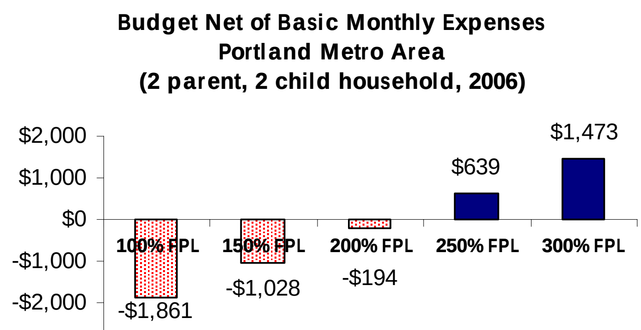
Health Care Reform Reference
Health Care Affordability in Oregon

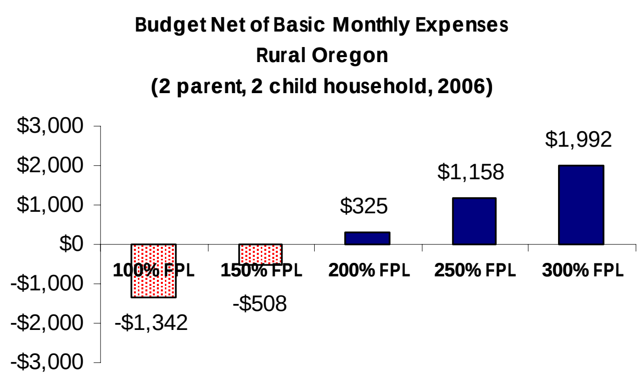
Oregon's health values surveys have shown that Oregonians value personal responsibility. They also believe that families should share in the cost of health care on a sliding scale according to their ability to pay.[1]

To better understand what families in Oregon can afford to contribute for health care, the Office for Oregon Health Policy and Research reviewed information on regional household expenses developed by the Economic Policy Institute (EPI).[2] The following tables and charts exhibit the summary data from our review, with health care removed as a specific budget item. This brief outlines the data reviewed and how this information educated the health reform efforts of the Medicaid Advisory Committee (MAC) and the Oregon Health Policy Commission (OHPC).

Family Monthly Income Available to Contribute to Health Care in Oregon, 2006



Monthly Expenses for a Family in Portland Metro Area with 2 Parents/2 Children, 2006	
Monthly housing	$766
Monthly food	$627
Monthly child care	$913
Monthly transportation	$401
Monthly other necessities	$376
Monthly taxes	$444
Monthly total	$3,528
Annual total	$42,330



Monthly Expenses for a Family in Rural Oregon with 2 Parents/2 Children, 2006	
Monthly housing	$629
Monthly food	$627
Monthly child care	$702
Monthly transportation	$449
Monthly other necessities	$340
Monthly taxes	$262
Monthly total	$3,009
Annual total	$36,108

Source: Economic Policy Institute "Basic family budget calculator" Accessed online <12.05.06>
http://www.epi.org/content.cfm/datazone_fambud_budget

[1] Oregon Health Decisions, Oregon Health Values Survey 2004, available at <http://www.oregonhealthdecisions.org/PDFs/HVS04_Report.pdf>.

[2] This discussion is based on the presentation given by Heidi Allen for OHREC to the Medicaid Advisory Committee on March 22, 2005. Primary Source: Economic Policy Institute (www.epinet.org) 2006 Family Budget Calculator(2004 dollars adjusted to 2006 with the consumer price index. Methodology available from "Family Budget Technical Documentation," (Allegretto & Fungard) and the United States Department of Health & Human Services 2006 HHS Poverty guidelines.

How Affordability Estimates Have Helped Frame Health Care Reform Discussions

In 2006, the Medicaid Advisory Committee (MAC) was charged with the task of developing recommendations for the Governor's office on the development of the Healthy Kids plan, a program to make health insurance available to all of Oregon's children. In April and May 2006, the MAC held six public hearings across the state. Attendees were presented with a brief overview of the Governor's Healthy Kids plan and MAC recommendations regarding asset limits, uninsurance requirements, and benefits. Participants were asked to contribute to a discussion around appropriate levels of state-subsidy and family cost-sharing.

The meetings were held in Medford, Bend, Newport, Corvallis, Portland and LaGrande. Representatives from the State of Oregon's Office for Oregon Health Policy and Research (OHPR), Oregon Health Research and Evaluation Collaborative (OHREC), Oregon's Office of Medical Assistance Programs (OMAP), and Governor Kulongoski's office attended these meetings with MAC members to facilitate small group discussions and to record public feedback.

To evaluate appropriate levels of cost-sharing, meeting participants were asked to comment on family budgets [based on the methodology described in detail below] to determine if estimated expenses were consistent with regional Oregonian experiences. All six meetings produced feedback from the public that the basic monthly expense estimates we presented were very conservative and the true cost of living was significantly higher. In five of the six community meetings, there was consensus that family premium contributions should not begin until families are earning 250% FPL or above, and that state subsidies should continue until families are at 300% or even 350% of FPL.

The Oregon Health Policy Commission (OHPC) also worked in 2006 to create a road map for providing everyone in Oregon access to an affordable, high value health care system. The OHPC used this information to recommend that full system reform require public subsidies up through 300% FPL, graduated based on income. Additionally, the OHPC used the estimates to create some affordability standards around the maximum proportion of family income that should be spent on health care at various income ranges. These ranges were used to inform the development and pricing of reform recommendations.[3]

Methodology for Oregon Basic Family Budget Estimates

Approximating how much money families living in Oregon can afford to contribute to health care (through premiums, co-pays, and deductibles) means considering how many wage-earners are in the home, how many children are in the home, monthly income, and geographic area of residence (urban vs. rural). These factors frame the average family budget and are relevant in determining discretionary income.

After considering family composition, regional demographics, and income, EPI used the following six major components to calculate a conservative estimate of average family expenses in Oregon:[4]

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[3] The OHPC affordability standards ranged from 0% for the lowest income individuals and families through 15% at 250% FPL.

[4] The budget estimates 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). For example, housing estimates assume that families do not own a home and are renting a two bedroom apartment. Additionally, budgets do not include savings or catastrophic expenses.

- Housing: based on the Department of Housing and Urban Development's fair market rents (FMR) representing apartment rent and utilities for "privately owned, decent, structurally safe, and sanitary rental housing of modest (non-luxury) nature with suitable amenities", calculated for rural and urban Oregon.
- Food: based on the Department of Agriculture's "Official USDA Food Plans: Cost of Food at Home at Four Levels" report, EPI used the "low-cost" plan which assumes a very basic diet with almost all food prepared at home.
- Transportation: includes cost-per-mile rate determined by the Internal Revenue Service (cost of gas, insurance, registration fees, maintenance and depreciation) which assumes only non-social trips (work, school, church, and errands for the first adult and only work trips for the second adult).
- Child Care: based on child care centers and varies by urban vs. rural. 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-age children in three-child families.
- Taxes: includes federal personal income tax, federal Social Security and Medicare payroll taxes, state income taxes, as well as local income or wage taxes. Budgets assume all families are renters, all income is from work and all tax advantages are taken.
- Other Necessities: Budget includes clothing, personal care expenses, household supplies, reading materials, and school supplies (estimated at 27% of housing and food costs). [5]

To view the entire *Cost-Sharing Affordability* presentation with budget and discretionary income models for a variety of Oregon urban and rural family compositions, please visit the Office for Oregon Health Policy & Research website at: www.oregon.gov/DAS/OHPPR/index.shtml.

[5] *Based on data from the Consumer Expenditure Survey (http://www.bls.gov/cex)*