



CALIFORNIA WELLNESS TRUST PROPOSAL

**BY INVESTING IN CREATING
HEALTHIER COMMUNITIES
WE CAN KEEP PEOPLE
FROM NEEDING CARE IN
THE FIRST PLACE, IMPROVE
LIVES & MAKE HEALTH CARE
DOLLARS GO FURTHER**

Investing in healthier communities is the smartest way to fundamentally reshape the health of California. While good quality health care is essential for all Californians, investing in building healthier communities can prevent illness, injury and inequitable health conditions. A California Wellness Trust could keep people from needing care in the first place, make health care dollars go further, and improve lives.

This report outlines a proposed California Wellness Trust, including operational principles, potential revenue sources, allocations and governance structure. With proper management, proven and innovative investment strategies, and multi-sector support, a California Wellness Trust could assure better health for all Californians. As our population ages and medical care becomes ever more complex and expensive, the need for stable funding for upstream prevention to keep our communities healthy has never been greater.

CREATED IN 2015, THE CALIFORNIA ALLIANCE FOR PREVENTION FUNDING (CAPF) IS MOBILIZING PARTNERS ACROSS THE STATE TO ESTABLISH SUSTAINED, DEDICATED FUNDING FOR CHRONIC DISEASE AND INJURY PREVENTION WITH A CALIFORNIA WELLNESS TRUST.

CAPF's mission is to build a culture of health for all Californians, reduce disparities and contain health costs through education and state level advocacy for new and sustained funding to promote health equity and prevent the leading causes of illness and injuries, particularly through upstream primary prevention.

THE CRIPPLING COSTS OF NOT INVESTING IN PREVENTION

Meager investment in preventing the most common causes of chronic disease and injury in California has resulted in high and unjustly distributed rates of illness, premature death and excess costs that could have been avoided. In California, a child born in Lake County can expect to live eight years less than one born in Marin County in 2014, and is more likely to suffer numerous forms of illness and injury.¹

Where prevention efforts have been funded in California, support has been insufficient, sporadic and siloed, limiting the ability to assure lasting impact on health outcomes and decreasing health inequities. Stop-and-go funding leaves public health departments, nonprofits and community partners in the lurch, having invested their time and commitment in projects only to have them end before the work can come fully to fruition.

Nationally, health care spending is projected to reach \$11,193 per capita in 2018,² which would total over \$400 billion in California. A mere \$10 investment per person in prevention would cost \$400 million in our state, or 1/1000th of what we are spending on health care.⁵ Furthermore, California health care spending is growing rapidly, rising 4.9% per year on average between 2009 and 2014,³ and over 70% of health care spending came from public coffers in 2015.⁴ Much of this spending is for illnesses that can be prevented or delayed. Sustained investment in prevention would prolong lives, reduce suffering from chronic disease and injury and decrease health care costs. Failing to do so costs lives every day.



ANNUAL INVESTMENT

INVESTING \$10 PER PERSON IN PREVENTION WOULD TOTAL \$400 MILLION, LESS THAN 1/1,000TH OF WHAT WE ARE SPENDING IN CALIFORNIA ON HEALTH CARE⁵



HEALTH INEQUITIES

AFRICAN AMERICANS DIE FROM DIABETES TWO AND A HALF TIMES MORE OFTEN THAN CAUCASIANS AND ARE HOSPITALIZED FOR DIABETES OVER THREE TIMES MORE OFTEN THAN CAUCASIANS IN CALIFORNIA⁶



HEALTH CARE SPENDING

OVER 40% OF ALL HEALTH CARE EXPENDITURES (WHICH REACHED \$367 BILLION IN CALIFORNIA IN 2016) ARE SPENT TREATING SIX COMMON HEALTH CONDITIONS—CARDIOVASCULAR DISEASE, DIABETES, CANCER, ASTHMA, ARTHRITIS, AND DEPRESSION—THAT CAN OFTEN BE PREVENTED OR DELAYED⁷



IMPACT ON BUSINESSES

LOWER PRODUCTIVITY & LOST WORK DAYS FOR INDIVIDUALS WITH CHRONIC CONDITIONS & THEIR CAREGIVERS COSTS CALIFORNIA BUSINESSES OVER \$106 BILLION A YEAR⁸

THE SOLUTION: THE CALIFORNIA STATE WELLNESS TRUST

Establishing a statewide mechanism to assure sustained, dedicated funding of local and state initiatives will promote health equity and prevent the leading causes of illness, injury, and premature death in California. Intended to complement existing funding or efforts, the recommended operating principles for the California State Wellness Trust include:



SUPPORT POLICY, SYSTEMS & ENVIRONMENTAL CHANGES

Funding should support policies, systems and environmental changes and community programs that work outside of health care settings to make California's communities more conducive to health.



