

FORTUNE



a
smoking
gun

Lung cancer is America's fourth largest killer. Battling the odds, corporate America is hard at work trying to help employees kick the tobacco habit.

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A smoker for seven years, Anne Freeman loved everything about smoking until she saw her three-year-old son imitate her habit with a red crayon. Still, what finally got her to quit wasn't her son's mimicry, but the smoking-cessation program launched in May by her employer, Quest Diagnostics. It provided telephone-based counseling and smoking-cessation medications, all free of charge. "I would have quit eventually," says the 27-year-old St. Louis-based administrative assistant. "I just wouldn't have done it this year."

Company-sponsored smoking-cessation programs are proving to be surprisingly powerful motivators. Quest Diagnostics, for example, saw 1,000 people sign up in the first five months of the program. "That is off the charts," says Fred Williams, director of benefits and strategic alliances. Apply the national smoking rate of 22% to Quest Diagnostic's 37,000 employees, adjust for the fact that family members also have access to the program, and it turns out that roughly 11% of the company's smokers have already signed up.

"Employers are increasingly understanding that they have a larger stake in this than they thought," says Tim Kilgallon, chief executive officer of Free & Clear, a Seattle-based company that provides smoking-cessation services to 15 states and more than 60 health plans and large employers. Increased interest by employers, he says, is "clearly driving our business today."

Others are also noting a growth in the corporate market. Glaxo-SmithKline, maker of nicotine patches, lozenges, and gum, recently began targeting corporations with a smoking-cessation program based on nicotine replacement products coupled with either online or printed support materials. "We've had about a dozen or so companies sign up with us," says Bill Slivka, vice president of smoking control.

Medica, a Minnesota-based provider of health plans, recently

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Erik Mausser

beefed up its smoking-cessation benefits by offering a top-of-the-line program to its customers. "Five years ago this would have been a hard sell," says chief medical officer Charlie Fazio. "Now it's getting easier all the time."

the smoke-free workplace

What's changed? A combination of new research, tougher governmental legislation, and ever-rising health care costs make the case for smoking-cessation programs. The bottom line: "It's good business to have healthier employees," Dr. Fazio says.

Smoking-cessation programs have changed dramatically in the 40 years since the U.S. Surgeon General first identified the dangers of smoking. Initially such programs relied on group counseling. Since that report was issued, the smoking rate in this country has dropped to 22% from 46% in 1964. The current multipronged approach is expected by many to push the rate even lower—perhaps down to 15% in next five or ten years.

Such expectations are based on the fact that current programs address psychological and behavioral issues, while at the same time using a variety of drugs to control nicotine craving. "It is now well known that a combination of counseling and pharmacological treatment have much higher rates of success," says Steven A. Schroeder, director of the Smoking Cessation Leadership Center at the University of California, San Francisco. "They really increase the chance of a person quitting and staying clean."

Getting an employee to quit turns out to have a relatively speedy impact. In the past, many companies felt that any investment in smoking cessation might not pay off for 15 or 20 years, long after the participating employee may have moved on. But recent studies, including one key British study based on 50 years of data, show that the benefits of quitting are much more immediate. "One year after cessation, the risk of coronary disease drops to half that



Since the mid-60s the smoking rate in the U.S. has dropped 22% from 46%.



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Smokers may try quitting six to ten times before they finally succeed.

of smokers," says Dr. Schroeder. After 15 years the risk is the same as for someone who never smoked, he says, noting that the risk of stroke drops at a comparable rate.

The new studies also show that smokers are never too old to reap the benefits of quitting. "Even smokers who quit at age 65 can anticipate four additional years of life compared to their counterparts who are unable to give up the habit," says Dr. Schroeder.

Such data can translate directly to the bottom line. Free & Clear used government statistics and research data to add up the cost of increased sick days, health care coverage, cigarette breaks, and workers' compensation claims. It found that a smoker costs employers \$5,606 more per year than a non-smoker. Based on the national smoking rate of 22%, that means a company with 10,000 employees annually incurs an estimated \$12.3 million in costs associated with the employee's smoking and does not take into account the costs associated with the smoker's family.

a saving grace

"Tobacco cessation is the low-hanging fruit of health-care cost savings," says Free & Clear's Kilgallon. More cost effective than mammography, colon cancer screening, and pap tests, tobacco treatment, he says, is the single most cost-effective health insurance benefit for adults that can be provided for employees.

Software giant Microsoft is a good example of changing attitudes. Known for its top-of-the-line benefits, it adopted a weight-control program three years before it added smoking cessation to its benefits package. Initially concerned that its smoking rate was too low to merit a company-wide effort, Microsoft changed its view and is now picking up the tab for employees and family members enrolling in the new program launched in January.

It's too soon to evaluate the program's impact, but more than 350 people have already signed up. "For every dollar we spend on the program, we should get a



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return of between \$1.30 and \$1.40," says Tom McPherson, senior benefits manager. "And that is strictly medical claims cost. It doesn't include productivity savings."

