Follow up to the

3rd OECD Expert Meeting on the Economics of Prevention

May 2009

I. Comments from the food and beverage industry

- Inappropriate use of cost-effectiveness: There is a fundamental problem with assessing the cost effectiveness of specific policy interventions when the overall effectiveness of the interventions (without regard to cost) has not been proven. No recognized effective silver bullet addresses the multi-factorial characteristics of obesity. The causes of obesity are numerous and complex; involving genetic, psychological, social and environmental components. (Foresight, 2007). For this reason, the World Health Organization's Global Strategy has recommended a multi-stakeholder approach to address the multi-factorial nature of the issue. (It is interesting to note that no results were available for the sole program in the paper (p. 20) which addressed social and community networks through a multi-level approach.)

- This fundamental problem is reflected in the OECD's own analysis which states that "Most interventions were shown to have only a limited impact on the overall scale of the obesity problem. ...The largest results are achieved by intensive primary care counseling (i.e. physician/dietician counseling)." If the analyzed solutions are not effective in dealing with the problem, it is difficult to understand how the OECD can assess their cost-effectiveness.

- Moreover, while the study shows that fiscal measures may have an important impact on cancer (largely a switch to more fruit and veggies consumption), this is a completely separate result from any comparable effect on obesity, where fiscal measures show no impact. Yet, the report lumps the impact on obesity and the impact on cancer/other diseases into one overall “Health outcomes at the population level”. This is inappropriate and inconsistent, and ends up influencing the conclusions in favor of adopting fiscal measures for addressing all health issues, when, in fact, the previous tables demonstrate that they only are effective for cancer, stroke and heart disease and not effective for obesity.

- ***Marketing***: With regard to the self regulation of advertising, we do not support the way that the current paper assesses its effectiveness. First, the analysis is based on a 2006 study which was conducted prior to the industry's commitments to change practices with regard to marketing to children. The first of the marketing pledge programs, the US pledge program, was launched in 2006. Furthermore, the paper only cites one study in the area of advertising, which was a hypothetical study.

- Furthermore, the industry disputes the assertion that regulation of advertising has been shown to be an effective response to obesity. Industry acknowledges the existence of a “modest effect” on food preferences and choices, but advertising is not the strongest or most important determinant of children’s longer-term diets and health, for two main reasons:

1. Very few studies have managed to disentangle the impact of TV viewing from the actual impact of exposure to advertising:

    • Hastings 2003: States that it is impossible to say whether effects on food intake during TV viewing are caused by the advertising, the sedentary nature of TV viewing or snacking that might take place whilst viewing.

    • Ofcom 2004: Acknowledges that little empirical research attempts to disentangle the potential effect of the sedentary activity itself, the association of TV viewing with frequent snacking and the potential exposure to food advertising.

    • IOM 2005: Concedes that more research is needed to distinguish between these different effects.

    • Ofcom 2006: Recognizes that it remains unclear whether the effects identified reflect the specific influence of exposure to television advertising or whether it is due to increased snacking while viewing or to a sedentary lifestyle with reduced exercise.

2. Very few studies attempt to measure the size of the impact. Those that do find it to be 'modest' at best; given only a marginal impact on short-term consumption, it is not possible to draw any meaningful conclusions on the impact on longer-term dietary and health variables.

Other factors play a much more important role:

    • Hastings 2003: Finds little evidence to show whether the influence of food promotion on children's food behavior and diet is greater or lesser than that of other factors.

    • Ofcom 2004: Finds that there is insufficient evidence to determine the relative size of the effect of TV advertising on children's food choice by comparison with other relevant factors, but concludes that the influence of advertising is small compared to the child's own taste preferences, price and familiarity.

    • IOM 2005: Recognizes the multitude of influences and the relative modesty of the impact of advertising.

    • Ofcom 2006: Concedes that multiple factors account for childhood obesity and that television viewing/advertising is one among many influences. Other factors include individual, social, environmental and cultural factors, all of which interact in complex ways not yet well understood.

- In addition, several countries/provinces have had long-standing regulations to prevent advertising to children on television including Quebec (1979), Sweden, and Norway. However, data does not demonstrate that their populations have had significantly different rates of obesity than neighboring areas. In fact, Alberta, Canada, and Finland have respectively better obesity rates than their neighbors with marketing restrictions.

- Nevertheless, the industry has recognized the need to address the issue of advertising to children and has been implementing self-regulatory pledge programs over the past several years.

