

Tobacco's Master Settlement Agreement: How Funds Are Allocated in Georgia

A BRIEFING PREPARED BY

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ABOUT GEORGIA CORE

Georgia CORE is a public-private partnership that connects cancer care providers, leaders, organizations, and advocates throughout the state. Led by a Board of Directors of cancer experts from academic institutions, hospitals and cancer centers, collaboration orchestrated by Georgia CORE improves access to clinical trials, personalized cancer care and support for patients, survivors, and caregivers. It created GeorgiaCancerInfo.org, the only statewide online information center of its kind, where details can be found on oncologists, clinical trials and treatment centers throughout the state.

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A QUICK PRIMER

The Master Settlement Agreement provides Georgia with yearly payments from tobacco companies to further public health in the state.

History was made in November 1998 when four major tobacco companies entered into an agreement with 46 U.S. states, five territories and the District of Columbia. The Master Settlement Agreement (MSA) was established “to further ...states’ policies regarding public health, including policies adopted to achieve a significant reduction in smoking by youth.” (Master Settlement Agreement, p. 1)

The agreement – the largest civil settlement ever reached in the U.S. – stipulated that tobacco companies provide annual payments to the signing states and territories, including Georgia. In exchange for these payments, the states and territories agreed not to make any future legal claims against the companies, though their citizens could do so.

CALCULATING THE ANNUAL MSA PAYMENTS TO THE STATES

The tobacco companies’ annual payments to the states began on April 15, 2000. How much each participating tobacco company must pay – and how much each state receives – is determined by an independent auditor working with a highly complex formula.

Inflation is one factor in the formula; so is the volume of shipped cigarettes, which has decreased over time. Disputes in the annual calculations are sent to a panel of three former federal judges whose decision amounts to binding arbitration.

Beyond providing states with a stream of yearly revenue “in perpetuity,” the MSA prohibits tobacco advertising aimed at children under 18 and adds restrictions to marketing and promoting cigarettes in general. It also makes millions of tobacco industry documents available to the general public.

Why only 46 states? A year earlier, four other states (Florida, Mississippi, Texas and Minnesota) had already reached settlements with tobacco companies. Since the 1998 signing of the Master Settlement Agreement, several dozen other tobacco companies have entered into it and are covered by the same terms.

