

# Cost-Sharing Affordability Presentation for the Medicaid Advisory Committee

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Heidi Allen, MSW

Office for Oregon Health Policy and Research

# 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)

# Data Sources

- Economic Policy Institute ([www.epi.org](http://www.epi.org))
  - 2004 family budget calculator
    - Methodology available: *Family Budget Technical Documentation* (Allegretto & Fungard) [www.epi.org](http://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

# 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.

# 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.

# 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 1<sup>st</sup> adult and only work trips for the 2<sup>nd</sup> adult).

# 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.

# 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



# 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>)

# The Budgets

2006

Portland-Vancouver

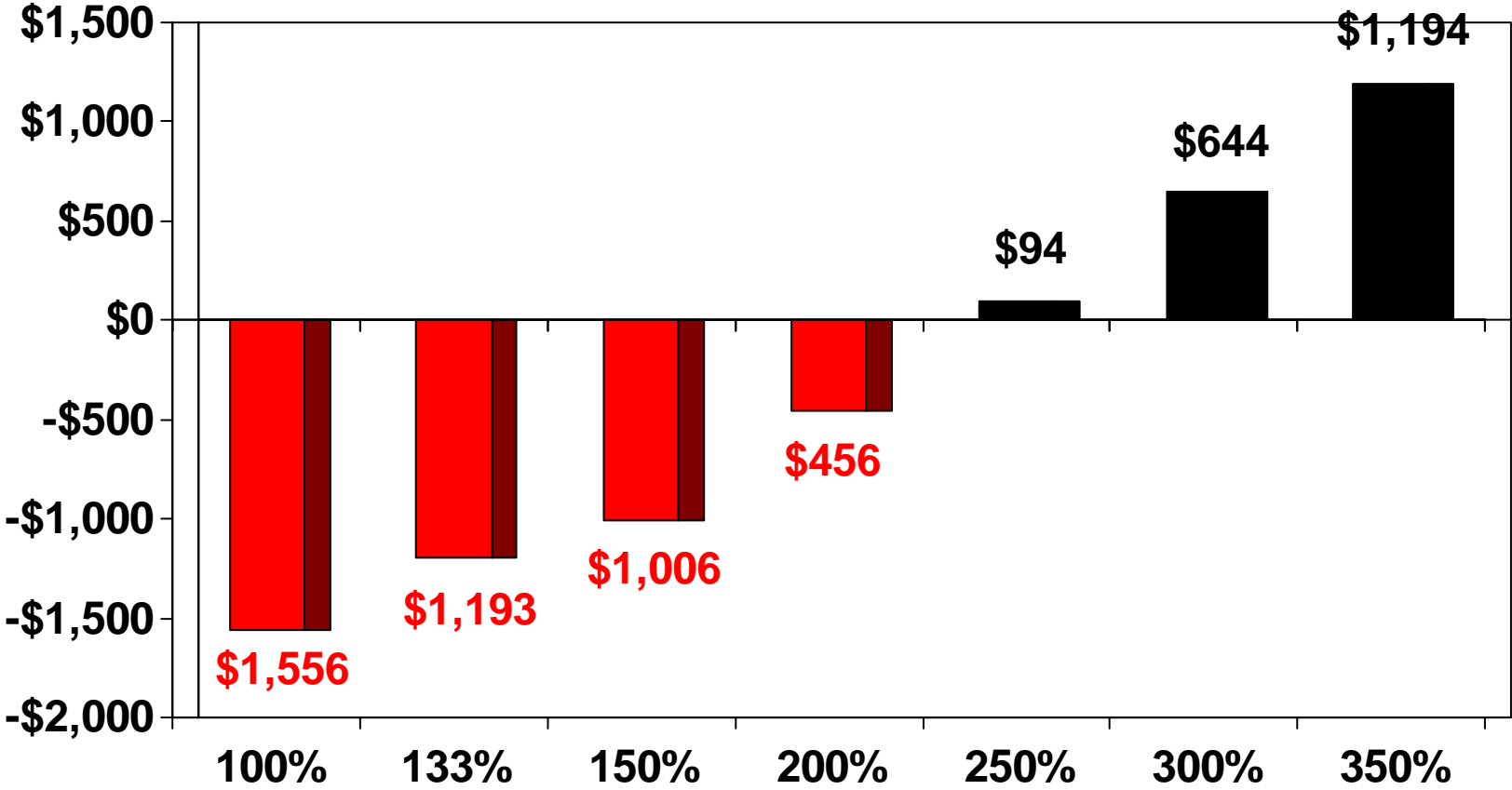
Rural Oregon

# Family Budget: Portland- Vancouver 1 Parent/ 1 Child

<b>Portland Area-One Parent+ One Child</b>	
	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)



Portland-Vancouver (2006)

