30 January 2009

The Economics of Prevention Project

BIAC Comments

BIAC would like to thank the OECD for the opportunity to review and submit comments on the papers on the OECD economics of prevention project, a preliminary discussion on which took place at the December 2008 meeting of the OECD Health Committee and the preceding consultation with BIAC and TUAC.

The attached comments consist of three parts:

I. BIAC comments

II. Comments provided by the food and beverage industry

III. Comments provided by the sports sector

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PART I: General BIAC Comments

The Business and Industry Advisory Committee to the OECD (BIAC) appreciates the opportunity to provide comments on the OECD project on the economics of prevention, which focuses on the case of obesity. This OECD project responds to rising concerns of governments, employers and the public at large about the growth in the burden of chronic diseases in relation to changing lifestyles. BIAC would like to draw the attention of the Health Committee again to the BIAC paper on the economics of prevention, which summarizes our key messages.

BIAC has supported the OECD's decision to study the economics of prevention of non-communicable diseases and has previously recommended a horizontal approach rather than a single sector approach to address health-related issues. BIAC is concerned that increased corporate taxes and social security premiums will undoubtedly lead to excessive burdens on productivity and weaken economies throughout the OECD.

BIAC fully recognizes that significant increases in non-communicable diseases (such as cardiovascular disease, hypertension and diabetes) are linked to the increasing prevalence of obesity and are associated with a number of factors including poor diets, less physical activity and changes in lifestyle in OECD countries. We welcome the OECD's collection of data on international trends in this respect.

OECD's revised paper DELSA/HEA(2008)13 is an improvement over earlier OECD papers and provides new insights. BIAC is pleased that the Secretariat has incorporated input from BIAC as well as information from the brainstorming meeting with the private sector in July 2008 *(copy attached).* BIAC would like to offer the following general comments on the focus on obesity.

- ***Macro-economic trends:*** Obesity is the consequence of a variety of causes and trends. BIAC is concerned that although "market and rationality failures" have not been demonstrated, they remain nevertheless an underlying premise of the project.

- ***Rise in Obesity is a Multi-Factorial Issue***: BIAC underscores the importance of the multi-factorial nature of the obesity issue, which the Secretariat has recognized in its report. We agree with the OECD that obesity is a multi-factorial problem requiring a multi-stakeholder response.

- ***Guidance for How to Eat, Not What to Eat***: In evaluating the possible policy conclusions, BIAC reminds the Secretariat that a distinction should be made between commodities whose consumption is invariably unhealthy (e.g. tobacco) and commodities whose impact on health depends on how they are consumed (food).

- ***Physical Activity is Crucial:*** Member States should explore opportunities for encouraging greater physical activity among populations through civic planning, education, transportation and collaboration with other stakeholders, and for the sports and exercise industry to play an active role.

- ***Wellness programs:*** Numerous wellness programs have proven to be successful and can be taken as examples of effective efforts. BIAC believes the Secretariat should provide Member States with a model for encouraging the prevention of non-communicable diseases by highlighting workplace wellness programs.

- ***Fiscal Policy:*** We would like to underline that fiscal policy is not the most cost-effective tool for addressing obesity and can have other unintended consequences.

- ***Self-Regulatory Mechanisms:*** Over the past several years, business and industry have changed their policies to address obesity concerns. These efforts are changing the advertising and marketing of products and establishing a "best practice" model for other companies to follow.

PART II: The perspective of the Food and Beverage Industry

Business welcomes the inclusion by the Secretariat of information about the significant initiatives being taken by the private sector, including the food and beverage industry, to address the rise in obesity. BIAC is pleased that the Secretariat agreed to meet and consult with representatives of the food and beverage industry in July to obtain first hand information about what has changed over the past several years, and how the private sector is responding to the WHO's 2004 Global Strategy, including by:

- Offering healthier products through product innovation and reformulation
- Providing more information to consumers through nutrition labelling so that they can make informed choices
- Adopting responsible marketing policies, particularly with respect to children
- Working with other stakeholders to promote physical activity and nutrition education

In its consultation with the Secretariat, the food and beverage industry did provide several areas in which further work by the OECD would be helpful, such as:

1) Using corporate workplace wellness initiatives as models for government programs aimed at government employees,
2) Consumer nutrition education initiatives which provide consumers with knowledge to better understand how to utilize the information on product labels,
3) Basic health data collection that currently does not exist in most OECD countries, and
4) Establishing a legal framework which sets broad parameters for business, including clear rules to prevent surreptitious or misleading advertising, inside of which self-regulatory mechanisms can operate in a complementary fashion.