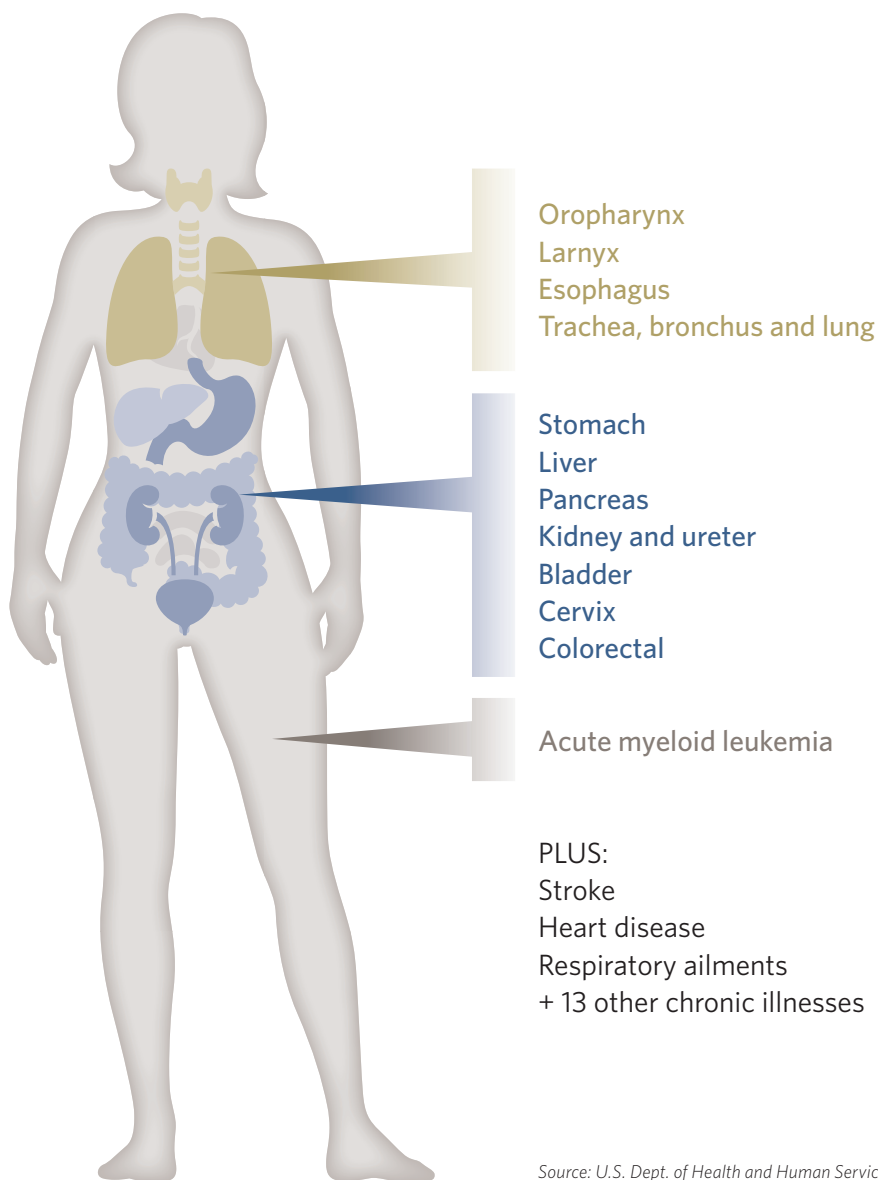
While the agreement was intended to help states address and prevent the harmful health effects of tobacco use, the MSA does not specify how states use the funds they receive each year. Since the first payments of the MSA were made, Georgia has received a total of \$3.15 billion. For a breakdown of how Georgia has allocated its annual share of tobacco settlement funds, see Appendix A on page 10.

It’s worth noting that states have another revenue source beyond the MSA settlement to reduce tobacco consumption: A tax on tobacco products. Research has shown that a higher tax on these products makes them harder for teens to afford, thus providing an effective prevention strategy. Studies have also demonstrated that the more expensive tobacco products are, the more likely adults will stop using them.

Cancer is the deadliest of the tobacco-caused illnesses.

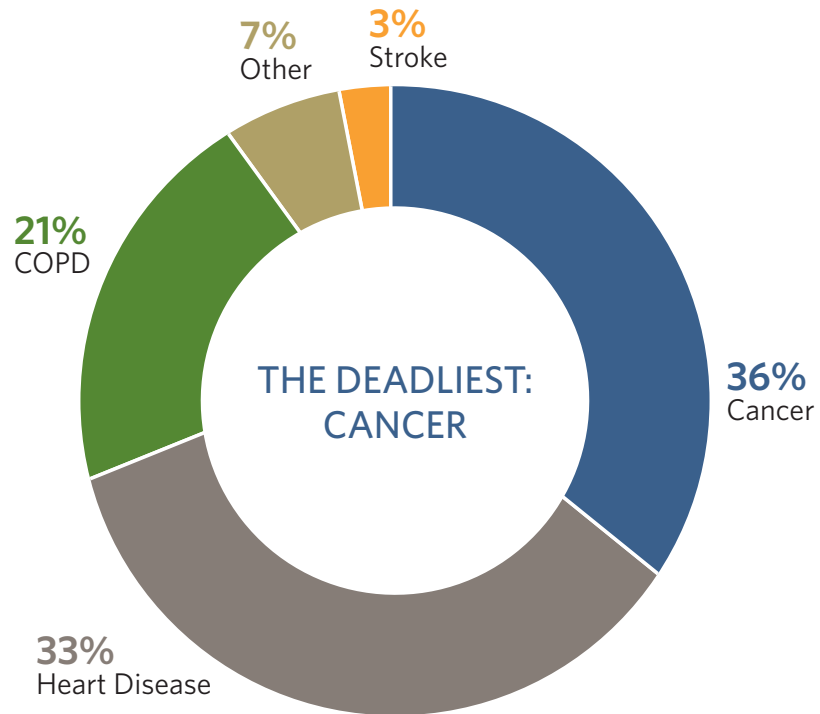
The horrible consequences of tobacco use are well documented. In 2014, the U.S. Department of Health and Human Services created an inventory of diseases and illnesses that are “causally linked” to smoking. Of these, the list of cancers is astonishing.