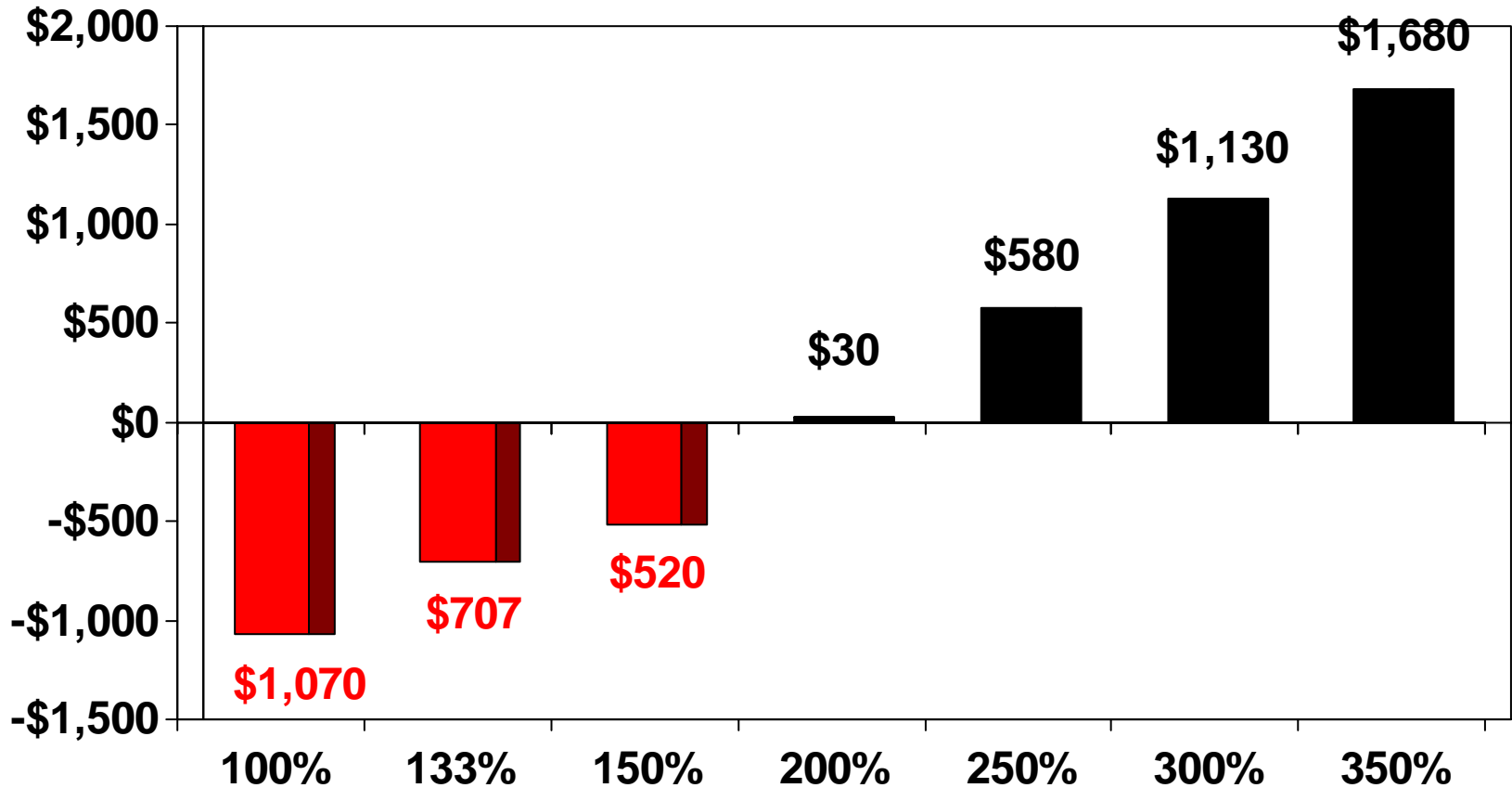
1 Parent + 1 Child

# 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% FPL



Rural Oregon (2006)