Currently, compliance monitoring is being conducted on the pledge programs in the US, Europe, Australia, and new programs are being launched in Brazil, India and South Africa, demonstrating industry's desire to make good on its global commitments. While it is true that the pledge programs do not immediately cover the entire industry, they do cover a very significant portion of the advertising directed at children. In the US, the pledge covers 80% of child-directed advertising; in Europe, it covers 50% of child-directed advertising; in Canada, it covers 90% of child-directed advertising; in Australia, it covers 80% of child-directed advertising. These are significant figures, and through third party monitoring and transparent reporting of compliance, companies will demonstrate their compliance. This responds to the OECD's assessment that compliance monitoring will be needed. Furthermore, while all companies are not immediate participants in these programs other companies will be encouraged to participate.

- It is worth noting that all of this activity is under-taken at no cost to governments. In the current economic crisis, the fact that industry has taken up the mantle to address this issue, as well as partnering with other stakeholders to promote increased physical activity and nutrition education, should not be taken lightly. In addition, employers are implementing workplace wellness programs to assist employees in maintaining good health and taking preventive action to address health concerns. The goal is to develop policy responses which do not retard growth, or restrict employment while addressing health concerns.

- At the end of the day, the industry remains concerned that the OECD wants governments to dictate to citizens “What to Eat”, rather than providing them with guidance about How to Eat: As the Secretariat has recognized in previous papers, food can NOT be equated to tobacco. Food is a basic human necessity. It is a commodity that depends on the modalities of consumption, which is why the industry emphasizes education for a balanced diet and a physically active lifestyle. No single food can be blamed for the increase in obesity and there are no good foods or bad foods. As pointed out by Bachmann et al. (2006), assessing the contribution of one food group to obesity is difficult because energy balance is a function of total energy intake and expenditure. Any food or drink has the potential to contribute to obesity in so far as it provides energy.

- ***Physical Activity is Crucial***: The key issue is ENERGY BALANCE - that on an individual basis total energy intake exceeds total energy expenditure resulting in the increase in fat stores leading to overweight and obesity. 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. Again, at the end of the day, the rise in overweight and obesity is a result of calories consumed being greater than calories expended. Encouraging greater physical activity, along with managing calorie intake, must be part of the overall approach to addressing obesity. It is interesting to note that none of the general practice counseling included any explicit requirement for individuals to individuals to undertake any physical activity. (p.8) The OECD recognizes the need to address physical activity, but then chooses studies which do not support this premise.

- ***Fiscal Measures:*** We believe that the report fails to fully assess the true cost-effectiveness of implementing fiscal measures and strongly reject a key conclusion of the report that states

"Because of the very low costs of implementation, fiscal measures appear to be cost saving". The study fails to clarify what is meant by 'fiscal measures' beyond taxes, tax exemptions and subsidies. The type of fiscal intervention will impact on the associated costs that include basic administration, planning, monitoring and enforcement at the national level.

- Introducing an excise tax or levy on the manufacture or sale or consumption of certain goods can take on two forms (i) specific, a fixed amount based on weight, volume or capacity or any other physical unit of measurement and (ii) ad valorem, a percentage based on the selling price or any specified value of the good. Alternatively, certain goods could be added to an existing value added tax regime. By way of illustration, a key problem with ad valorem tax systems globally is that they are very difficult to administer effectively. This is because they require accurate reporting not only of sales volumes for products but also of sales prices. A related problem is the administrative cost to the government of seeking to enforce the excise tax regime which requires a substantial investment in the administration and enforcement of the tax law. The associated costs to government of basic administration, planning, monitoring and enforcement of an ad valorem tax regime need to be compared against alternative tax systems before drawing the broad conclusion that "fiscal measures" are self-funding and due to the very low cost of implementation are cost saving.

- We also challenge the conclusion that fiscal measures do not generate a requirement for additional resources to be made available from within the private sector. Clearly firms and businesses will be faced with different information obligations should it be deemed necessary for them to make payment of different rates of VAT or excise tax on different groups of products. This will increase business administration costs as firms spend more time meeting their regulatory obligation, more so in countries where there are several tax filings each year.

- Clearly the introduction of a fiscal approach, whether it be an excise tax or a widening of the VAT regime, can very quickly become cumbersome to manage and complex to administer. National level tax systems will move away from international best practice that suggests that taxes should be broad based to avoid distorting consumer choices and do not discriminate against particular products.

- Furthermore, fiscal measures also have potentially large re-distributive effects and would most likely hurt lower-income individuals who spend a larger proportion of their income on food. Tax rates should be kept low on products that account for a relatively high proportion of spending by the poorest groups in society. In this instance, taxes on food will discriminate against low income households. Tax systems should be progressive (i.e. the tax paid by richer sections of society should be higher as a proportion of their income than for poorer section), rather than regressive which is the outcome from implementing a tax on food.