Macro-economic trends: Business is concerned that "market and rationality failures" remain an underlying premise of the project. The Economics of Prevention project has not proven the existence of market failure. Moreover, the Secretariat has failed to take into consideration the economic analyses offered by Philippson and Zwicki as part of the April 2008 Experts Group meeting and in separate written submissions. For example, the report neglects the macro-economic trends which have changed how people eat and work both in the professional and home setting over the past decades:

1) Declines in the relative cost of food and increases in the relative cost of exercise;
2) Dramatic reductions in levels of physical activity resulting from technological changes in how work is performed;
3) Increased popularity of sedentary pastimes, such as television, video games, computers and online activities;
4) Reduction in the time families spend preparing meals;
5) Huge migration of populations to cities and the urban design deficiencies which do not provide an opportunity for outdoor physical activities.

By ignoring these macro-economic factors, the report provides governments with misguided analysis.

In addition, the Secretariat's own assertion in OECD Health Working Paper #32 (p. 24, paragraph 64) states that, "relatively little empirical evidence is available on the externalities associated with lifestyle choices and chronic diseases." Given the acknowledged need for empirical data and the acknowledged absence of any empirical data to determine whether the

benefits of any proposed intervention would exceed the costs, this is an area where further work might be considered.

***Guidance for How to Eat, Not What to Eat*:** Business remains very concerned that the Secretariat has not incorporated its own assertion that there is an important distinction between commodities whose consumption is invariably unhealthy (tobacco) and commodities whose impact on health depends on how they are consume (food). (paper #32, 110) Though it is often stated, the fact remains there are no good or bad foods, but rather good/bad diets. The concept of 'health' depends on how/how much is consumed. No one food is completely balanced; however there are sensible, balanced diets.

The statement above demonstrates that the OECD recognizes that individuals need to understand HOW (how much) to eat, but not be dictated what to eat. Addressing obesity involves increasing individuals' understanding of energy balance –the integration of balanced diets and active, healthy lifestyles. Spinach is clearly a vegetable for which increased consumption would be desirable, but only eating spinach does not constitute a healthy diet as it must be combined with other foods to achieve a healthy balance. Further, even those foods with a 'healthy halo' can result in increased weight gain if consumed in excess with calories taken in exceeding that expended.

Moreover, since the OECD has stipulated that food is not an "invariably unhealthy commodity", it is inappropriate to utilize policy examples which have been applied in other contexts to invariably unhealthy products. Again, people need guidance and education on how to eat a balanced diet, not fiscal stimuli to incentivize or discourage consumption.

Rise in Obesity is a Multi-Factorial Issue: Business underscores the importance of the multi-factorial nature of the obesity issue, which the Secretariat has recognized in its report. The World Health Organization has determined that the rise in non-communicable diseases, including obesity, is a multi-factorial problem demanding a multi-stakeholder response. Given the complex nature of the issue, the whole point is that no single action or response will alone be effective in addressing the issue. BIAC reaffirms that it is important for all stakeholders to heed the WHO Global Strategy's call to action. BIAC notes that in its consultation this summer with the Secretariat, the food and beverage industry provided concrete information about numerous actions taken by the private sector to respond to the WHO's call to action.

Addressing Physical Activity is Crucial: The paper recognizes that weight gain is fundamentally determined by energy imbalance (p. 34, para. 96), and also indicates that most Member States have focused almost exclusively on the energy intake side of the equation, neglecting energy expenditure (p.17, para. 44). The idea that "calories count" is fundamental to addressing the rise in obesity. If Member States believe that prevention is important, it is not enough to say (as the paper does) that the energy expenditure side of the equation will only be addressed at the local level. BIAC strongly encourages Member States to explore opportunities for encouraging greater physical activity among populations through changes in transportation, civic planning, education and through collaboration with other stakeholders at the workplace, school and community level (see also part III).

Workplace Wellness programs: In para. 57 the Secretariat recognizes the contribution of the private sector in creating workplace wellness programs which encourage employees to increase their health literacy and which promote healthy lifestyles. However, the Secretariat

has missed a significant opportunity to highlight these health gains for Member State governments. As employers of significant number of individuals, governments themselves could utilize voluntary private sector programs as a model to implement prevention programs for their own employees. These lessons can then cascade down to family members and friends, serving to reinforce positive health information and behaviours.

Fiscal Policy are Ineffective Policy tools: Tax increases on certain foods and beverages would have a minimal impact on consumer behaviour, as many studies have shown, including the Secretariat's own paper. On p. 29 para. 89, the Secretariat cites a French study which demonstrated a minimal change in consumer behaviour in response to a significant increase in prices - - a 10% price increase leads to a 2% consumption decrease. This demonstrates a fairly inelastic response by consumers in France to increases in food prices and an ineffective policy response.

