



Using Evidence to Inform Policy-Makers about Health Care Affordability: The Oregon Healthy Kids Experience

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In the beginning there was the Federal Poverty Level...

- Mollie Orshansky and the Orshansky Poverty thresholds
- Based on the least costly of four nutritionally adequate food plans developed by the Dept. of Agriculture and then multiplied by 3.
- Adjusted annually by changes in the Consumer Price Index
- Department of Health & Human Services uses it to determine program eligibility



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Oregon's Healthy Kids plan

- Governor Kulongoski asked the Medicaid Advisory Committee to make policy recommendations on a SCHIP expansion program for Oregon children.
- MAC requested data from OHPR to assist in the development of health care affordability standards for the Healthy Kids program.



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The Stakes

- You CAN build it but they won't come if they can't afford it.
 - Oregon's experience with health care subsidies, Family Insurance Assistance Program (FHIAP)
 - National literature
 - Ku & Coughlin, 1999
 - Cunningham, Schaefer, and Hogan, 1999
- Equity



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The Quest

- To get an idea of how much money families can afford to contribute to health care through premiums, co-pays, and deductibles depending on:
 - How many wage-earners in the home
 - How many children in the home
 - Monthly Income (measured by Federal Poverty Level Guidelines)
 - Monthly expenses
 - Geographic Area (rural vs. urban)



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Our Approach

- Utilize data on family budgets to understand discretionary income that can be used to pay for healthcare by Federal Poverty Level.
- Guiding Assumptions
 - Existing data is good data!
 - Standardized cost versus expenditures
 - Health care is *NOT* discretionary for some families but may seem so to others in light of competing financial demands.



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Data Sources

- Economic Policy Institute (www.epi.org)
 - 2004 family budget calculator
 - Methodology available: *Family Budget Technical Documentation* (Allegretto & Fungard) www.epi.org.
 - Adjusted by inflation rate of 6.83% to reflect 2006 amounts
 - US Dept. of Labor Statistics Consumer Price Index Inflation Calculator at <http://www.bls.gov/cpi>
- The United States Department of Health & Human Services 2006 HHS Poverty Guidelines
 - Issued yearly and used for determining financial eligibility for means-tested federal programs



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Calculations & Assumptions: Housing

- Housing: based on the Department of Housing and Urban Development's fair market rents (FMR):
 - representing rent + utilities for “privately owned, decent, structurally safe, and sanitary rental housing of a modest (non-luxury) nature with suitable amenities”.
- Assumptions:
 - Two bedroom apartments for families with 1 or 2 children.
 - Three bedroom apartments for families with 3 children.



For more information visit HUD: www.huduser.org/datasets/fmr.html

Calculations & Assumptions: Food

- Food Costs: based on the Department of Agriculture's "Official USDA Food Plans: Cost of Food at Home at Four Levels" report.
- Budget uses the "low-cost" plan, the second lowest plan calculated.
- Assumes a very basic diet, and that almost all food will be prepared in the home.



For more information visit: <http://www.usda.gov/cnpp/using3.html>

Calculations & Assumptions: Transportation

- Transportation costs per mile are from the IRS cost-per-mile rate, which includes the cost of gas, insurance, vehicle registration fees, maintenance, and depreciation.
 - Varies by urban or rural area, and number of parents in the family.
- Budget assumes only non-social trips (work, school, church, and errands for the 1st adult and only work trips for the 2nd adult).



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Calculations & Assumptions: Child Care

- For the most part, costs are based on child care centers and varies by urban vs. rural locations.
- Budget assumes a 4 year-old in one-child families, one 4 year-old and one school-age child in two-child families, and a 4 year-old and two school-aged children in three child families.