How smoking harms health: Cancers with a ‘causal link’



Further, the U.S. Centers for Disease Control and Prevention (CDC) reports that of all the illnesses caused by smoking, cancer is the deadliest.

Death from diseases caused by smoking



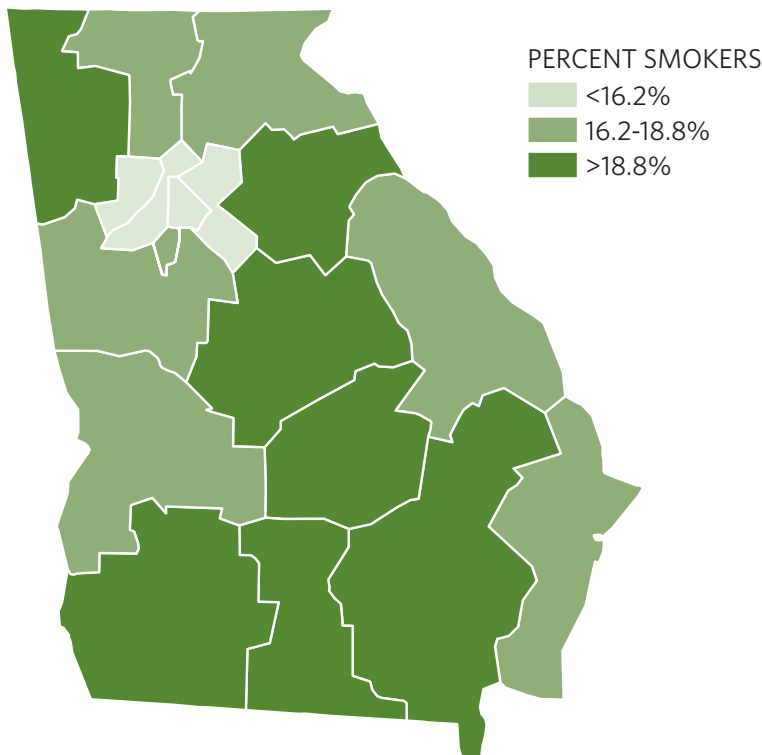
Source: CDC

The harmful effects of tobacco are not news to Georgia. According to a 2015 analysis by the Georgia Department of Public Health:

- Smoking-related illnesses kill 10,000 adult Georgians every year
- Of these, 4,500 die from cancers caused by tobacco
- Another 2,750 die from cardiovascular disease and 3,100 die from respiratory disease
- 13 infants die each year because their mothers smoked during pregnancy

Smoking is most prevalent in the rural areas of the state. Not surprisingly, a higher percentage of Georgians in these areas suffer from cancer.

Percentage of adult smokers by public health district (2017)



Data source: Georgia Behavioral Risk Factor Surveillance System

Tobacco is a key driver of the extremely serious cancer problem in our state. Nearly 57,000 Georgians are diagnosed with cancer each year.