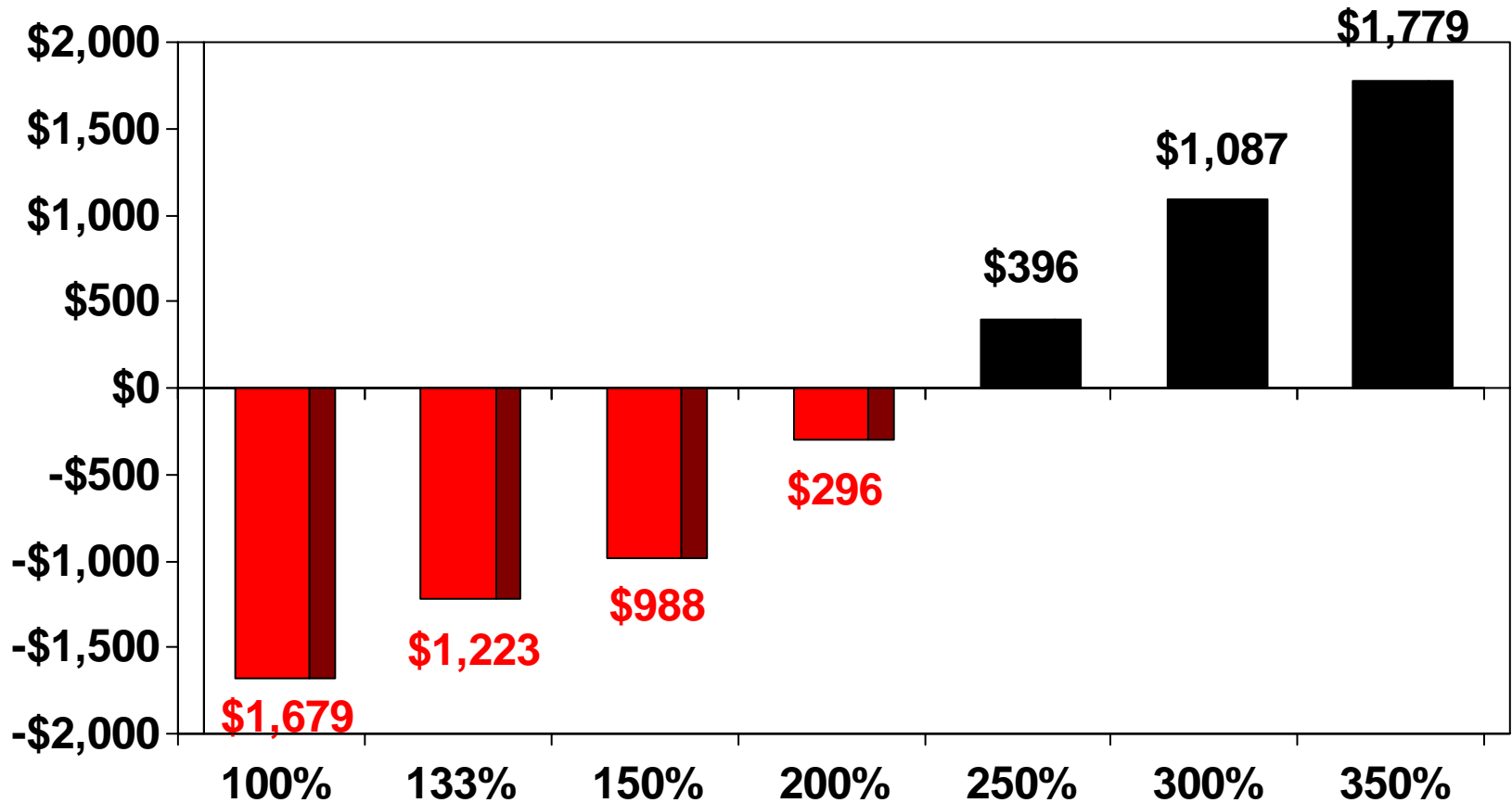
1 Parent + 1 Child

# 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



Portland Area (2006)