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Calculations & Assumptions: Taxes

- Taxes include federal personal income tax, federal Social Security and Medicare payroll taxes, state income taxes, and well as local income or wage taxes.
- Budgets assume:
 - All families are renters
 - All adults work and all income is from work
 - Adults take advantage of all tax credits



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Calculations & Assumptions: Other Expenses

- Clothing
- Personal Care expenses
- Household supplies
- Reading materials
- School supplies
- Estimated as 27% of housing and food costs
 - Based on data from the Consumer Expenditure Survey (<http://www.bls.gov/cex>)



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The Budgets

2006
Portland-Vancouver
Rural Oregon



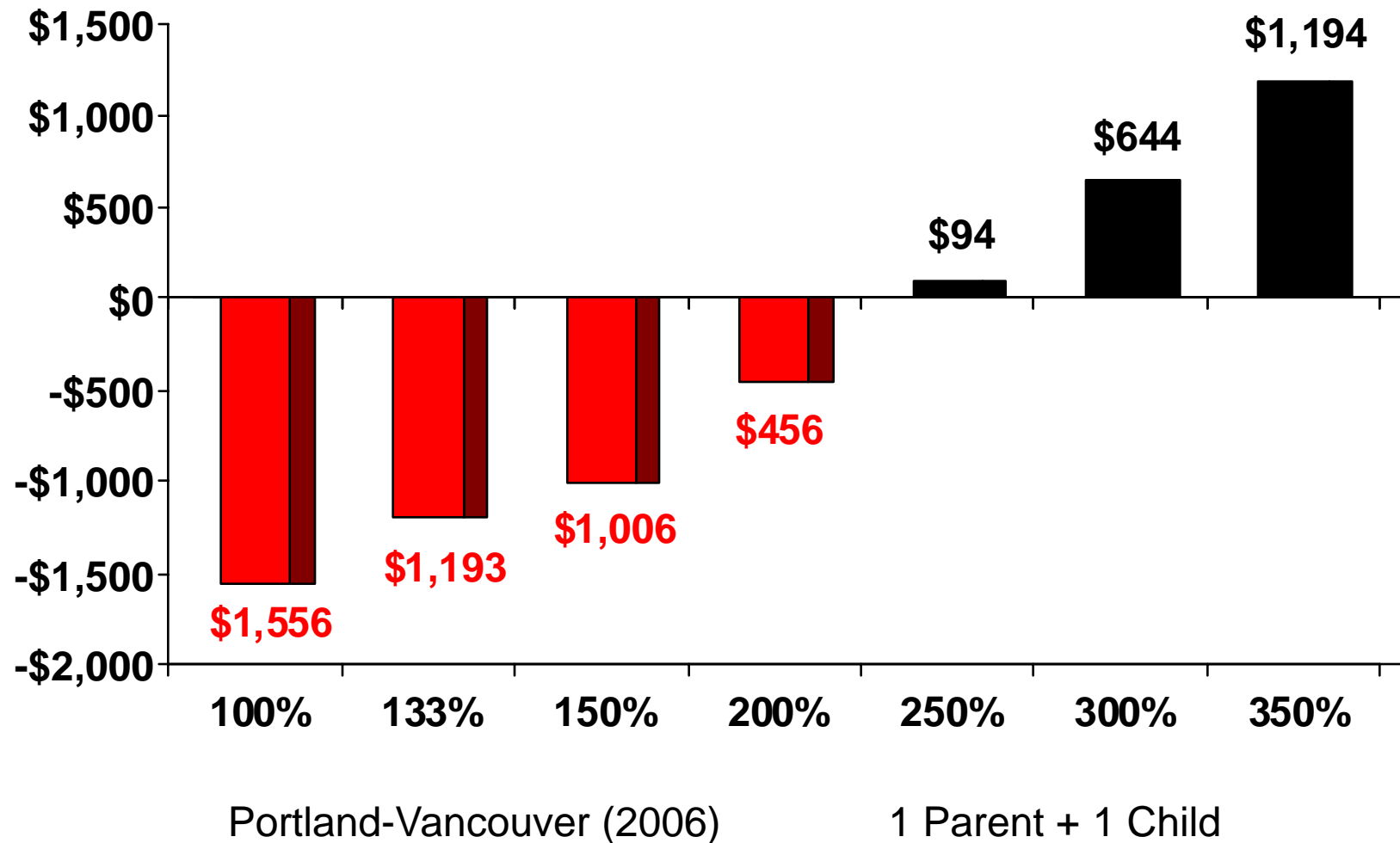
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Family Budget: Portland-Vancouver 1 Parent/ 1 Child