Despite improvements in fighting cancer, Georgia continues to have rates of cancer incidence and death that are higher than the national average. About 18,000 of our citizens die from cancer every year, making it the second-leading cause of death in the state. Cancer is costly to treat, and it's the second-leading source of lost productivity and disability, according to the Business Leaders Initiative on Cancer.

Given these statistics, it's no wonder that so many people fear cancer: The nonprofit think tank Research America says the disease is perceived as the No. 1 health concern in the country.

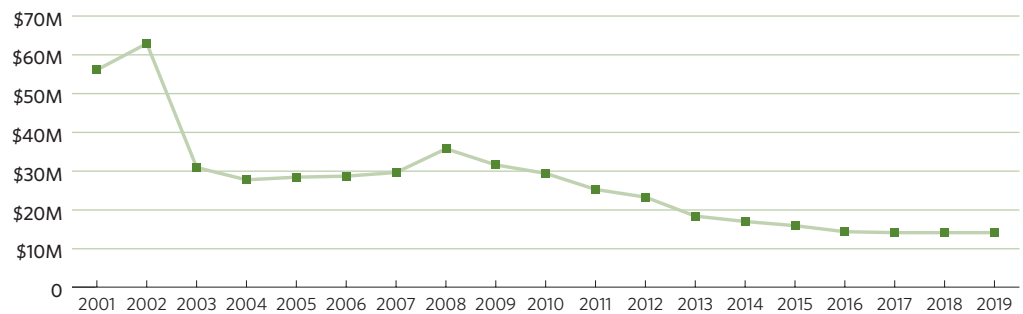
GEORGIA AND MSA FUNDS

Georgia directs some MSA funds to cancer-related initiatives, including tobacco control. But the amount and share of these funds have diminished over time.

Annual payments to Georgia from the Master Settlement Agreement are used for a wide range of activities (see Appendix A on page 10). Some of these target cancer-specific programs – but over the years, Georgia has directed fewer funds to such efforts.

Down, then flat

Georgia's allocation of MSA funds for cancer treatment and prevention



Source: Georgia House Budget and Research Office data

The same is true of the percentage of MSA funds allocated: This year, 9 cents of every dollar received from the Master Settlement Agreement in Georgia was directed specifically to cancer-related programs.

Over time, a smaller share

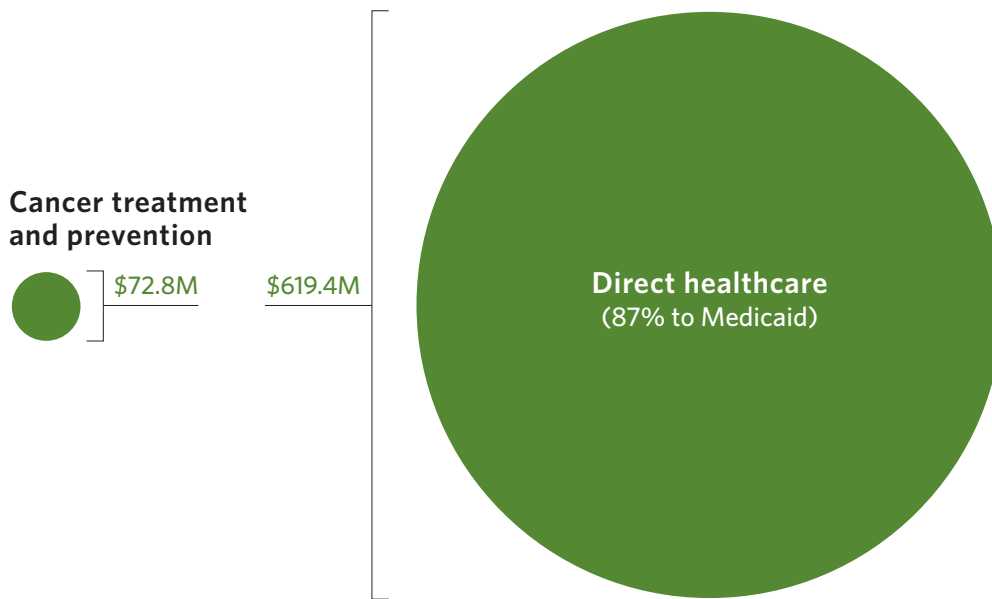
Portion of Georgia's MSA funds directed to cancer-specific activities



Source: Georgia House Budget and Research Office data

More recently – specifically, over the last five years – Georgia’s MSA funding for cancer-specific initiatives has been dwarfed by other priorities. The largest of these other priorities: Georgia Medicaid.