2 Parents + 1 Child

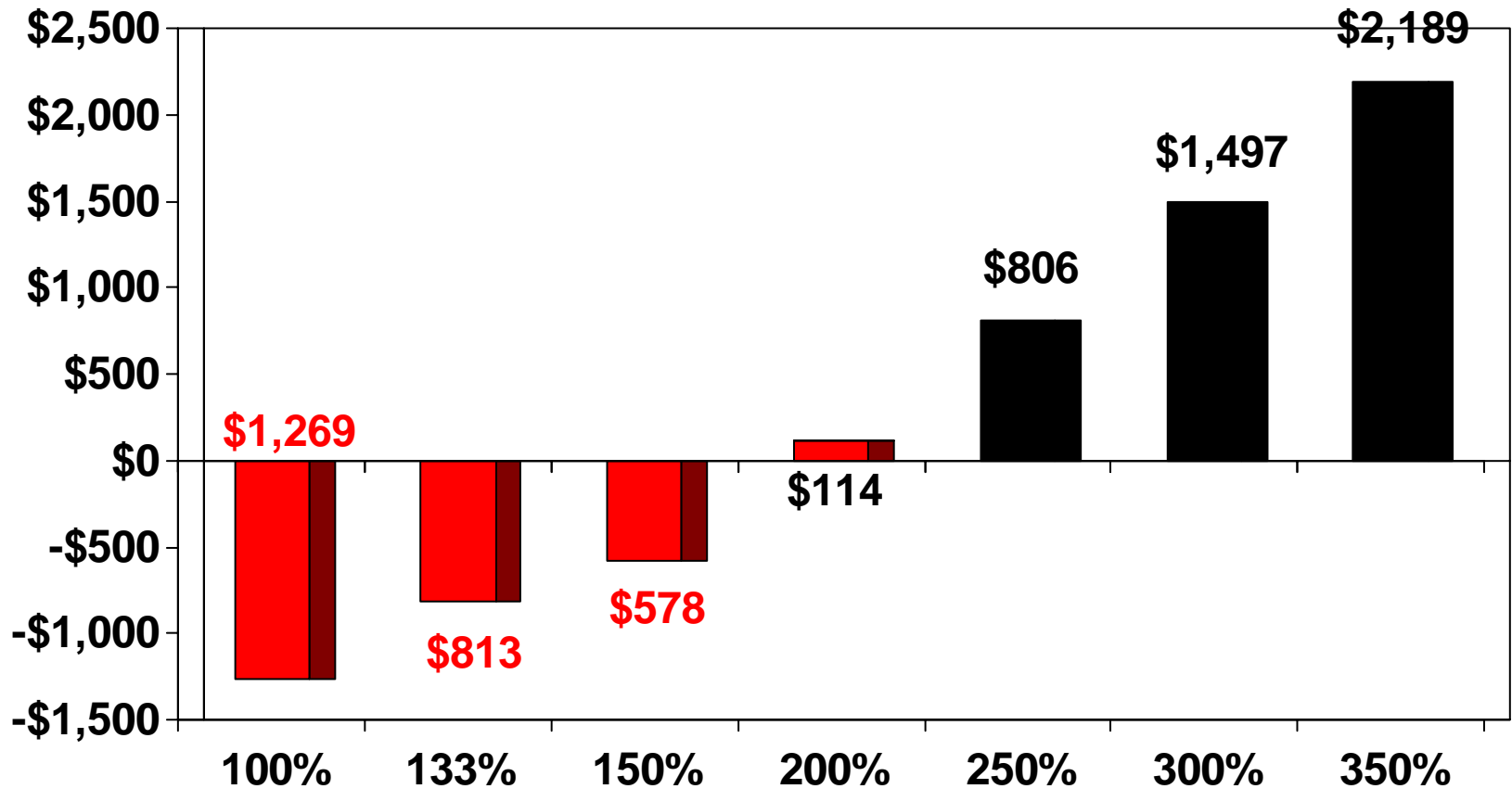


# Family Budget: Rural Oregon 2 Parents/1 Child

	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



Rural Oregon (2006)