Portland Area-One Parent+ One Child	
	2006 \$ amount
Monthly housing	\$ 766
Monthly food	\$ 283
Monthly child care	\$ 595
Monthly transportation	\$ 294
Monthly taxes	\$ 435
Monthly other necessities (e.g., clothing)	\$ 283
Monthly total mandatory expenses	\$ 2,656

Economic Policy Institute (2004) + 6.83% inflation

Discretionary Monthly Income after 250% Federal Poverty Level (FPL)

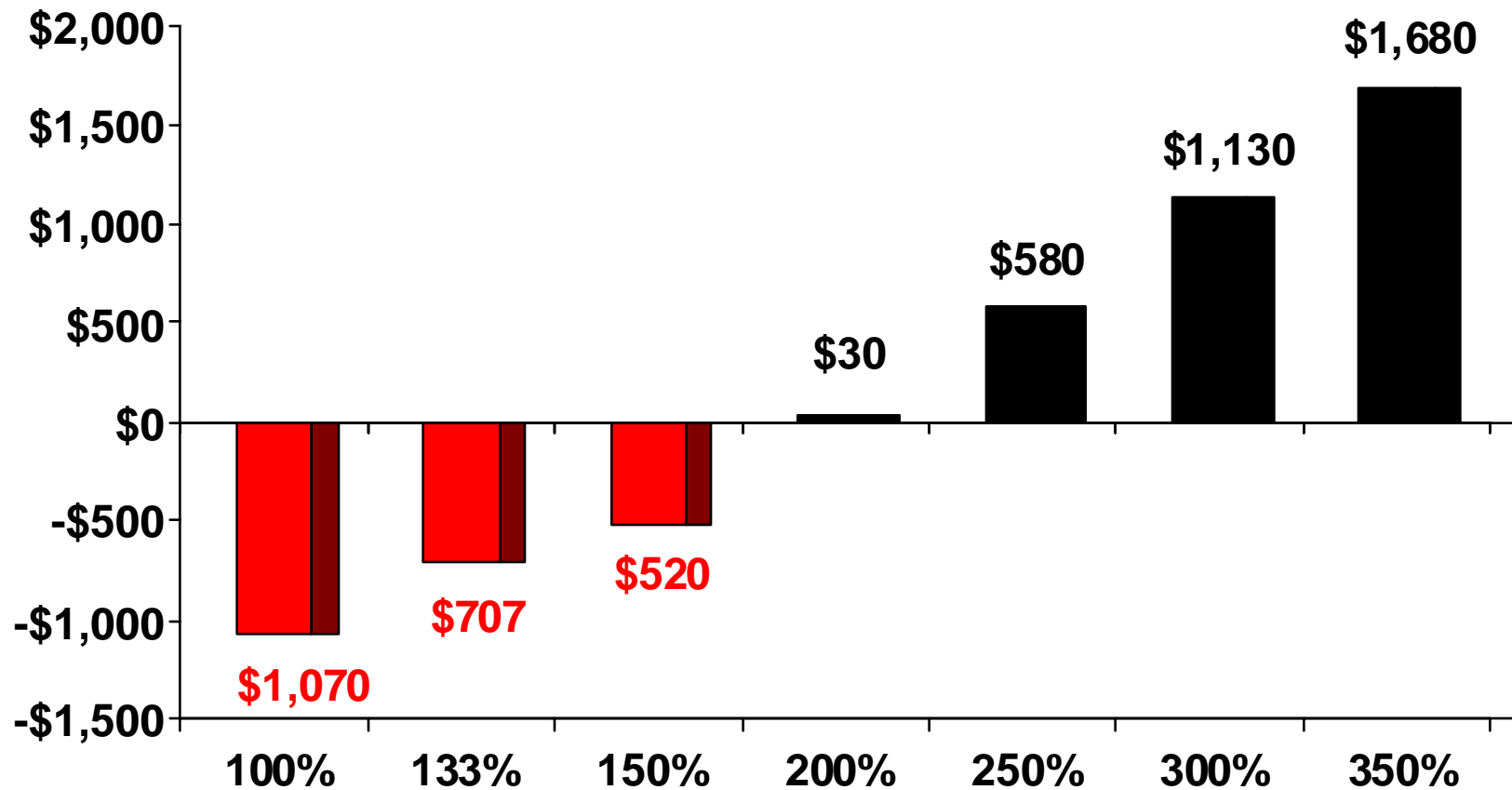


Family Budget: Rural Oregon 1 Parent/ 1 Child

	2006 \$ amount
Monthly housing	\$ 629
Monthly food	\$ 283
Monthly child care	\$ 447
Monthly transportation	\$ 334
Monthly taxes	\$ 230
Monthly other necessities (e.g., clothing)	\$ 247
Monthly total mandatory expenses	\$ 2,170
Annual total	\$ 26,037

Economic Policy Institute (2004) + 6.83% inflation

Discretionary Monthly Income after 200% Federal Poverty Level (FPL)



Rural Oregon (2006)