5 years of MSA funding in Georgia, 2015-19



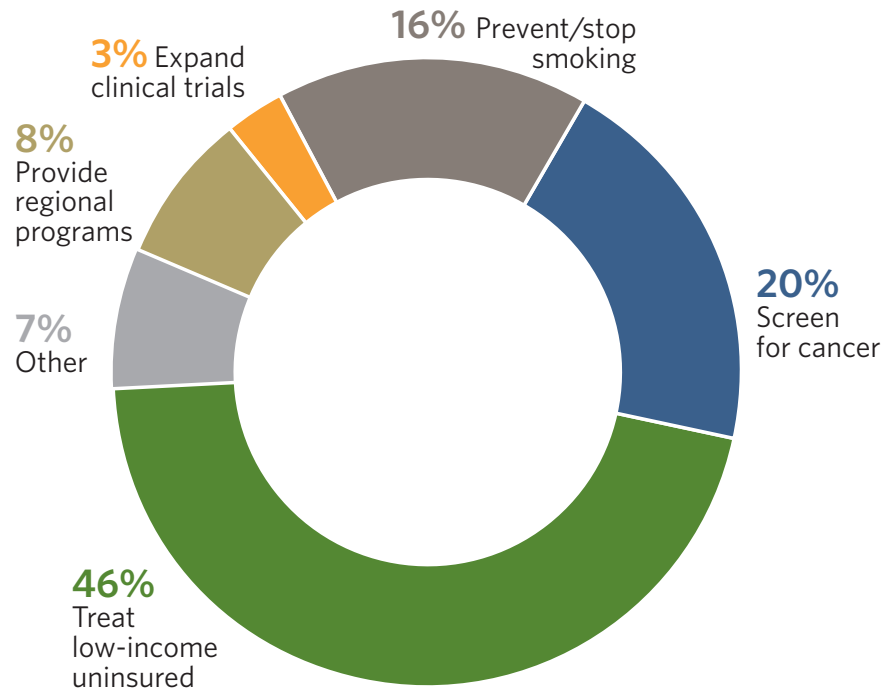
Source: Georgia House Budget and Research Office data

What are cancer-specific activities funded by Georgia MSA funds? Some examples:

- Screenings in communities across the state to help Georgians detect cancer earlier, when treatments are more effective
- Programs to prevent cancer by discouraging our state’s citizens from smoking (or to help them stop)
- Efforts to bring clinical trials and more cutting-edge cancer treatments to Georgians, no matter where they live
- Regional coalitions that coordinate local resources to prevent and control cancer (and minimize duplication of services)
- Cancer treatment provided by local doctors and hospitals for patients without insurance

Over the past five years, here's how MSA funding for Georgia's cancer-specific activities was allocated:

Top cancer-specific activities receiving Georgia's MSA funds (FY2015-19)



A few key takeaways

- The intent of the Master Settlement Agreement was to settle litigation around smoking and provide states with annual funds to address health concerns.
- Cancer is one of the most serious health issues facing Georgians. So is tobacco use. And they are both related.
- Georgia has a track record of using MSA funds for health-related purposes. But Georgia's allocation of MSA funds to support cancer-related initiatives and efforts has declined over the years, both in amount and percentage.
- A follow-up report on the impact of Georgia's use of MSA funds for cancer-related activities is being compiled. This report will help guide policy makers on how to best allocate resources for cancer prevention, screening, treatment and research.