- The impact on consumption patterns from implementing fiscal measures is unpredictable. Changes in consumption will depend on the price elasticity of each good (assuming the tax is passed on to consumers). The French study which the Secretariat cites has relatively little impact on consumers' food choices - a 10% increase in prices translating into only a 2% decline in consumption. But price elasticities vary across product groups and vary across different

population groups. How consumers' behavior changes in light of relative price changes is not always obvious and inherently difficult to estimate. A single price elasticity taken from a single study is used to cover all items of food high in fat needs. This requires further investigation in order to clearly identify changes to consumption patterns from changes in relative prices. The picture is further clouded when substitution effects are considered. In the OECD paper, the premise that fiscal measures will reduce the consumption of fats and promote the consumption of fruit and vegetables is not founded. The more likely impact is that consumers will switch to alternative goods that have characteristics that are closer to the originally purchased item and that remain exempt from the new tax regime, or taxed at a lower rate.

- It is not clear from the OECD report how much success a tax on foods would have on obesity levels. The health benefits and associated cost savings are entirely due to increased consumption of fruit and vegetables and the impact that has on lowering incidence of cancer. In effect the report provides no direct link between the implementation of fiscal measure to reduce the consumption of fatty foods and levels of obesity.

- In addition the report neglects macro-economic trends which have changed how people eat and work both professionally and in a home setting. These include:

    1. A decline in the relative cost of food and increases in the relative cost of exercise
    2. Reductions in physical activity resulting from technology changes in how work is performed
    3. Increased popularity of sedentary pastimes
    4. Reduction in time families spend preparing meals
    5. Migration of population to cities and urban design deficiencies which do not provide an opportunity for outdoor physical activity

II. **Comments from the Sports & Exercise industry**

The effectiveness of physical activity as a means to improve the health of an obese population remains incontrovertible. Clearly, any anti-obesity intervention must include physical activity as a central and constant component. Regular physical activity, as a core component of prevention and health promotion will lead to a healthier, happier and more productive population, while reigning in sky rocketing health care costs.

Though we appreciate the breadth of studies included in the study, we urge the Secretariat to consider studies demonstrating the cost-effectiveness of eliminating financial barriers to exercise. The following is a representative sampling of such studies:

In January of 2008, the Centers for Disease Control and Prevention (CDC) released a peer-reviewed study which indicated that those in the study 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." [1]

In 2006 Medica Health Plans conducted a study to see if there is evidence that their *Fit Choices* program, which includes a health club benefit, contributes to improved health and to lower spending for medical care. The study found that people over 65 committed to a regular program of exercise at least eight times a month had 33.6% lower average monthly medical costs for prescriptions, doctor appointments, and care at clinics and hospitals.[2]

A 2007 study released by Blue Cross and Blues Shield of Minnesota found that frequent users of a fitness discount program had 17.8% lower health claims costs than non-participants in the program.[3]

An annual investment of $10 per person in programs that increase physical activity, improve nutrition and break tobacco habits can provide a return of $5.60 for every dollar invested within five years.[4]

Based on these findings, government could, for example, play a role through:

- Establishment of a coordinated, central system of leadership for promoting physical activity;
- Increased funding for research on the correlation between exercise and the prevention of obesity and chronic disease; and
- Elimination of barriers to physical activity at home and at work.

Measuring Cost-Effectiveness

We must also draw attention to pervasive deficiencies relating to the measurement of cost-effectiveness for anti-obesity interventions. Understanding and accounting for these deficiencies will improve government decision-making. Based on the work of The Partnership to Fight Chronic Disease, a diverse, US-based coalition of over 200 organizations, we believe there are at least three critical deficiencies that lead to insufficient recognition of the gains available through investments in prevention and disease management:

The typical study, restricted to a limited time period, cannot account for the long-term value of population health improvement programs aimed at increasing physical activity;

The typical study employs trend lines that fail to account for the societal multiplier effect (e.g.

increased productivity that increases government tax revenue) of decreased obesity and chronic disease.

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[1] <#_ftnref> Huong Q. Nguyen, PhD, Ronald T. Ackermann, MD, MPH, Matthew Maciejewski, PhD, Ethan Berke, MD, MPH, Marsha Patrick, PhD, MHA, CHE, Barbara Williams, PhD, James P. LoGerfo, MD, MPH. Managed-Medicare Health Club Benefit and Reduced Health Care Costs Among Older Adults. Centers for Disease Control and Prevention. 2008.

[2] <#_ftnref> The Health and Financial Benefits of Exercise: *The Value of Incentives for Healthy Ways-of-Life*. Medica Health Plans. 2006.

[3] <#_ftnref> Fitness discounts program may be linked to improved health and reduced sickness. Blue Cross and Blue Shield of Minnesota. 2007.

[4] <#_ftnref> Prevention for a Healthier America: Investments in Disease Prevention Yield Significant Savings, Stronger Communities. Trust for America's Health. 2009.