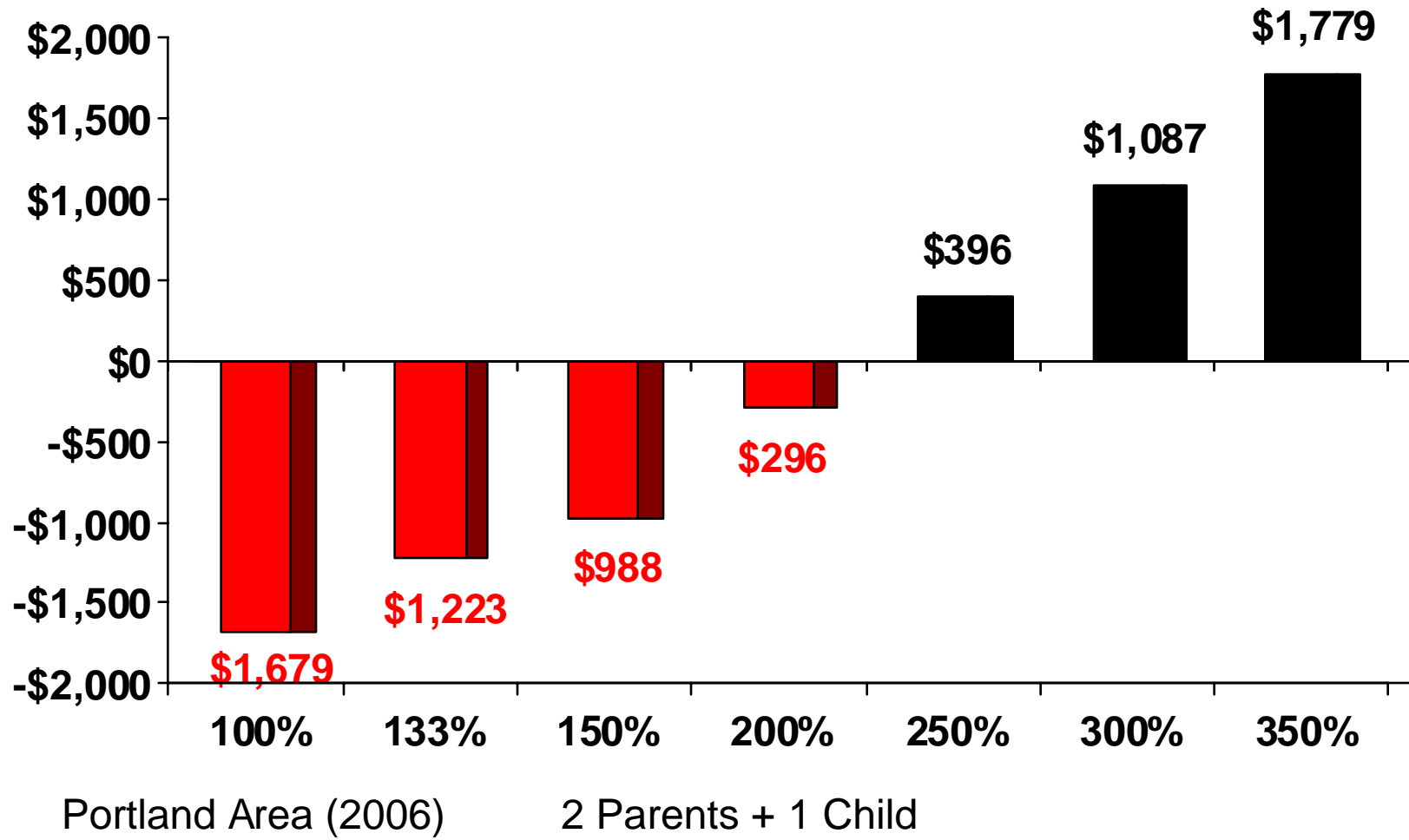
1 Parent + 1 Child

Family Budget: Portland- Vancouver 2 parents/1 child

	2006 \$ amount
Monthly housing	\$ 766
Monthly food	\$ 479
Monthly child care	\$ 595
Monthly transportation	\$ 401
Monthly taxes	\$ 486
Monthly other necessities	\$ 337
Monthly total mandatory expenses	\$ 3,063
Annual total	\$ 36,754

