PMI US CORPORATE SERVICES

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Written Testimony in Support of Rhode Island Senate Bill No. 2360

AN ACT RELATING TO TAXATION -- CIGARETTE, OTHER TOBACCO PRODUCTS, AND ELECTRONIC NICOTINE-DELIVERY SYSTEM PRODUCTS

Submitted to the Committee on Finance by Chris Newbry, Director of Fiscal Affairs, on behalf of PMI US Corporate Services Inc.

March 24, 2026

Good afternoon, Chair DiPalma and members of the Senate Finance Committee. Thank you very much for the opportunity to testify in support of S 2360.

My name is Chris Newbry, and I serve as Director of Fiscal Affairs for PMI US Corporate Services Inc., a part of Philip Morris International and its family of companies. PMI does not, and has never, sold combustible cigarettes in the United States. Our mission is to reduce smoking by replacing combustible cigarettes with scientifically substantiated, less harmful alternatives.

Nearly 30 million adults continue to smoke in the United States today,[1] including 9.9% of Rhode Islanders. This represents real and considerable human costs; 1,800 deaths in the state annually and 31.3% of cancer-related deaths are attributed to smoking combustible cigarettes. Smoking also significantly contributes to financial burdens on the state, amounting to $744 million in annual healthcare costs and $233 million in annual Medicaid expenses. Additionally, smoking leads to $1.1 billion in lost productivity in Rhode Island each year.[2]

Concerningly, the effects of combustible cigarette use are felt most by some of Rhode Island's most vulnerable populations. Smoking prevalence—and the diagnosis rate of resultant smoking-related diseases, like COPD—is highest among Rhode Islanders of lowest income, limited education and more advanced age. For example, a Rhode Islander with less than a high school education is more than 3.7 times more likely to smoke than a college graduate.[3]

Public health authorities, including the U.S. Food and Drug Administration, recognize that tobacco and nicotine products exist along a continuum of risk, with combustible cigarettes posing the

[1] CDC: Burden of Cigarette Use in the U.S., https://www.cdc.gov/tobacco/campaign/tips/resources/data/cigarette-smoking-in-united-states.html
[2] Campaign for Tobacco-Free Kids: The Toll of Tobacco in Rhode Island, https://www.tobaccofreekids.org/problem/toll-us/rhode_island
[3] CDC: Behavioral Risk Factor Surveillance System data, 2024

greatest harm and smoke-free alternatives representing lower-risk options. The FDA states, "Adults who smoke who fully switch from cigarettes to a lower-risk alternative can generally reduce their health risk and exposure to toxic and cancer-causing chemicals."[4]

Although there are several nicotine replacement therapies that are approved as smoking cessation-aids, their relatively low success rates and lack of appeal to smokers necessitate that the public health community consider expanding the portfolio of options to include innovative smoke free nicotine products. It is a fact that most adults who smoke in Rhode Island will not quit the use of nicotine, even if they no longer want to smoke combustible cigarettes[5]—and fundamentally, these adults deserve access to affordable alternatives.

Included in our portfolio is a product called IQOS, the nation's first "heat-not-burn" tobacco product authorized as "appropriate for the protection of public health" by the FDA. IQOS is not an FDA-approved smoking cessation aid; rather, IQOS replicates the experience of smoking at a much lower risk profile and provides a better option for adult smokers than continued use of combustible cigarettes. Importantly, FDA's evaluation found that IQOS is not likely to appeal to nonsmokers, including youth,[6] consistent with our submitted science and evidence from other global markets.

After multiple rounds of regulatory review, the FDA concluded that IQOS is not just "appropriate for the protection of public health" as an authorized product, but also "appropriate to promote the public health" as a Modified Risk Tobacco Product. Before authorizing IQOS as a modified risk product, the FDA applied rigorous, independent, scientific review to determine that IQOS heats the tobacco and does not burn it. This lack of combustion significantly reduces the production of harmful and potentially harmful chemicals, and scientific studies have shown that "switching completely from conventional cigarettes to the IQOS system significantly reduces your body's exposure to harmful or potentially harmful chemicals." [7] Our studies submitted to the FDA demonstrated that, while not risk-free, IQOS emits 90% to 95% fewer harmful and potentially harmful constituents compared to combustible cigarettes.[8]