COORDINATED DISTRIBUTION

Funds should be distributed and coordinated among: community-based, regional and statewide nonprofit organizations; local health departments and state government, according to established criteria. Funds should not supplant existing resources or efforts of recipient.



PROMOTE HEALTH EQUITY

Funds must benefit all Californians and promote greater equity and health, reaching residents from urban to rural areas, young and old, and across California's diverse races and ethnicities.



ADDRESS DETERMINANTS OF CHRONIC DISEASE & INJURY

Funds shall be used to address social, environmental, economic and behavioral determinants of chronic disease and injury at any phase of the life cycle, and to close gaps in health outcomes and inequities, including, but not limited to, strategies that:

- Promote healthy diets, improved access to healthy foods, and healthy food environments
- Promote physical activity and a safe, physical activity promoting environment
- Prevent unintentional and intentional injury
- Prevent harmful use of substances including tobacco, alcohol, and drugs
- Address the social determinants of chronic disease
- Support evidence-based or evidence-informed practices, as well as innovative approaches that are shaped by community priorities and experience

POTENTIAL REVENUE SOURCES FOR PREVENTION

After extensive legal analysis of potential new revenue streams, CAPF recommends using a tax on one or more products that are major contributors to chronic disease and/or injuries as a funding source for a California Wellness Trust, however CAPF is also open to other alternatives of sustained funding. Below are examples of potential revenue sources and the resulting estimated annual revenue from an excise tax on sugary beverages, a sales tax on alcohol and an excise tax on alcohol.⁹



EXCISE TAX ON SUGARY BEVERAGES

1¢/oz. = \$1.2 billion annual revenue

2¢/tsp. = \$1.6 billion annual revenue

2¢/oz. = \$1.8 billion annual revenue



SALES TAX ON ALCOHOL

1% = \$280 million annual revenue

2% = \$560 million annual revenue

3% = \$850 million annual revenue



10¢ EXCISE TAX ON ALCOHOL

Wine 5 oz = \$357 million annual revenue

Spirits 1.5 oz = \$494 million annual revenue

Beer 12 oz = \$718 million annual revenue

PROPOSED GOVERNANCE STRUCTURE

Form and staff an independent state-wide commission, with spending authority, that would be composed of members with diverse and relevant backgrounds, appointed by the governor and state legislature. Members will include, but not be limited to, the state health officer; local health departments (LHDs); a representative of residents who experience health inequities; and primary prevention and community-based equity advocates and experts. To ensure coordination of local efforts, in counties where there is more than one grantee, LHDs will staff an existing, or form a new, community health coalition. All local organizations that are awarded funding must participate in their county's coalition.

PROPOSED ALLOCATIONS

Based on \$400 million total annual investment (\$10/capita)

LOCAL NONPROFITS 30% = \$120 MILLION

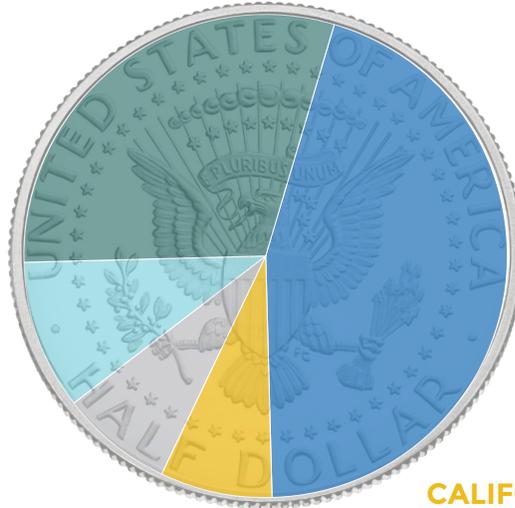
Competitive grants awarded by state entity. Prioritize geographic diversity.

REGIONAL & STATE NONPROFITS 10% = \$40 MILLION

Competitive grants awarded by the state entity for technical assistance and prevention work.