Economic Policy Institute (2004) + 6.83% inflation

Discretionary Monthly Income after 250% of Poverty Level

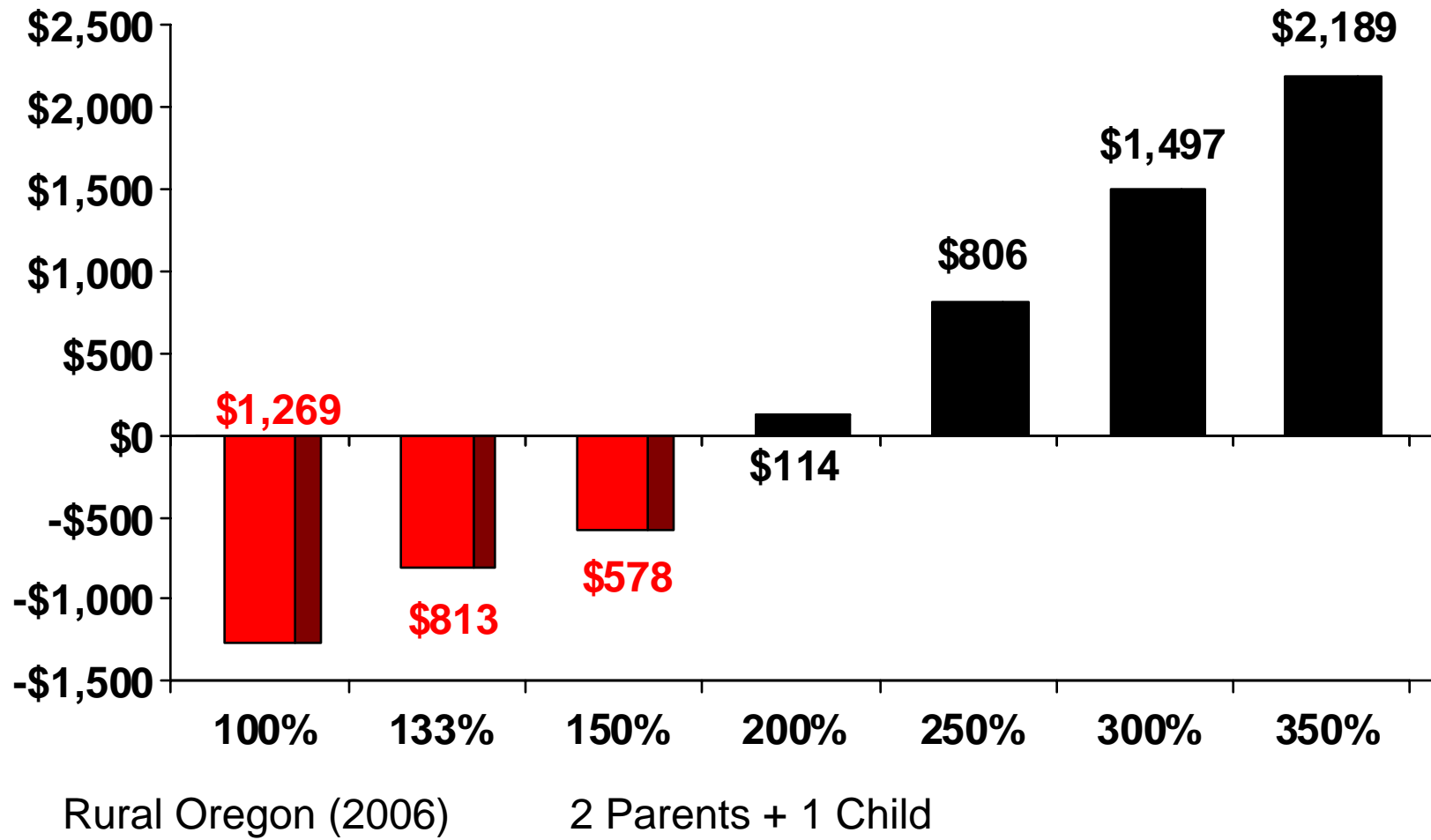


Family Budget: Rural Oregon 2 Parents/1 Child

	2006 \$ amount
Monthly housing	\$ 629
Monthly food	\$ 479
Monthly child care	\$ 447
Monthly transportation	\$ 449
Monthly taxes	\$ 350
Monthly other necessities	\$ 299
Monthly total mandatory expenses	\$ 2,653
Annual total	\$ 31,831

