALTH TAXES SAVE LIVES: EFFECT BY 2067 OF A ONE-TIME GLOBAL HEALTH TAX INCREASE THAT RAISES CIGARETTE, ALCOHOL AND SSB PRICES BY 50%

## ESTIMATED CONSUMPTION REDUCTION

CIGARETTES AND ALCOHOL ARE RELATIVELY 'PRICE INELASTIC'



CIGARETTES

10%-40%



ALCOHOL

AVERAGE 32%

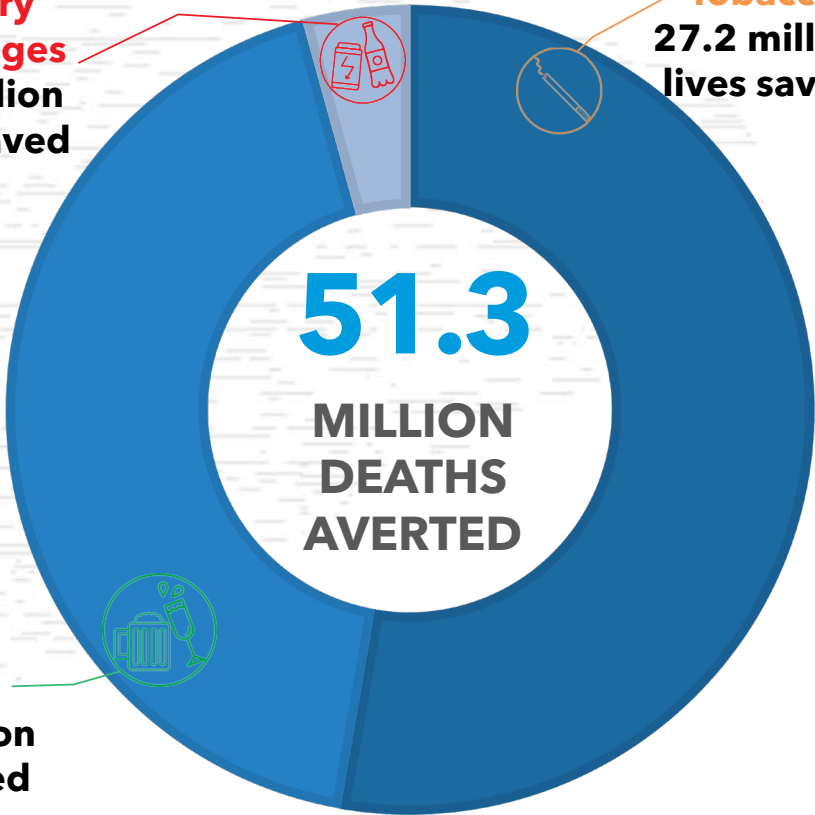


SSBs

APPROX. 60%

Sugary Beverages  
2.2million lives saved

Tobacco  
27.2 million lives saved



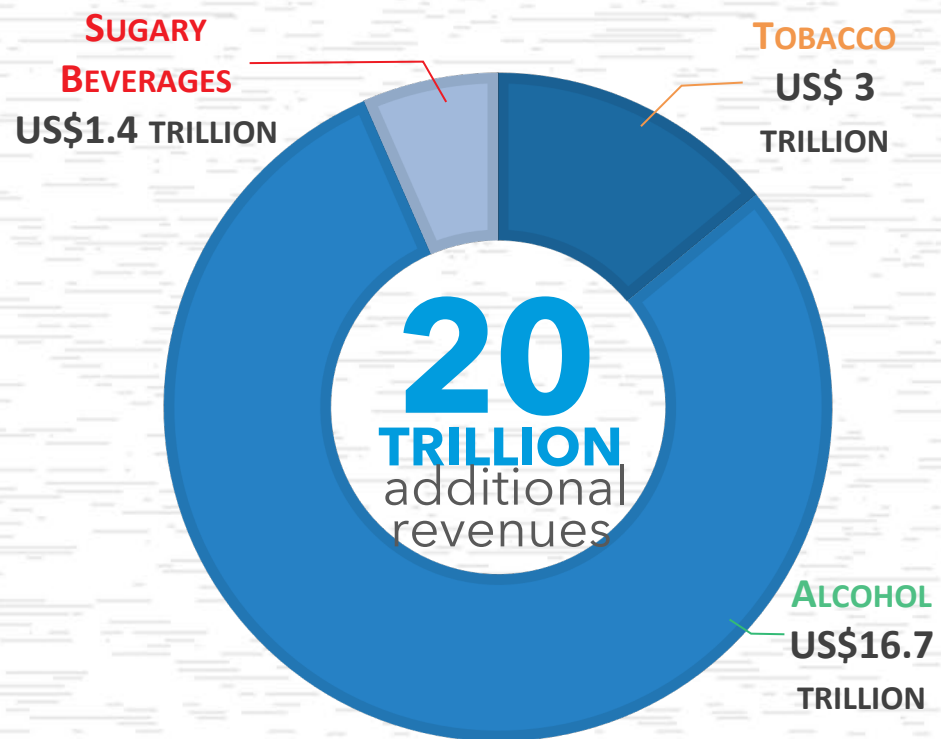
51.3  
MILLION  
DEATHS  
AVERTED

Sources: (1) Bloomberg Task Force on Fiscal Policy for Health Report "Health Taxes to Save Lives, and (2) Chaloupka and Powell, March 2018, "Using Fiscal Policy to Promote Health: Taxing Tobacco, Alcohol, and Sugary Beverages"



# HEALTH TAXES CAN ALSO MOBILIZE REVENUES

CUMULATIVE ADDITIONAL REVENUE (2017-2067),  
FROM A GLOBAL TAX INCREASE THAT RAISES  
CIGARETTE, ALCOHOL AND SSB PRICES BY 50%



*"...PRICE AND TAX MEASURES ON TOBACCO CAN BE AN EFFECTIVE AND IMPORTANT MEANS TO REDUCE TOBACCO CONSUMPTION AND HEALTH-CARE COSTS AND REPRESENT A REVENUE STREAM FOR FINANCING FOR DEVELOPMENT IN MANY COUNTRIES."*