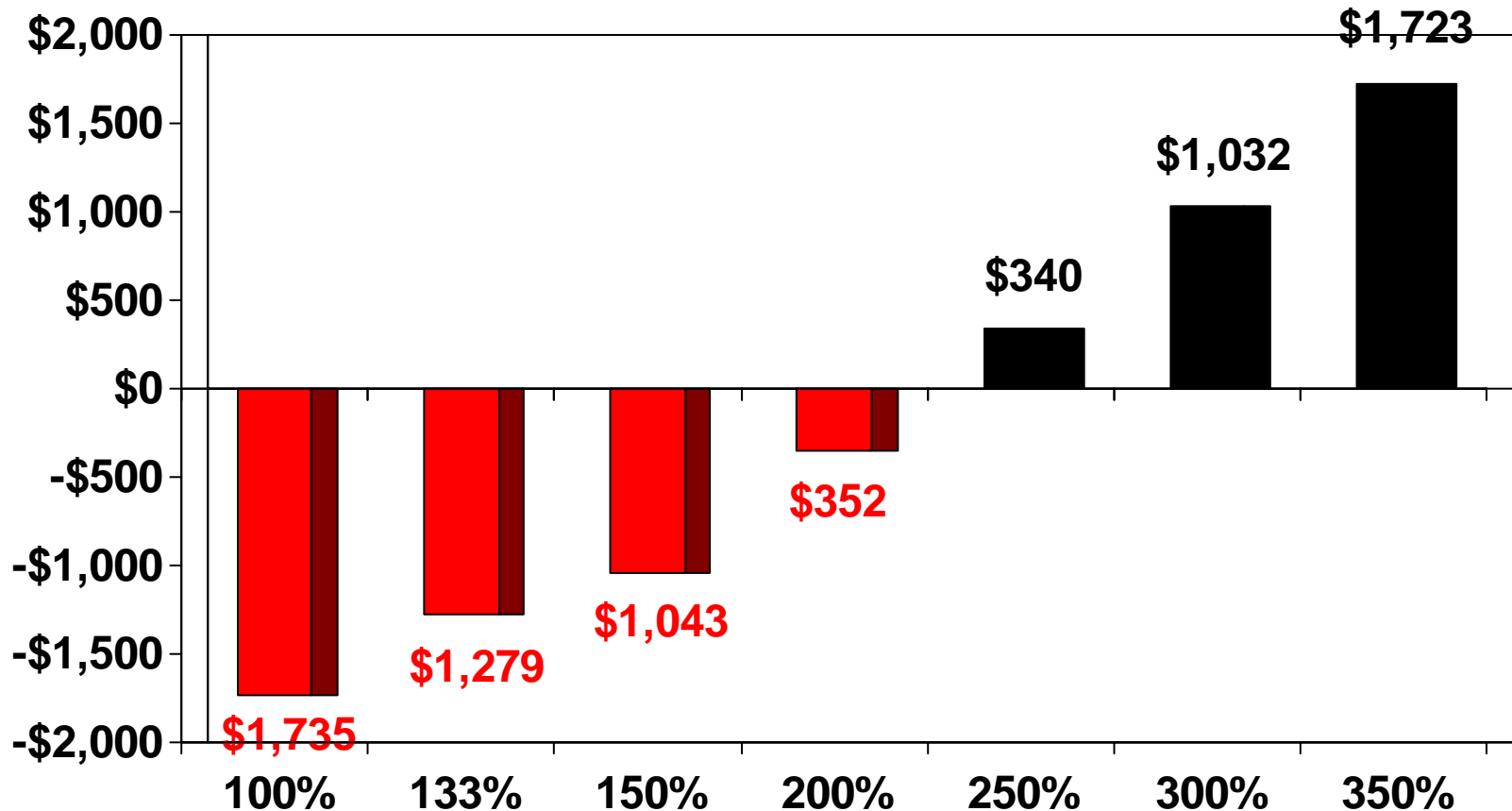
2 Parents + 1 Child

# 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)

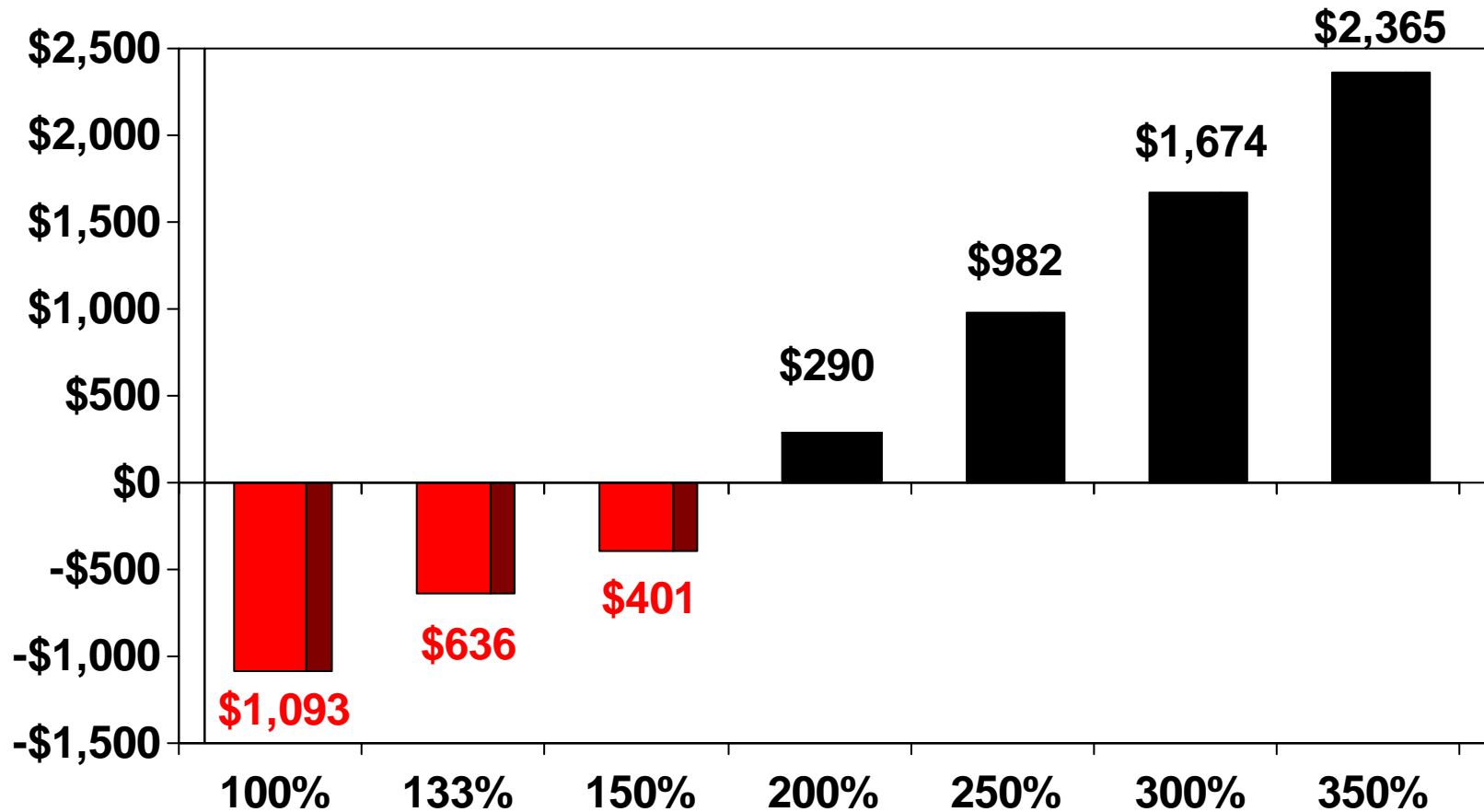
1 Parent + 2 Children

# 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)

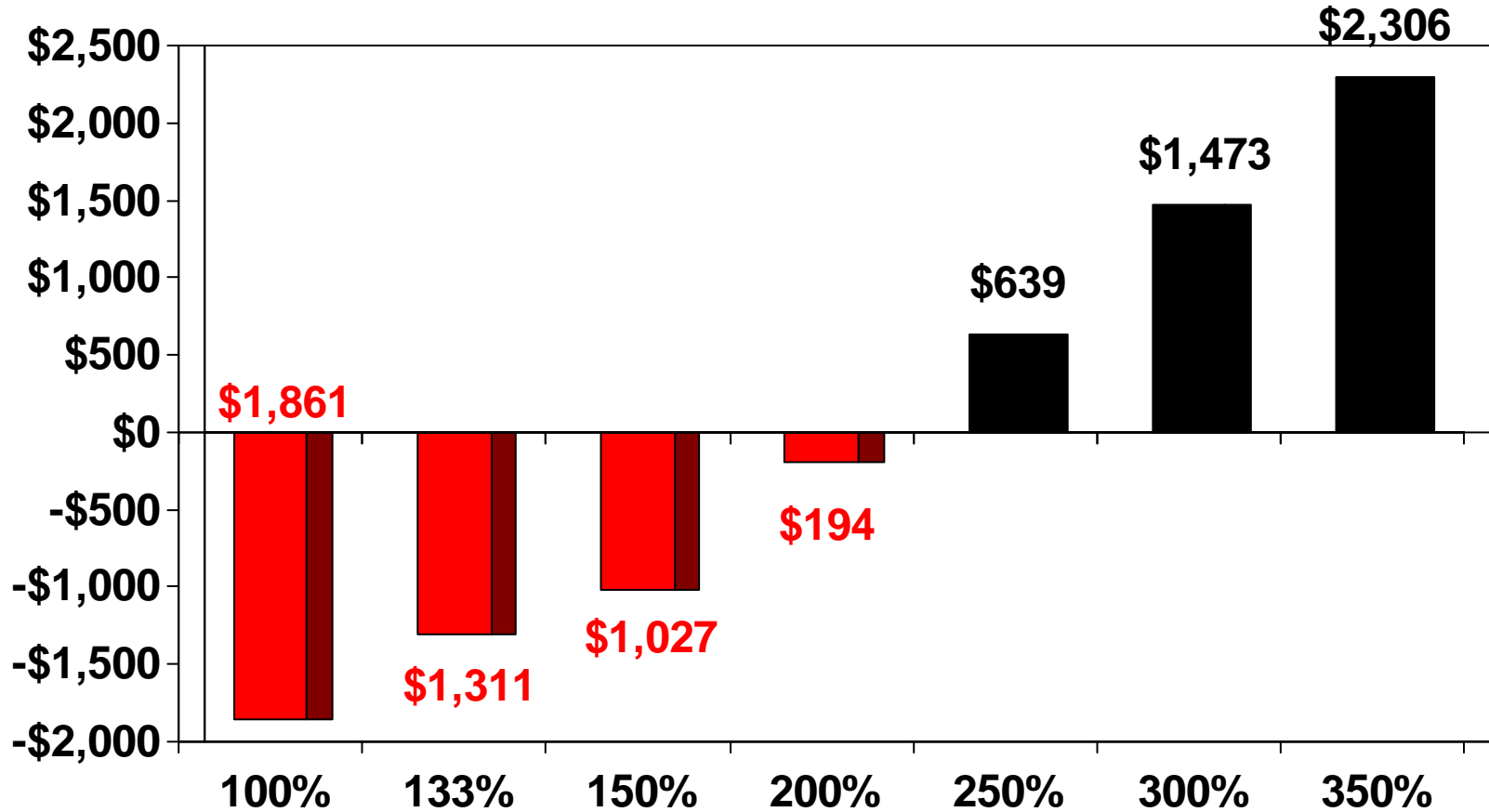
1 Parent + 2 Children

# Family Budget: Portland-Vancouver 2 Parents/ 2 Children

	2006 \$ amount
Monthly housing	\$ 766
Monthly food	\$ 627
Monthly child care	\$ 913
Monthly transportation	\$ 401
Monthly taxes	\$ 444
Monthly other necessities (e.g., clothing)	\$ 376
Monthly total mandatory expenses	\$ 3,527
Annual total	\$ 42,330