IQOS is an innovative, harm-reduction product, and approximately 22 million adults around the world have fully switched to IQOS and stopped smoking. In Japan, data from the Japanese Ministry

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[4] FDA: The Relative Risks of Tobacco Products, https://www.fda.gov/tobacco-products/health-effects-tobacco-use/relative-risks-tobacco-products

[5] CDC: Smoking Cessation: Fast Facts, https://www.cdc.gov/tobacco/php/data-statistics/smoking-cessation/index.html

[6] FDA: FDA permits sale of IQOS Tobacco Heating System through premarket tobacco product application pathway, https://www.fda.gov/news-events/press-announcements/fda-permits-sale-iqos-tobacco-heating-system-through-premarket-tobacco-product-application-pathway

[7] FDA: FDA Authorizes Reduced Exposure Claim for IQOS 3 System Holder and Charger, https://www.fda.gov/tobacco-products/ctp-newsroom/fda-authorizes-reduced-exposure-claim-iqos-3-system-holder-and-charger

[8] Christelle Haziza, Guillaume de La Bourdonnaye, Andrea Donelli, Valerie Poux, Dimitra Skiada, Rolf Weitkunat, Gizelle Baker, Patrick Picavet, Frank Lüdicke, Reduction in Exposure to Selected Harmful and Potentially Harmful Constituents Approaching Those Observed Upon Smoking Abstinence in Smokers Switching to the Menthol Tobacco Heating System 2.2 for 3 Months (Part 1), Nicotine & Tobacco Research, Volume 22, Issue 4, April 2020, Pages 539–548, https://doi.org/10.1093/ntr/ntz013

of Health, Labour and Welfare shows a 46% decrease in cigarette-smoking prevalence since 2014, when IQOS was introduced into the market.[9]

Similar declines in Rhode Island are possible, but only if the state's smokers have access to—and can afford—the products that have helped so many smokers in other markets. Enacting reasonable, risk-proportionate taxation is a foundational first step, particularly as additional heated tobacco products are anticipated to receive Modified Risk Tobacco Product authorizations in the future. S 2360 would do just that, ensuring products like IQOS that have met the very high bar of being FDA-authorized as Modified Risk are taxed at a lower rate than more harmful combustible cigarettes.

Consumer attitudes toward novel smoke-free products like IQOS are, and will continue to be shaped, in large part, by government policies. As adult consumers see and use these products as they come to market, it is critical to have sound public policies in place that affirm smokers are making a better choice. Eight states around the country, including Connecticut, have already enacted laws that provide for a similar tax differential for modified risk tobacco products.

Thank you to the sponsors of this legislation, Senators DiPalma, Murray, de la Cruz, and Thompson, and to the Committee for its consideration. I strongly urge advancement of S 2360 to provide Rhode Island's smokers with affordable access to smoke-free alternatives to cigarettes.

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[9] PMI: Philip Morris International Marks a Decade of IQOS—a Milestone in the Journey to a Smoke-Free Future, https://www.pmi.com/investor-relations/press-releases-and-events/press-releases-overview/press-release-details/?newsId=28236

IQOS: A BETTER OPTION FOR ADULT SMOKERS

WHAT IS IQOS?

IQOS is a tobacco heating system, or heated tobacco product (HTP) that gives the nearly 30 million[1] American adults who smoke cigarettes a better option than continued smoking. IQOS heats real tobacco but does not burn it, significantly reducing the production of harmful and potentially harmful chemicals compared with cigarettes.[2]