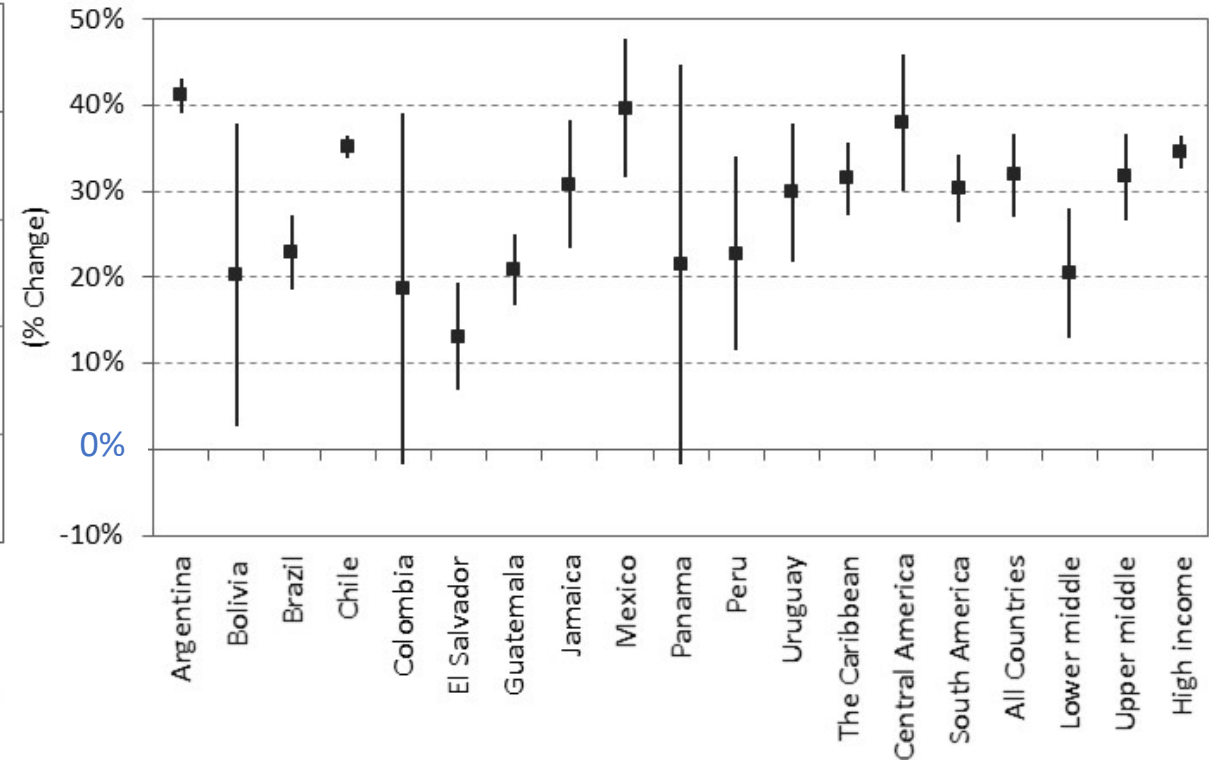
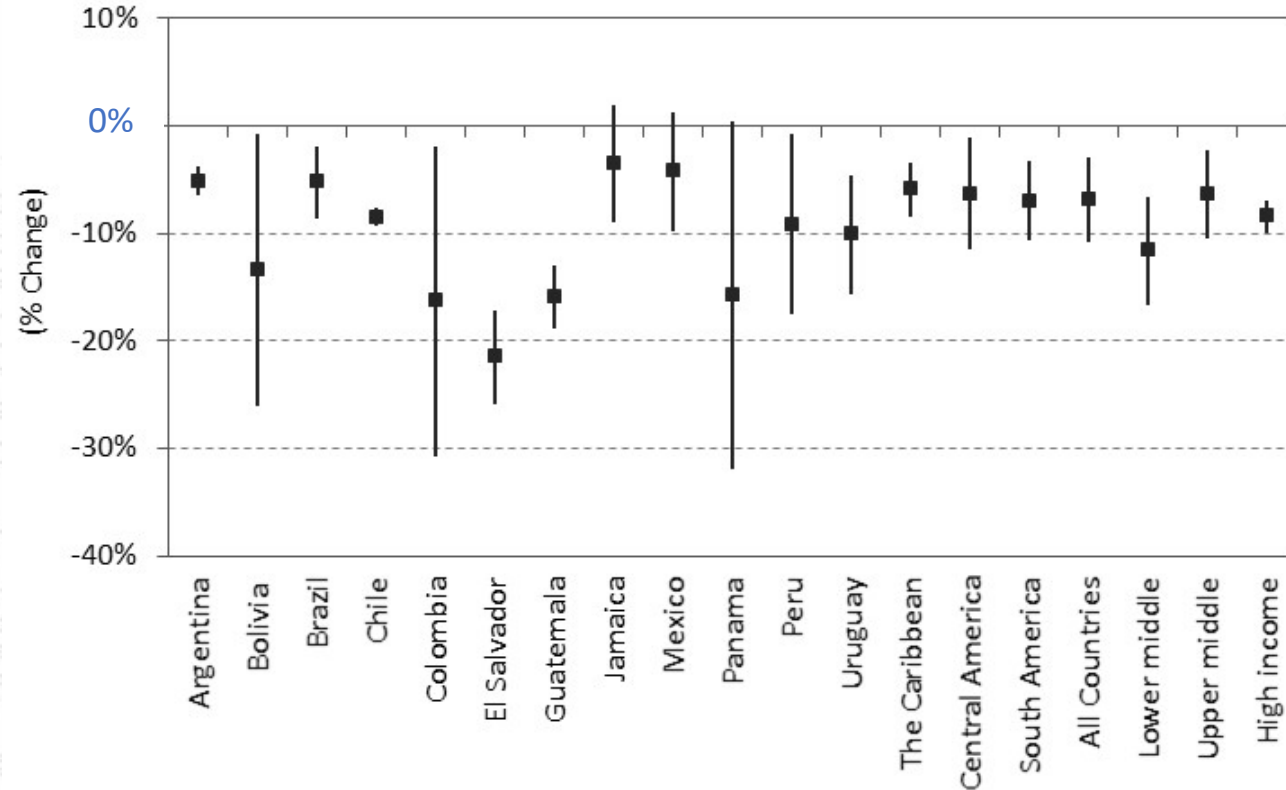
SOURCES: (1) BLOOMBERG TASK FORCE ON FISCAL POLICY FOR HEALTH REPORT "HEALTH TAXES TO SAVE LIVES, AND (2) CHALOUPKA AND POWELL, MARCH 2018, "USING FISCAL POLICY TO PROMOTE HEALTH: TAXING TOBACCO, ALCOHOL, AND SUGARY BEVERAGES"