ADMINISTRATIVE ENTITY 5-10% = NOT TO EXCEED \$20 MILLION

Direct allocation for Trust management and evaluation.



LOCAL HEALTH DEPARTMENTS 45% = \$180 MILLION

Direct allocation. Fixed floor \$250,000. Remainder divided according to formula based 50% on population and 50% on number of people living in poverty.

CALIFORNIA DEPARTMENT OF PUBLIC HEALTH 5-10% = \$20-40 MILLION

Media, campaigns, Health in All Policies, statewide policy initiatives, epidemiologic surveillance and other prevention work.

CALIFORNIA STANDS TO SAVE BILLIONS BY INVESTING IN PREVENTION

Strategic investment in upstream prevention will protect rather than deplete government coffers. Paying for prevention works, and upstream strategies have a remarkable history of success, measured in both cost avoidance and health improvements.



COST EFFECTIVE WAYS TO PREVENT OBESITY

Over 10 years, a penny per ounce sugary beverage tax would prevent 576,000 children from becoming obese nationally and save \$31 health care costs for every dollar spent on tax administration. The impact is even more dramatic for adults, with savings of \$55 in health care costs for every dollar spent in tax administration. When revenues from taxes on these unhealthy products are invested in programs to fight obesity, the returns are even higher.^{10,11}



FALL PREVENTION PROGRAMS SAVE ON SENIOR HEALTH COSTS

Fall prevention community programs for seniors cost \$100 to \$200 per participant and save an average of \$346 to \$634 per participant in health care costs from avoided falls.¹²



INVESTING IN PHYSICAL ACTIVITY

Improving street crossings to create safe routes to schools in one city was estimated to save \$22 for each \$1 invested. Investing in trails was found in another study to cost far less per user than the annual health care savings from physical activity. Many physical activity promoting interventions are cost-effective compared to providing health care for illness.^{13,14}

UNDERSTANDING HEALTH INEQUITIES IN CALIFORNIA

The ability to live a healthy life is not fairly distributed in California. The community where you were born and live, your income, race, ethnicity and other factors play a role in determining how likely you are to become ill, be injured or die prematurely. See examples below. Communities across the state are mobilizing, building assets and developing leadership to change these unjust outcomes. A California Wellness Trust can provide critical investments to nurture that capacity.



CALIFORNIA AFRICAN AMERICANS: DIABETES

California African Americans die from diabetes two and half time more often than Caucasians and are hospitalized for diabetes over three times more often than Caucasians



CALIFORNIA AFRICAN AMERICANS: HEART DISEASE

California African Americans die from heart disease at a rate that is 27% higher than that of Caucasians, and are hospitalized for heart disease at a rate of 41% higher than that of Caucasians



CALIFORNIA AFRICAN AMERICANS: CANCER

California African Americans die from cancer at a rate that is 18% higher than that of Caucasians and are hospitalized for cancer at a rate that is 28% higher than that of Caucasians



CALIFORNIA LATINOS: DIABETES

California Latinos die from diabetes and are hospitalized for diabetes almost twice as often (1.8 times) as Caucasians



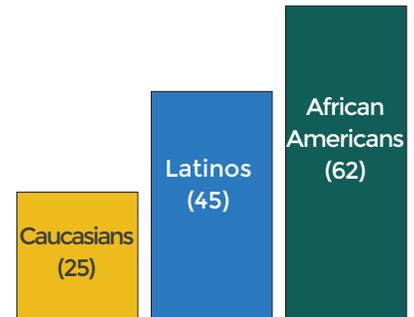
WHERE YOU LIVE DETERMINES HEALTH OUTCOMES

Caucasians in Kern or San Bernardino counties die from diabetes five times more often than Caucasians in San Francisco or El Dorado counties¹⁵