Business disagrees strongly with the Secretariat's analysis of the use of fiscal measures and believes that major additional factors have not been considered. While the paper asserts that fiscal measures could be used to increase consumption of fruits and vegetables, they ignore many other important factors which have nothing to do with the price of the food, such as:

- Density of grocery stores offering fresh produce, especially in economically disadvantaged areas; (studies have repeatedly shown that there are availability/retail issues in many economically disadvantaged areas that make choosing fruits and vegetables difficult)
- Ease of preparation and convenience of fresh foods; (Consumers continually say that they don't like the taste of vegetables and don't know how to prepare them. In fact, the food industry is responding by innovating with new products that provide consumers convenience and taste, while enabling them to increase their vegetable intake.)

The Secretariat's assertion that (p. 24, para. 63) that, "A common misconception, for instance, is that prevention will reduce future health care costs. In fact, this may or may not be the case." This affirmation does not mean that prevention is not a good policy goal. However, Member States need to recognize that preventive action will not necessarily result in lower healthcare costs.

Self-Regulatory Mechanisms are effective in changing Advertising seen by Children: The food and beverage industry takes issue with Secretariat's characterization of the restrictions on food advertising as applying to children aged 2-16 (p. 30, para. 92). The food and beverage industry has defined children as under 12 years of age. The age threshold (under 12) has been chosen based on overwhelming academic evidence showing that by age 12 children have developed a critical understanding of the commercial nature and persuasive intent of advertising.

Furthermore, all of the latest, most comprehensive literature reviews (Ofcom, 2004; US Institute of Medicine, 2005; Livingstone, 2006; McGinnis et al. 2006) do not find any convincing evidence that advertising influences the food preferences, requests, purchasing and consumption behaviour of children and young people aged 12 and over. While academic research does not find evidence of causality between advertising and diet or health for children and young people of any age, it draws a clear distinction between children under and over 12 in terms of the influence of advertising on stated food preferences and purchasing requests. It is in line with this academic consensus that leading food and beverage companies have

decided to limit advertising to children under 12 to products that meet specific nutritional criteria.

The food and beverage industry disagrees with the Secretariat's assertion that the industry's restrictions on advertising to children are not effective because they only address 50% of advertising seen by children, since children still see some advertising on family television programming or in public areas. (p. 30. para. 93) In studies (HealthFocus 2005), parents state that they are most concerned about advertising in venues where they are not present and can not exercise their role in helping their children make healthy choices. Advertisements on family-oriented television shows or billboards in public spaces are not targeted at children and allow parents to maintain their role in directing children's food choices. This is exactly the reason that the food and beverage industry has publicly committed to change its advertising policies to either: a) not to advertise to children under age 12 at all; or b) only to advertise those products to children under age 12 which meet strict nutrition criteria based on national and international standards.

Business also disputes the Secretariats assertion that self-regulatory mechanisms can only address 50% of advertising because all companies are not included. When market leading companies make public commitments and governments endorse these self-regulatory approaches, as has happened in numerous geographies, there is clear pressure for other companies to participate and join as well. We believe that over time this approach will prove efficient and cost-effective for Member States.

PART III: The Perspective of the Sports Sector

As mentioned previously, the report should give additional attention to the benefits of regular physical activity, which is critical for achieving and maintaining healthy weight. Research demonstrates that despite broad awareness of the benefits of exercise, a considerable percentage of the population fails to sustain a healthy level of physical activity. In fact, physical inactivity, and its link to obesity, is at the heart of an American health economic crisis, described as follows by the United States Department of Health and Human Services:

Physical inactivity and its associated health problems have substantial economic consequences for the U.S. health care system…A physically inactive population is at both medical and financial risk for many chronic diseases and conditions including heart disease, stroke, colon cancer, diabetes, obesity, and osteoporosis[1].

To stimulate greater levels of physical activity, a multi-faceted approach will be necessary. Physical activity should be encouraged by every sector of the population, including government, school, workplace, insurance, medical, and at home. Furthermore, well-designed, government-supported initiatives to increase regular physical activity and raise awareness will eventually have economic benefits.

Recent research has demonstrated the importance of physical activity:

- In December 2008, the American Journal of Preventive Medicine published a study that evaluated the cost-effectiveness of population-wide strategies to promote physical activity in adults and followed disease incidence over a lifetime[2]. In particular, the study focused on four strategies: community-wide campaigns, individually adapted health behavior change, community social-support interventions, and the creation of or enhanced access to physical activity information and opportunities. The study found that all of the evaluated physical activity interventions appeared to reduce disease incidence, to be cost-effective, and - compared with other well-accepted preventive strategies - to offer good value for money.