The growing number of states and cities now passing restrictive smoking legislation is also boosting corporate awareness. "There certainly has been a change in the environment in the last six months," says GlaxoSmithKline's Slivka, noting that an increasing number of U.S. companies have embraced the concept of a smoke-free workplace. Even some former opponents of antismoking legislation are now on board. Slivka points to Philadelphia, where the Chamber of Commerce at one time had opposed imposition of a city smoking ban. "They used to be against it," he says. "Now they are for it."

While smoking bans provide lots of motivation for folks who want to quit, they can have the unintended affect of marginalizing those who have been unable to stop. "We stigmatize smokers for making unwise

choices," says Dr. Schroeder, explaining that it is actually harder to kick the nicotine habit than it is to quit alcohol, cocaine, or heroin.

Not surprisingly, many smokers fail the first few times they try to quit. Smoking-cessation programs with the highest success rates report that some 32% of participants remain smoke-free after one year. But even a 25% quit rate is considered high. Recognizing that smokers may try quitting six to ten times before they finally succeed, the market is continually developing new ways to encourage the next attempt, be it the marketing of state-sponsored quit lines—reachable by simply calling 1-800-QUIT-NOW—or the development of new tobacco-cessation products. Currently, at least three new drugs are being tested, including a nicotine vaccine.

"If they see a new product, they may try again," says Slivka, noting that simply adding a new flavor of nicotine gum can sometimes be enough to encourage another quit attempt.

smokefree states

These states prohibit smoking in almost all workplaces, including restaurants and bars.

CA 1998
 CT 2004
 DE 2002
 ME 2003
 MA 2004
 NY 2003
 RI 2005
 VT 2005

Source: American Lung Association

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Studies show that smokers are never too old to reap the benefits of quitting.

treatment options

Folks enrolling in today's cessation programs commonly start with a call to a phone counselor, who takes a personal history, then puts together an individualized plan, which includes coping strategies and outlines proper use of medication. Smoking-cessation drugs range from long-acting nicotine patches and short-acting nicotine inhalers to prescription drugs like bupropion, which acts both as an antidepressant and as an inhibitor to the craving for cigarettes. Even though many of these medications are now available without prescription, people often need help in understanding the best way to use them.

"It's not a simple thing," says Tim McAfee, chief medical officer of Free & Clear. Combining medications with phone counseling not only provides the necessary information and support, but also turns out to be "the most effective method of reaching and treating a large population of smokers."

Why phone counseling? It fits easily into people's busy lifestyles, is cost effective, and offers a sense of anonymity that quitters seem to value. "There is something comforting about talking about this problem but not doing it face to face," says Dr. McAfee. It's also flexible enough to provide spot intervention at key moments.

Anne Freeman, for example, says she didn't need phone support often, but recalls one day when it was "a godsend." She got a call from her quit coach just as she had reached a breaking point. "I didn't know how to deal with sitting in traffic," she says. Her coach suggested she keep a cotton-filled straw in the car so she could puff on it when traffic backups triggered a craving. "As stupid as that sounds, it actually worked."

Cost is a critical component. Even though the daily price of nicotine replacement products is about the same as a pack of cigarettes, smokers see the economic investment as a major obstacle. Remove that barrier, and response soars. When New York City said that it would give away free nicotine patches to people calling the New York Smoker's Quit Line, some 450,000 people called in just three days,

says Dr. Schroeder. "Not everyone got through. It jammed the lines."

government intervention

Free programs are especially attractive because of the rising cost of smoking. In addition to passing smoking bans, states are also increasing the taxes they impose on cigarettes. Currently the cost of a pack of cigarettes ranges from \$2.79 in Kentucky to \$7 in New York City, reflecting a big variation in the size of government taxes. When New York City tacked its own \$1.50 tax on top of the state's \$1.50 tax, then instituted a smoking ban in bars and restaurants, sales of cigarettes in New York dropped 11%, says John Kirkwood president and CEO of the American Lung Association. Even accounting for those who took their business out of state, he says, that's a big decline in smoking.

Major news events can also have an impact. After 9/11, the smoking-cessation market seemed to dry up, says Glaxo-SmithKline's Slivka. "People were focused on other things and they stopped trying to quit." This summer, he says, the death of ABC news anchor Peter Jennings from lung cancer had just the opposite effect, prompting a sharp rise in the number of people making quit attempts.

Companies who have embraced smoking-cessation programs see the return on investment isn't just monetary. A healthier workplace creates lots of goodwill with employees and provides a potent marketing tool in attracting and keeping top-notch employees.

At Quest Diagnostics, where smoking cessation is part of a broader health initiative, employees have written to the benefits office thanking the company for helping them make significant changes in their lives. "To be associated with something that, no kidding, will add eight to ten years to a co-worker's life is extraordinarily powerful," says Williams. "This is a whole lot more fun than raising copays and premiums." —Lynn Asinof

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