Economic Policy Institute (2004) +6.83% Inflation

# Discretionary Monthly Income after 250% FPL



Portland-Vancouver (2006)

2 Parents + 2 Children

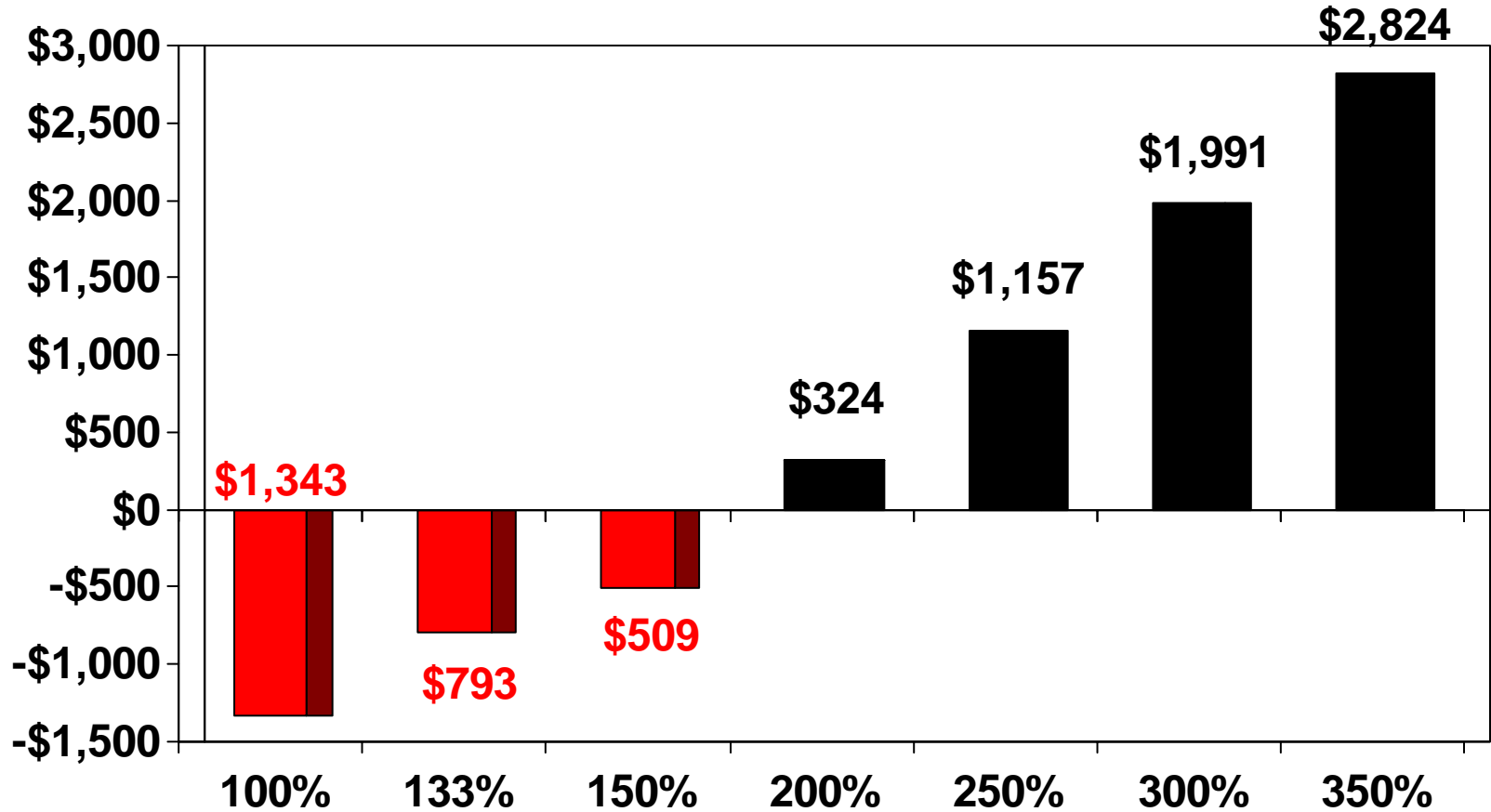


# Family Budget: Rural Oregon 2 Parents/ 2 Children

	2006 \$ amount
Monthly housing	\$ 630
Monthly food	\$ 627
Monthly child care	\$ 702
Monthly transportation	\$ 449
Monthly taxes	\$ 262
Monthly other necessities (e.g., clothing)	\$ 340
Monthly total mandatory expenses	\$ 3,010
Annual total	\$ 36,112