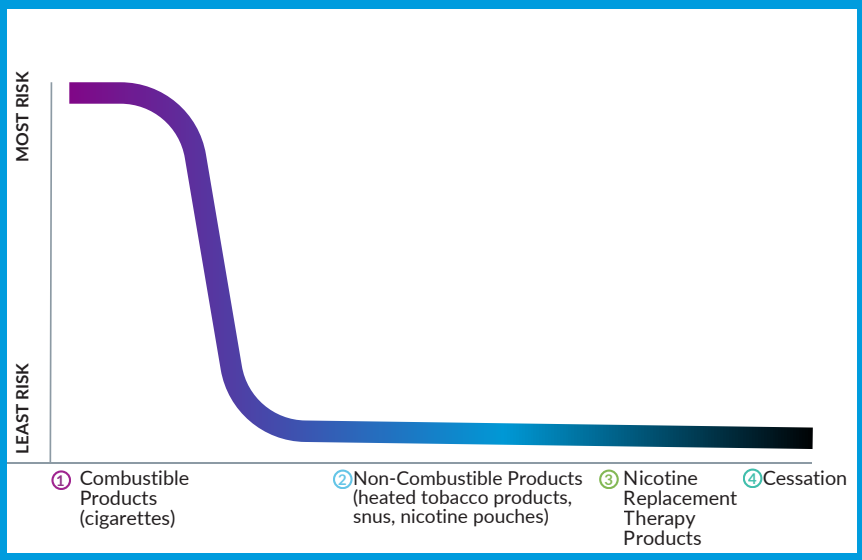
HOW IS IT USED?

An electronic device, the IQOS Holder, heats specially designed tobacco sticks to a precise temperature, producing a smoke-free, nicotine-containing aerosol that the user inhales. IQOS is designed to mimic the flavor and experience of smoking a combustible cigarette without the smoke.

IS IQOS AUTHORIZED BY THE FDA?

The IQOS System is authorized for marketing by the FDA as "appropriate for the protection of public health"[3] and is the only heated tobacco product authorized as a Modified Risk Tobacco Product.[2] These designations reflect rigorous scientific review that demonstrates IQOS, while not risk-free, is fundamentally different than a cigarette and gives legal-age adults who smoke a better choice.

COMBUSTION AND THE RISK CLIFF



Adapted from Nutt, et. al. Estimating the Harms of Nicotine-Containing Products Using the MCDA Approach. Eur. Addict Res 2014; 20:218-225.

Compared with cigarette smoke, IQOS aerosols contain fewer toxic chemicals.[3]

THE BOTTOM LINE:

IQOS is **fundamentally different** from a cigarette and a better option for adults who smoke. That's why FDA concluded the sale of IQOS to adults who completely switch from cigarettes is "appropriate for the protection of public health."[3]

Government policies on tobacco and nicotine use should be based on science, risk levels and common sense to ensure legal-age adults who would otherwise continue to smoke cigarettes have access to better, scientifically substantiated options like IQOS.

2017

PMI submits IQOS premarket tobacco product application to FDA for review, which includes thousands of hours and millions of dollars spent performing scientific research.

2019

First, and only, HTP issued a Marketing Granted Order by FDA: FDA completes rigorous review and concludes the sale of IQOS to adults who smoke and completely switch is "appropriate for the protection of public health."

2020

First (and still only) HTP authorized by FDA as a Modified Risk Tobacco Product: This FDA designation recognized that adults who smoke cigarettes and switch completely to IQOS will have significantly reduced toxic exposures that will benefit the health of the population as a whole.

1. *CDC, Burden of Cigarette Use in the U.S., https://tinyurl.com/4cxtf6w9*
2. *FDA, FDA Authorizes Reduced Exposure Claim for IQOS 3 System Holder and Charger, http://tinyurl.com/2tz7c7zx.*
3. *FDA, FDA permits sale of IQOS Tobacco Heating System through premarket tobacco product application pathway, http://tinyurl.com/3cv8k2vs.*

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FDA NEWS RELEASE

FDA Authorizes Marketing of IQOS Tobacco Heating System with 'Reduced Exposure' Information

Agency Will Closely Monitor Real-World Data to Assess if Marketing Continues to be Appropriate

More Press Announcements (/news-events/newsroom/press-announcements)

For Immediate Release:

July 07, 2020

Today, the U.S. Food and Drug Administration authorized the marketing of Philip Morris Products S.A.'s "IQOS Tobacco Heating System" as modified risk tobacco products (MRTPs). (/tobacco-products/advertising-and-promotion/modified-risk-granted-orders)This marks the second set of products ever to be authorized as MRTPs and the first tobacco products to receive "exposure modification" orders, which permits the marketing of a product as containing a reduced level of or presenting a reduced exposure to a substance or as being free of a substance when the issuance of the order is expected to benefit the health of the population. Importantly, the authorization for these products requires the company to conduct postmarket surveillance and studies to determine whether the MRTP orders continues to be appropriate, including assessing the potential for increased use among youth.