- In January 2008, Preventing Chronic Disease released a study that investigated the relationship between use of an insurance plan-sponsored health club program for older adults (Silver Sneakers) and health care costs over a two-year period[3]. The study found that, by year 2, compared with controls, Silver Sneakers participants had significantly fewer inpatient admissions and lower total health care costs. Furthermore, Silver Sneakers participants who averaged at least two health club visits per week over 2 years incurred at least $1252 less in health care costs in year 2 than did those who visited on average less than once per week.

- In 2007, a report commissioned by Transport for London reviewed seventeen studies focused on the relationships between physical activity and employee absenteeism, and

[1] Physical Activity Fundamental to Preventing Disease," U.S. Department of Health and Human Services Office of the Assistant, Secretary for Planning and Evaluation, June 20, 2002.
[2] Larissa Roux, MD, MPH, Michael Pratt, MD, MPH, MSa, Tammy O. Tengs, ScDc, Michelle M. Yore, MSPHa, Teri L. Yanagawa, MKin, MBAad, Jill Van Den Bos, MAc, Candace Rutt, PhDa, Ross C. Brownson, PhDe, Kenneth E. Powell, MD, MPHb, Gregory Heath, DHScaf, Harold W. Kohl III, PhDa, Steven Teutsch, MD, MPHg, John Cawley, PhDh, I.-Min Lee, ScD, MDi, Linda West, MSPHa, David M. Buchner, MD, MPHa. Cost Effectiveness of Community-Based Physical Activity Interventions. Am. Journal of Prev Med (December 2008).
[3] Nguyen HQ, Ackermann RT, Maciejewski M, Berke E, Patrick M, Williams B, et al. Managed-Medicare health club benefit and reduced health care costs among older adults. Prev Chronic Dis 2008;5(1).

physical activity and employee productivity[4]. In particular, the studies fit into four categories:

- workplace health promotion programs;
- exercise programs;
- physical activity counseling programs; and
- physical activity and health care costs.

- The report found the following: three studies suggested that workplace health promotion programs can lead to increases in physical activity and reductions in absenteeism with a 12 month commitment; ten studies suggested that workplace exercise programs can lead to long term increases in levels of physical activity and reductions in absenteeism, one study suggested that counseling sessions to promote physical activity (and dietary changes) can lead to self-reported increases in physical activity and observed increases in fitness in the short term, and limited evidence from two studies suggested that physical activity levels affect both short (up to 1 year) and long term (over 1 year) health care costs (and implicitly absenteeism rates), including among the obese and sedentary.

- In 2005, a report released by the Western Australia Department of Sport & Recreation reviewed workplace health and physical activity programs[5]. In part, the report reviewed the available literature relating to workplace health and physical activity programs. The report found that workplace health and physical activity programs are associated with the following economic benefits: reduced absenteeism, decreased workers' compensation claims, a reduction in workplace costs, and a potential increase in productivity.

- In 2000, The Physician and Sportsmedicine published a study that investigated the relationship between annual medical expenditures and physical inactivity among adults[6]. The research showed that active adults spent $330 (using 1987 dollars) less than their inactive counterparts. The study concluded that increasing participation in regular moderate physical activity among the more than 88 million inactive Americans over the age of 15 might reduce annual national medical costs by as much as $29.2 billion in 1987 dollars—$76.6 billion in 2000 dollars.

Based on the foregoing and several other studies, successful government-supported initiatives to increase regular physical activity will include a combination of the following:

1) Strong support for the initiative from organizational leaders
2) An awareness campaign to promote the benefits of exercise
3) Opportunities for regular exercise
4) Incentives for regular exercise
5) Elimination of financial barriers to regular exercise

We recommend that these considerations be given increased attention in the OECD report.

[4] Adrian Davis, JMP Consulting (Lead Author) and Marcus Jones, TRL (Project Manager). Physical activity, absenteeism and productivity: an Evidence Review. UPR T/102/07.
[5] Ackland, T., Braham, R., Bussau, V., Smith, K., Grove, R. and Dawson, B. (2005). Workplace Health and Physical Activity Program Review – Report. Perth, Western Australia: Department of Sport and Recreation, Western Australian Government.
[6] Michael Pratt, MD, MPH; Caroline A. Macera, PhD; Guijing Wang, PhD. The Physician and Sportsmedicine – Vol 28 – No. 10 – October 2000.