OUR NEXT REPORT

Georgia's cancer-related activities receiving MSA fund allocations have generated a healthy ROI.

Georgia CORE is now compiling examples and metrics to illustrate the impact of Georgia's cancer-related activities supported by MSA funding. These serve as evidence of "what works" in our state to help Georgians prevent cancer and access high-quality care. They also demonstrate the financial return on investment in programs and initiatives that target cancer in our state.

< APPENDIX A:
How Georgia allocated
its share of MSA funds

How Georgia has allocated annual payments from the Master Settlement Agreement

Use of Tobacco Funds	Agency	FY 2019	FY 2018	FY 2017	FY 2016
Rural Economic Development					
Appropriated to Reserves	DCA				
One Georgia Authority	DCA				
Subtotal					
Direct Healthcare					
Low Income Medicaid	DCH	\$ 119,561,391	\$ 105,910,484	\$ 93,892,175	\$ 107,785,006
PeachCare for Kids	DCH				
School Nurses	DOE				
Newborn Hearing Screening	DHR				
Early Intervention for At-Risk Families	DHR				
Chronic Disease Prevention Program	DHR				
Independent Care Waiver Program	DCH				
AIDS Drug Assistance Program	DCH				
Critical Access Hospital Reimbursement	DCH				
Federal Financial Participation reduction	DCH/DHR				
Rural Health Infrastructure	DCH				
Rural Primary Care Access Initiative	DCH				
Medicaid Inpatient Hospital Reimbursement	DCH				
New-Start FQHCs	DCH				
Suicide Prevention	DHR				
Community Care Services Program	DHS	\$ 6,191,806	\$ 6,191,806	\$ 6,191,806	\$ 6,191,806
Home and Community Based Services for the Elderly	DHS				
Adult Developmental Disabilities Waiver Services	DBHDD	\$ 10,255,138	\$ 10,255,138	\$ 10,255,138	\$ 10,255,138
Subtotal		\$ 136,008,335	\$ 122,357,428	\$ 110,339,119	\$ 124,231,950
Cancer Treatment and Prevention					
Breast and Cervical Cancer Treatment	DCH				
Smoking Prevention and Cessation	DPH	\$ 2,368,932	\$ 2,368,932	\$ 2,368,932	\$ 2,368,932
Cancer Screening	DPH	\$ 2,915,302	\$ 2,915,302	\$ 2,915,302	\$ 2,915,302
Cancer Treatment for Low-Income Uninsured	DPH	\$ 6,613,249	\$ 6,613,249	\$ 6,613,249	\$ 6,613,249
Cancer Registry	DPH	\$ 115,637	\$ 115,637	\$ 115,637	\$ 115,637
Clinical Trials Outreach and Education	DPH	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Public Health Information Technology Support	DHR				
Public Education Campaign	DHR/BOR				
Nursing Consultants/Early Detection Initiatives	DHR				
Georgia Institute for Lung Cancer Research	DHR				
Ovarian Cancer Alliance	DCH				
Training for Cancer Caregivers	DCH				
Cervical Cancer Detection Equipment	DHR				
Evaluation of Cancer Standards of Care	BOR				
Cancer Center of Excellence at Grady Hospital	BOR				
Seed Capital Fund	BOR				
Regional Cancer Coalitions	DPH/DEcD	\$ 1,204,740	\$ 1,204,740	\$ 1,204,740	\$ 1,204,740
Eminent Cancer Scientists & Clinicians/Endowment	DEcD/BOR				\$ 247,158
Cancer Program Administration/Initiatives	DEcD/BOR				
MCG: Cancer Center Mission Enhancement	BOR				
Enforcement/Compliance for Underage Smoking	DOR	\$ 433,783	\$ 433,783	\$ 433,783	\$ 433,783
Subtotal		\$ 14,151,643	\$ 14,151,643	\$ 14,151,643	\$ 14,398,801
Total Tobacco Settlement Funds Appropriated		\$ 150,159,978	\$ 136,509,071	\$ 124,490,762	\$ 138,630,751

FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
				\$ 10,000,000			\$ 47,123,333
				\$ 10,000,000			\$ 47,123,333
\$ 109,968,257	\$ 166,642,729	\$ 118,493,257	\$ 98,719,052	\$ 95,061,926	\$ 228,357,520	\$ 77,430,117	\$ 13,999,451
					\$ 3,500,000	\$ 3,500,000	\$ 3,500,000
							\$ 1,350,000
					\$ 30,000,000	\$ 30,000,000	\$ 30,000,000
					\$ 250,000		
						\$ 75,000	\$ 150,000
\$ 2,383,220	\$ 2,383,220	\$ 2,383,220	\$ 2,383,220	\$ 2,383,220	\$ 2,383,220	\$ 2,383,220	\$ 2,383,220
\$ 3,808,586	\$ 3,808,586	\$ 3,808,586	\$ 3,808,586	\$ 3,808,586	\$ 3,808,586	\$ 3,808,586	\$ 3,808,586
\$ 10,255,138	\$ 10,255,138	\$ 10,255,138	\$ 10,255,138	\$ 10,255,138	\$ 10,255,138	\$ 10,255,138	\$ 10,255,138
\$ 126,415,201	\$ 183,089,673	\$ 134,940,201	\$ 115,165,996	\$ 111,508,870	\$ 278,554,464	\$ 127,452,061	\$ 65,446,395
			\$ 3,474,205	\$ 3,474,205	\$ 3,474,205	\$ 3,474,205	\$ 3,474,205
\$ 2,368,932	\$ 2,368,932	\$ 2,368,932	\$ 2,368,932	\$ 2,368,932	\$ 2,281,670	\$ 2,149,875	\$ 2,281,670
\$ 2,915,302	\$ 2,915,302	\$ 2,915,302	\$ 2,915,302	\$ 2,915,302	\$ 2,915,302	\$ 2,915,302	\$ 2,915,302
\$ 6,613,249	\$ 6,613,249	\$ 6,613,249	\$ 6,613,249	\$ 6,613,249	\$ 6,475,000	\$ 6,475,000	\$ 5,000,000
\$ 115,637	\$ 115,637	\$ 115,637	\$ 115,637	\$ 115,637	\$ 115,637	\$ 115,637	\$ 115,637
\$ 500,000	\$ 275,000						
						\$ 131,795	
\$ 1,204,740	\$ 1,204,740	\$ 1,204,740	\$ 1,242,000				
\$ 1,597,011	\$ 2,899,329	\$ 4,566,800	\$ 5,809,654	\$ 6,836,887	\$ 5,900,000	\$ 8,800,000	\$ 8,800,000
\$ 202,917	\$ 202,917	\$ 477,917	\$ 617,292	\$ 2,815,747	\$ 3,120,073	\$ 2,405,466	\$ 8,037,799
					\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
\$ 433,783	\$ 433,783	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
\$ 15,951,571	\$ 17,028,889	\$ 18,412,577	\$ 23,306,271	\$ 25,289,959	\$ 29,431,887	\$ 31,617,280	\$ 35,774,613
\$ 142,366,772	\$ 200,118,562	\$ 153,352,778	\$ 138,472,267	\$ 146,798,829	\$ 307,986,351	\$ 159,069,341	\$ 148,344,341