"Through the modified risk tobacco product application process, the FDA aims to ensure that information directed at consumers about reduced risk or reduced exposure from using a tobacco product is supported by scientific evidence and understandable," said Mitch Zeller, J.D., director of the FDA's Center for Tobacco Products. "Data submitted by the company shows that marketing these particular products with the authorized information could help addicted adult smokers transition away from combusted cigarettes and reduce their exposure to harmful chemicals, but only if they completely switch. The FDA will closely monitor how IQOS is used by consumers to determine if these products meet this potential and do not cause increased use among youth. It is important to note that these products are not safe, so people, especially young people, who do not currently use tobacco products should not start using them or any other tobacco product."

The IQOS Tobacco Heating System includes the electronic IQOS device that generates a nicotine-containing aerosol by heating tobacco-filled sticks wrapped in paper, specifically Marlboro Heatsticks, Marlboro Smooth Menthol Heatsticks and Marlboro Fresh Menthol Heatsticks. The FDA previously authorized the marketing (/news-events/press-announcements/fda-permits-sale-iqos-tobacco-heating-system-through-premarket-tobacco-product-application-pathway) of these products without modified risk information in April 2019 via the premarket tobacco application (PMTA) pathway.

Today's action pertains to the separate MRTP applications for these products and further authorizes the manufacturer to market these specific products with the following information:

"AVAILABLE EVIDENCE TO DATE:

- The IQOS system heats tobacco but does not burn it.
- This significantly reduces the production of harmful and potentially harmful chemicals.
- Scientific studies have shown that switching completely from conventional cigarettes to the IQOS system significantly reduces your body's exposure to harmful or potentially harmful chemicals."

Even with this action, these products are not safe nor "FDA approved." The exposure modification orders also do not permit the company to make any other modified risk claims or any express or implied statements that convey or could mislead consumers into believing that the products are endorsed or approved by the FDA, or that the FDA deems the products to be safe for use by consumers.

There are two types of MRTP orders the FDA may issue: a "risk modification" order or an "exposure modification" order. The company had requested both types of orders for the IQOS Tobacco Heating System. After reviewing the available scientific evidence, public comments and recommendations from the Tobacco Products Scientific Advisory Committee, the FDA determined that the evidence did not support issuing risk modification orders at this time but that it did support issuing exposure modification orders for these products. This determination included a finding that issuance of the exposure modifications orders is expected to benefit the health of the population as a whole.

In particular, the agency determined the company demonstrated that because the IQOS Tobacco Heating System heats tobacco and does not burn it, it significantly reduces the production of harmful and potentially harmful chemicals compared to cigarette smoke. Furthermore, studies showed switching completely from combusted cigarettes to the IQOS Tobacco Heating System significantly reduces the body's exposure to 15 specific harmful and

potentially harmful chemicals. The toxicological assessment also found that, compared with cigarette smoke, IQOS aerosols contain considerably lower levels of potential carcinogens and toxic chemicals that can harm the respiratory or reproductive systems. Additionally, the FDA found that the applications supported the required consumer understanding findings.

Today's authorization requires Philip Morris Products S.A. to conduct postmarket surveillance and studies to determine the impact of these orders on consumer perception, behavior and health, and to enable the FDA to review the accuracy of the determinations upon which the orders were based. These postmarket requirements include a rigorous toxicity study using computer models to help predict potential adverse effects in users. The orders also require the company to monitor youth awareness and use of the products to help ensure that the marketing of the MRTPs does not have unintended consequences for youth use. The company must also keep the FDA apprised of efforts to prevent youth access and exposure.

These requirements are in addition to the postmarket requirements and restrictions previously placed on these products in their April 2019 PMTA authorizations, such as reporting information to the FDA about consumer research studies, sales and advertising information and adverse experiences, among others. In particular, to limit youth access to the products and to limit youth exposure to IQOS advertising and promotion, the PMTA authorization placed stringent restrictions on how the products are marketed – particularly via websites and through social media platforms – by including requirements that advertising be targeted to adults of legal age to purchase tobacco products.

The company must request and receive authorization from the FDA to continue marketing the products with the same modified exposure information after the initial orders expire in 4 years. The FDA also may withdraw the initial and any potential subsequent exposure modification orders if the agency determines that, among other things, the orders are no longer expected to benefit the health of the population as a whole, for example as a result of an uptake in use of the products by youth or former smokers, or a decrease in the number of current smokers who completely switch to the products.