# MODELLED IMPACT OF A 50% INCREASE IN CIGARETTE EXCISE FOR LATIN AMERICA AND THE CARIBBEAN: USING INDEPENDENT, COUNTRY-LEVEL STUDIES PRICE ELASTICITY

IN THE CARIBBEAN: CIGARETTE PRICES WOULD INCREASE BY 19%, CONSUMPTION WOULD DECREASE BY 6%, AND TAX REVENUES WOULD INCREASE BY 32%

## ESTIMATED DECREASE IN CONSUMPTION

## ESTIMATED INCREASE IN TAX REVENUES



SOURCE: GOODCHILD M, SANDOVAL RC, BELAUSTEIGUIGOITIA I. GENERATING REVENUE BY RAISING TOBACCO TAXES IN LATIN AMERICA AND THE CARIBBEAN. REV PANAM SALUD PUBLICA. 2017

# EFFICIENT PRICING OF FOSSIL FUELS

- A WELL-DESIGNED CARBON PRICE IS AN INDISPENSABLE PART OF A STRATEGY FOR REDUCING EMISSIONS IN AN EFFICIENT WAY.
- CARBON PRICING AIMS TO INCENTIVIZE CHANGES IN INVESTMENT, PRODUCTION AND CONSUMPTION, AS WELL AS SPURRING TECHNOLOGY CHANGE TO BRING DOWN ABATEMENT COSTS.
- A WIDELY CITED REVIEW CHAIRED BY JOSEPH STIGLITZ & NICHOLAS STERN PUT THE VALUE OF CO<sub>2</sub> EMISSIONS CONSISTENT WITH THE PARIS AGREEMENT (TO LIMIT GLOBAL WARMING TO BELOW 2 °C...) AT US\$ 40-80/TON IN 2020, RISING TO \$50-100 PER TON BY 2030.
- A RECENT IMF STUDY THAT MODELLED THE EFFECT OF A CARBON PRICE BEGINNING AT US\$ 60/TON IN 2020 FOUND THAT:
  - ✓ CO<sub>2</sub> EMISSIONS WOULD REDUCE BY 32% BY 2025 THUS BROADLY ACHIEVING PARIS AGREEMENT CO<sub>2</sub> TARGET
  - ✓ GENERATE US\$ 4.2 TRILLION IN TAX REVENUES (REPRESENTING 3.8% OF GLOBAL GDP).
  - ✓ AVERT 0.9 MILLION DEATHS FROM AIR POLLUTION EACH YEAR.

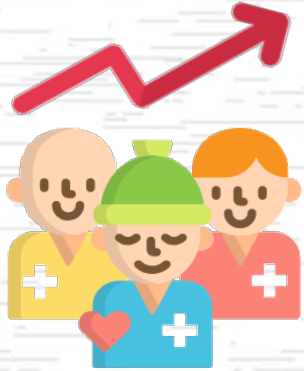
SOURCE: IAN PARRY, SIMON BLACK & NATE VERNON. STILL NOT GETTING ENERGY PRICES RIGHT: A GLOBAL AND COUNTRY UPDATE OF FOSSIL FUEL SUBSIDIES. WASHINGTON DC, INTERNATIONAL MONETARY FUND; SEPT 2021

13 CLIMATE ACTION





# IN SUMMARY...HEALTH TAXES ARE WIN-WIN-WIN-WIN



REDUCE OVER CONSUMPTION OF PRODUCTS WITH NEGATIVE HEALTH IMPACT

- IMPROVE HEALTH OUTCOMES
- IMPROVE WELLBEING & PRODUCTIVITY

REDUCE HEALTH CARE BURDEN  
→ SUPPORT HEALTH SYSTEMS, DELIVERY AND FINANCING

REDUCE DISPROPORTIONATE RISK IN LOWER-INCOME GROUPS  
→ INCREASE HEALTH EQUITY  
→ AVOID DISPROPORTIONATE IMPACT OF EXTREME WEATHER CONDITIONS

INCREASE EXCISE TAX REVENUES  
→ FINANCE DEVELOPMENT PRIORITIES THAT FURTHER SUPPORT THE POOR AND IMPROVE EQUITY

THANK YOU!

[HTTPS://WWW.WHO.INT/HEALTH-TOPICS/HEALTH-TAXES](https://www.who.int/health-topics/health-taxes)