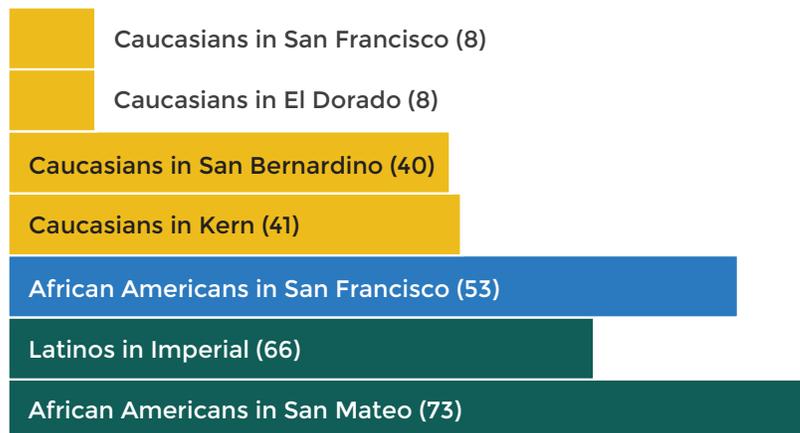
CALIFORNIA DIABETES DEATHS BY RACE¹⁵

Deaths per 100,000



CALIFORNIA DIABETES DEATHS BY GEOGRAPHY¹⁵

Deaths per 100,000



CREATING A WELLNESS TRUST IS FEASIBLE

The states of Massachusetts, Minnesota and Oklahoma have created Wellness Trust mechanisms that provide ongoing, dedicated funding to reduce key risk factors for chronic disease and injury with significant results.

STATE WELLNESS TRUSTS IN ACTION

	Oklahoma Tobacco Settlement Endowment Trust (2000-present)	Minnesota State Health Improvement Program (2008-present)	The Massachusetts Prevention and Wellness Trust (2012-2016)
FUNDING SOURCE	Earnings from endowment created with annual deposit of Tobacco Master Settlement Agreement funds, now over \$1 billion	Approximately 3.5% of a 2% tax on healthcare providers and a 1% gross health insurance premium tax for the state's Health Care Access Fund is allocated to SHIP	One-time assessment on acute care hospitals and commercial insurers
FUNDING AMOUNT	\$46 million in 2016 (\$11.70 per capita)	\$35 million bi-annually in 2015 (\$3.20 per capita/year)	\$57 million over 4 year pilot (\$2.10 per capita/year)
RECIPIENTS	Local health departments, community-based organizations, schools, and research centers through sustained direct allocations and competitive grants Fund covers 94% of population	All local health departments and tribal partners through sustained direct allocations Fund covers all counties	Nine regional partnerships of clinical providers and community agencies through competitive grants Fund did not reach entire state
FOCUS	Tobacco control, obesity prevention, health research	Tobacco control, healthy eating, physical activity	Tobacco control, pediatric asthma, hypertension, falls among older adults
RESULTS	<ul style="list-style-type: none"> • 29% decline in Oklahomans with children who drink soda one or more times per day¹⁶ • Smoking declined 32% among adults and 45% among youth from 2001-2016, ten times faster than similar states¹⁷ • \$1.2 billion in direct medical costs for tobacco avoided¹⁸ • Health research centers attract \$3 for every \$1 invested¹⁹ 	<ul style="list-style-type: none"> • Smoking declined 31% among 11th graders from 2013-2016²⁰ • Adult smoking declined 31% from 1999-2014, faster than national declines²⁰ • Adult obesity is now firmly below neighboring states²¹ • Increased access to healthy food and physical activity for 339,000 students from 2013-2015²¹ 	<ul style="list-style-type: none"> • Pilot reached over 372,000 people²² • Decline in prevalence of pediatric asthma²² • Decrease in number of and hospitalizations for senior falls²² • Increase in controlled and treated hypertension²² • Reduction in blood pressure²²

LEARN MORE AND TAKE ACTION

- Learn more at www.ca-allianceforpreventionfunding.org.
- Sign on to CAPF's mailing list to receive updates at <https://www.ca-allianceforpreventionfunding.org/contact>.
- Email CAPF with news or requests for assistance at CAPF@phi.org.
- Bring a resolution in support of sustained, dedicated funding for prevention to your boards of directors and local elected officials. See sample resolution at: <https://www.ca-allianceforpreventionfunding.org/resources>.
- Talk to your state representative about your organization's specific needs and support for ongoing funding for chronic disease and injury prevention. Educate them about upstream, primary prevention and the social and environmental determinants of health. CAPF has fact sheets you can use: <https://www.ca-allianceforpreventionfunding.org/publications>.
- Become a local champion on how a California Wellness Trust could improve health outcomes in your region and help disseminate data in your community.

California Alliance for Prevention Funding



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Data sources available at www.ca-allianceforpreventionfunding.org/data-sources

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