Economic Policy Institute (2004) + 6.83% inflation

Discretionary Monthly Income after 200% of Poverty Level

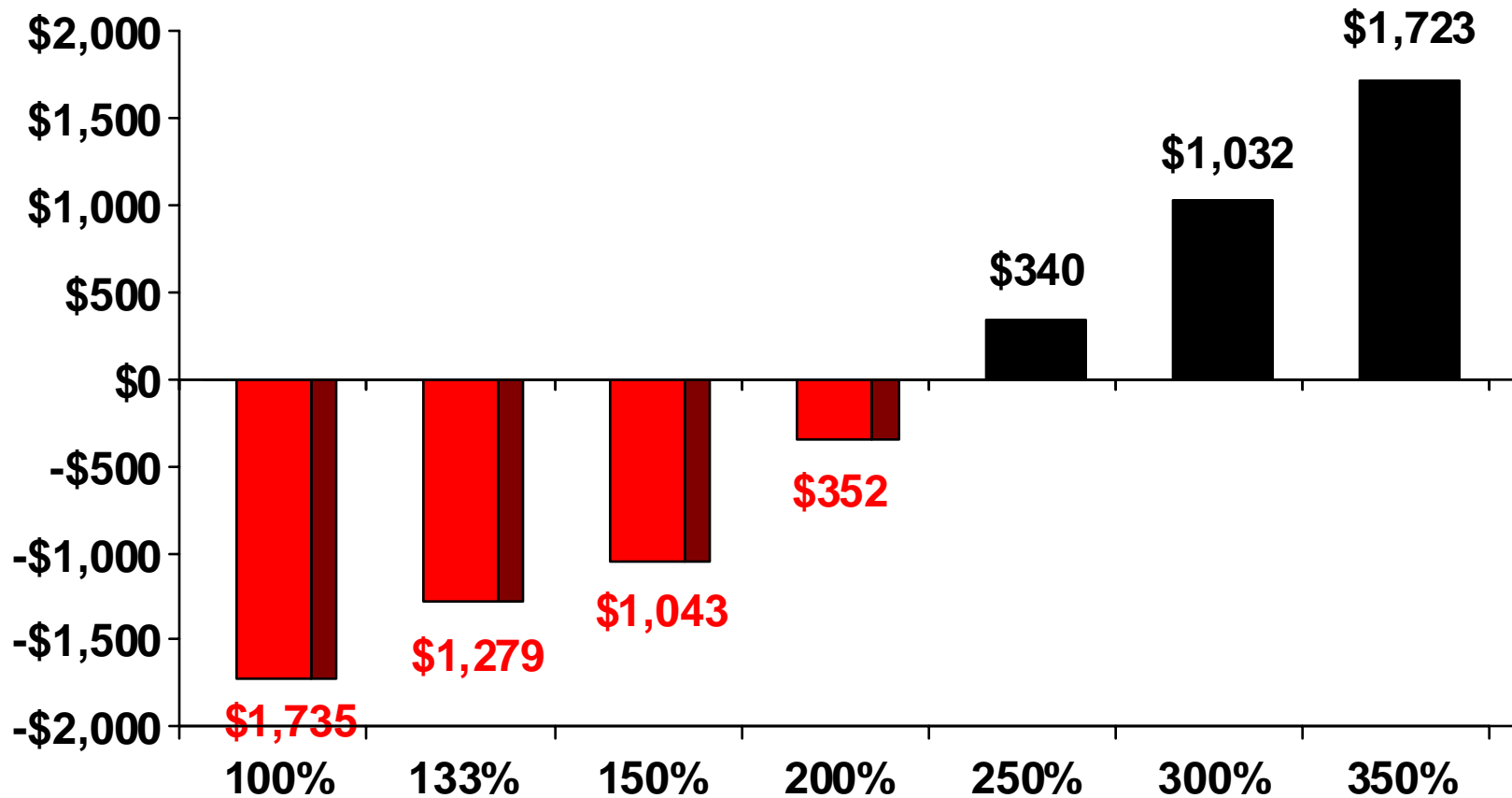


Family Budget: Portland-Vancouver 1 Parent/ 2 Children

	2006 \$ amount
Monthly housing	\$ 766
Monthly food	\$ 433
Monthly child care	\$ 913
Monthly transportation	\$ 294
Monthly taxes	\$ 389
Monthly other necessities (e.g., clothing)	\$ 324
Monthly total mandatory expenses	\$ 3,118
Annual total	\$ 37,420

Economic Policy Institute (2004) + 6.83% Inflation

Discretionary Monthly Income after 250% FPL



Portland-Vancouver (2006)