FY 2007	FY 2006	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001
						\$ 39,953,629
\$ 47,123,333	\$ 47,123,333	\$ 47,123,333	\$ 65,834,093	\$ 78,051,263	\$ 34,131,677	\$ 40,000,000
\$ 47,123,333	\$ 47,123,333	\$ 47,123,333	\$ 65,834,093	\$ 78,051,263	\$ 34,131,677	\$ 79,953,629
\$ 13,999,451	\$ 13,999,451	\$ 13,999,451	\$ 13,999,451	\$ 8,999,451	\$ 8,193,814	\$ 4,983,896
\$ 4,970,705	\$ 4,970,705	\$ 4,970,705	\$ 4,970,705	\$ 4,970,705	\$ 4,539,084	\$ 2,756,037
\$ 19,993,318		\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000
	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,840,000	\$ 2,840,000	\$ 2,000,000
	\$ 3,341,218	\$ 3,341,218	\$ 3,341,218	\$ 3,341,218	\$ 3,341,218	\$ 3,341,218
	\$ 1,350,000	\$ 1,350,000	\$ 1,350,000	\$ 1,350,000	\$ 1,350,000	\$ 1,350,000
	\$ 2,143,025	\$ 2,143,025	\$ 2,143,025	\$ 2,143,025	\$ 2,143,025	\$ 2,143,025
	\$ 1,226,667	\$ 1,226,667	\$ 1,226,667	\$ 1,226,667	\$ 1,226,667	\$ 1,226,667
\$ 3,500,000	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000
					\$ 220,650	
						\$ 3,500,000
\$ 30,000,000	\$ 30,000,000					
\$ 4,190,586	\$ 4,191,806	\$ 4,191,806	\$ 4,190,586	\$ 4,190,586	\$ 4,190,586	\$ 4,190,586
\$ 3,808,586	\$ 3,808,586	\$ 3,808,586	\$ 3,808,586	\$ 3,808,586	\$ 3,808,586	\$ 3,808,586
\$ 10,256,358	\$ 10,255,138	\$ 10,255,138	\$ 10,256,358	\$ 10,256,358	\$ 10,251,882	\$ 10,251,882
\$ 90,719,004	\$ 80,786,596	\$ 80,786,596	\$ 80,786,596	\$ 76,626,596	\$ 75,605,512	\$ 69,551,897
\$ 3,474,205	\$ 3,474,205	\$ 3,474,205	\$ 3,474,205	\$ 3,474,205		
\$ 3,205,245	\$ 3,205,245	\$ 12,482,622	\$ 12,185,099	\$ 14,326,237	\$ 24,715,890	\$ 15,515,890
\$ 1,757,364	\$ 1,757,364	\$ 1,757,364	\$ 1,437,500	\$ 1,587,500	\$ 2,147,090	\$ 1,250,000
\$ 5,000,000	\$ 3,547,455	\$ 3,547,455	\$ 3,547,455	\$ 4,087,108	\$ 8,521,660	\$ 1,000,000
\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 415,000	\$ 350,000
					\$ 200,000	
		\$ 251,373	\$ 171,237	\$ 180,250	\$ 4,900,000	\$ 655,000
		\$ 203,875	\$ 203,875	\$ 203,875	\$ 1,366,375	\$ 1,500,000
					\$ 300,000	\$ 28,350,341
					\$ 125,000	
					\$ 2,000,000	
						\$ 3,000,000
\$ 7,092,377	\$ 7,092,377	\$ 4,840,000	\$ 4,840,000	\$ 4,840,000	\$ 7,771,000	\$ 5,500,000
\$ 3,640,177	\$ 4,140,177	\$ 1,403,177	\$ 1,404,639	\$ 1,745,889	\$ 7,445,857	\$ 1,749,554
\$ 5,000,000	\$ 5,000,000					
\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ -	\$ 250,000
\$ 29,669,368	\$ 28,716,823	\$ 28,460,071	\$ 27,764,010	\$ 30,945,064	\$ 62,907,872	\$ 56,120,785
\$ 167,511,705	\$ 156,626,752	\$ 156,370,000	\$ 174,384,699	\$ 185,622,923	\$ 172,645,061	\$ 205,626,311

We are grateful to our partners for their consistent support of Georgia CORE.

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