The MRTP pathway (/tobacco-products/advertising-and-promotion/modified-risk-tobacco-products) outlined in the 2009 Family Smoking Prevention and Tobacco Control Act allows companies to submit applications for the FDA to evaluate whether a tobacco product may be sold or distributed for use to reduce harm or the risk of tobacco-related disease. By law, the FDA must also ensure that the advertising and labeling of modified risk products enables the public to understand the modified risk or modified exposure information and to understand the significance that information has in the context of total health and in relation to all tobacco-related diseases and health conditions.

The FDA, an agency within the U.S. Department of Health and Human Services, protects the public health by assuring the safety, effectiveness, and security of human and veterinary drugs, vaccines and other biological products for human use, and medical devices. The agency also is responsible for the safety and security of our nation's food supply, cosmetics, dietary supplements, products that give off electronic radiation, and for regulating tobacco products.

Related Information

- Modified Risk Tobacco Products (/tobacco-products/advertising-and-promotion/modified-risk-tobacco-products)
- Philip Morris Products S.A. Modified Risk Tobacco Product (MRTP) Applications (/tobacco-products/advertising-and-promotion/philip-morris-products-sa-modified-risk-tobacco-product-mrtp-applications)

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REDUCED SMOKING RATES COULD ACHIEVE SIGNIFICANT MEDICAID SAVINGS

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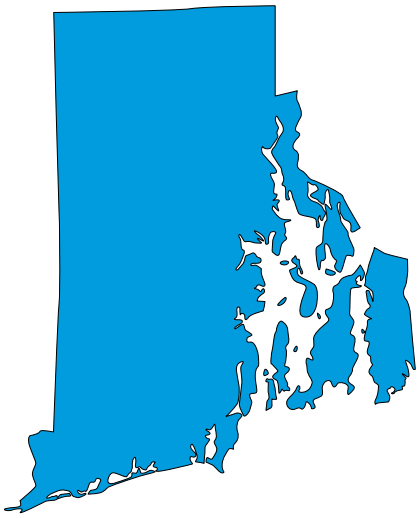
Rhode Island's Medicaid program could save millions in taxpayer dollars in one year if smoking rates were reduced among recipients by just 1%. Models further show the program could see over $83 million in savings if Rhode Island's Medicaid smoking rate were reduced to 5.4%, the current adult smoking rate of Sweden[1]--the first country to achieve smoke-free status.[2]



Methodology for all calculations adapted from *Glantz SA. Estimation of 1-Year Changes in Medicaid Expenditures Associated With Reducing Cigarette Smoking Prevalence by 1%.* JAMA Netw Open. 2019;2(4):e192307. doi:10.1001/jamanetworkopen.2019.2307

EVERY SMOKER MATTERS

$3,955

IN EXPECTED ONE-YEAR SAVINGS PER SMOKER THAT COMPLETELY QUITS CIGARETTE SMOKING.[3]

$8.9M

IN EXPECTED ONE-YEAR SAVINGS IF THE STATEWIDE MEDICAID SMOKING RATE OF 14.8%[4] WERE REDUCED BY JUST 1%.

RHODE ISLAND: BY THE NUMBERS

225.6K	14.8%	33.4K	21.2K
estimated adults enrolled in Medicaid in Rhode Island[5]	of adults enrolled in Medicaid in Rhode Island smoke	estimated adult Medicaid enrollees who smoke	fewer smokers possible under Swedish harm reduction strategy with 5.4% smoking rate

$83,860,159

POTENTIAL ONE-YEAR SAVINGS FROM REDUCTION IN MEDICAID SMOKING RATE TO 5.4%

1. Public Health Agency of Sweden: Use of tobacco and nicotine products, https://shorturl.at/xU4mx.
2. Path to Smoke Free: Global Rankings: Measuring Progress Through Sweden's Success Lens, https://pathtosmokefree.global/ranking/.
3. Adjusted to current dollar value based on medical inflation rates.
4. Rhode Island Behavioral Risk Factor Surveillance System data, 2024.
5. Assumes adults constitute 73% of enrolled Medicaid population, https://files.kff.org/attachment/fact-sheet-medicaid-state-RI.