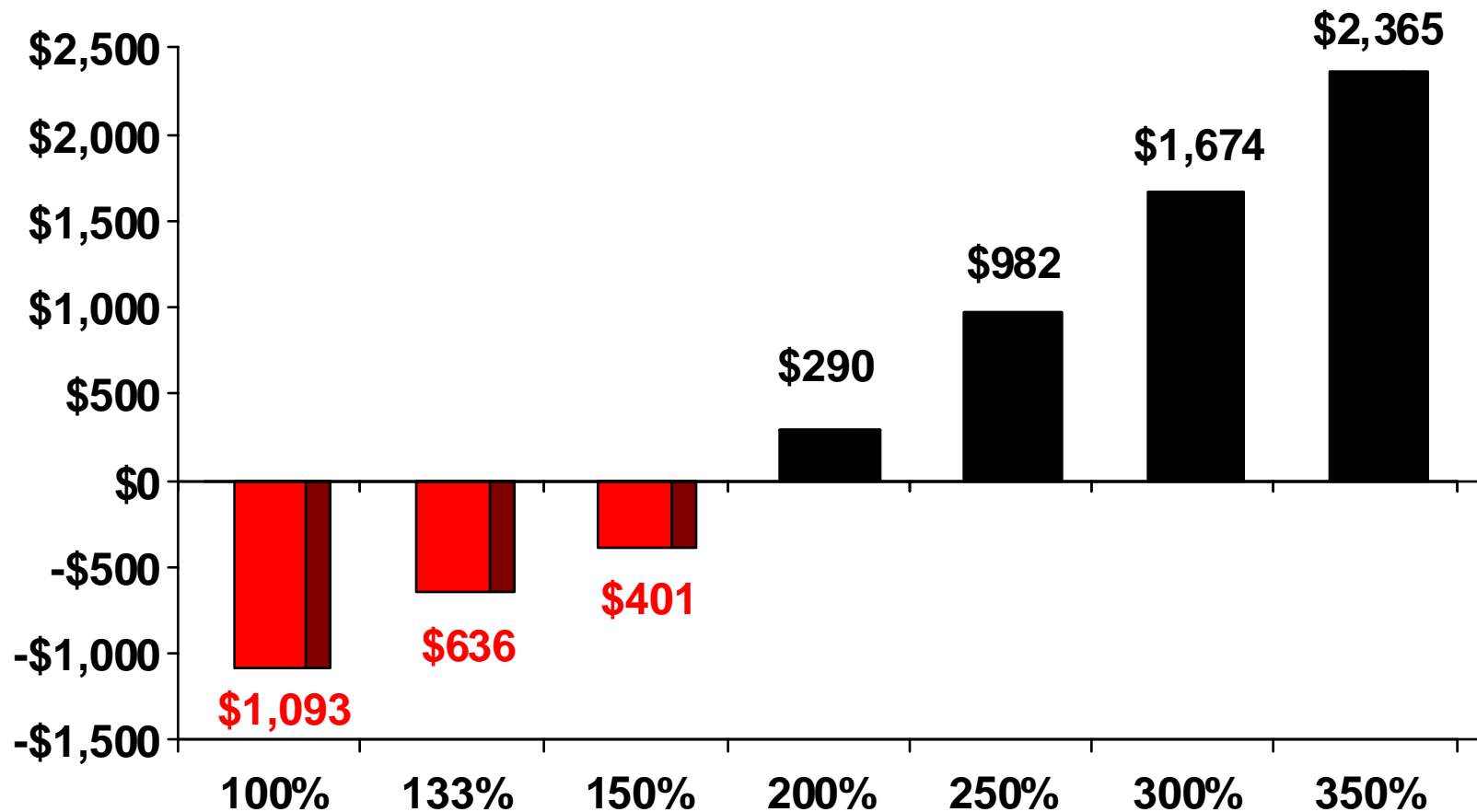
1 Parent + 2 Children

Family Budget: Rural Oregon 1 Parent/ 2 Children

	2006 \$ amount
Monthly housing	\$ 629
Monthly food	\$ 433
Monthly child care	\$ 702
Monthly transportation	\$ 334
Monthly taxes	\$ 92
Monthly other necessities (e.g., clothing)	\$ 286
Monthly total mandatory expenses	\$ 2,476
Annual total	\$ 29,716

Economic Policy Institute (2004) +6.83% Inflation

Discretionary Monthly Income after 200% FPL *



Rural Oregon (2006)

1 Parent + 2 Children

Conservative Decisions

- Budgets do not include debt, or higher than normal interest rates that might affect families with less than perfect credit.
- Estimates are conservative (particularly regarding child care, housing, and food)
- Other factors, beyond health care, compete for discretionary income as income goes up. Assumed standard of housing stays the same.
- Budget does not include recommended savings or catastrophic expenses.

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MAC Process

- MAC public meetings
 - Public reported that budgets were conservative and over-estimated health care affordability for Oregon families
- Based on evidence and public input, MAC recommended to the Governor:
 - No cost-sharing above 200% FPL
 - Sliding-scale premium subsidies up to 350% FPL
 - Predictable cost-sharing through premiums versus unpredictable cost-sharing through co-payments and co-insurance.

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Legislative Process

- OHPR produced an affordability brief for legislative testimony
- Multiple bills resulted in Senate Bill 3
 - Premium subsidies up to 300% FPL
- Funded by a *tobacco tax* in the *Oregon Constitution*
- Voters decide on November 6th

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What Worked

- Being concrete
- Adjusting for geography
- Being conservative
- Public (voter) input

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Limitations

- Prescriptive definitions of essential expenses
- Some argue that this approach makes health insurance seem less essential than other expenses
- Other approaches offer different strengths/weaknesses
 - Expenditures
 - Blumberg, Holahan, Hadley & Nordahl (2007)
 - Gruber (2007)
 - Enrollment analysis
 - Gruber (2007)

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Onward Ho!

- Changing landscape of health reform
 - Individual mandates
 - The Massachusetts approach
- The Healthy Oregon Act of 2007

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Contact

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