Economic Policy Institute (2004) +6.83% Inflation

# Discretionary Monthly Income after 200% FPL



Rural Oregon (2006)

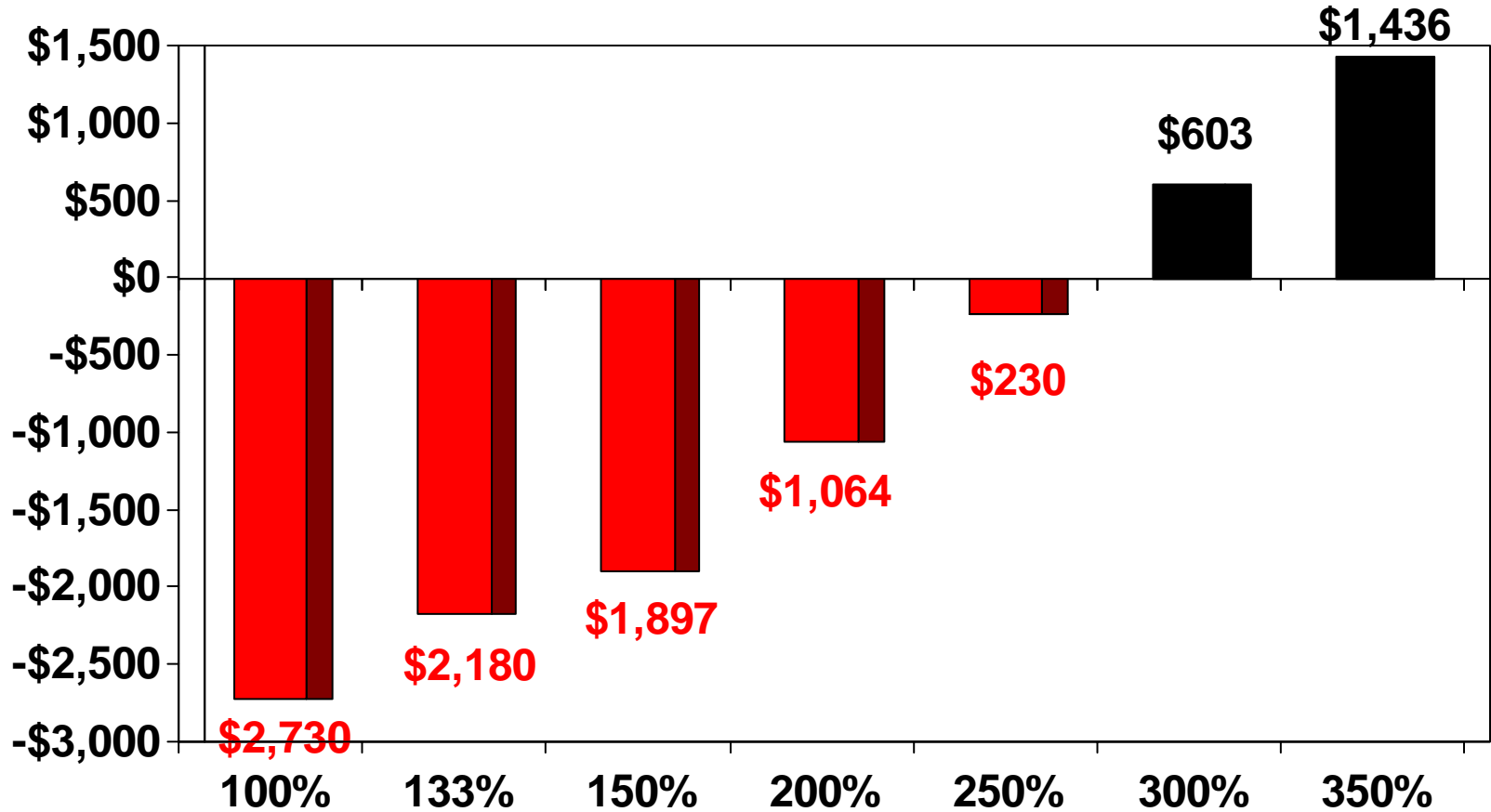
2 Parents + 2 Children

# Family Budget: Portland- Vancouver 1 Parent/ 3 Children

	2006 \$ amount
Monthly housing	\$ 1,115
Monthly food	\$ 600
Monthly child care	\$ 1,233
Monthly transportation	\$ 294
Monthly taxes	\$ 691
Monthly other necessities (e.g., clothing)	\$ 464
Monthly total mandatory expenses	\$ 4,397
Annual total	\$ 52,765

\*Economic Policy Institute +6.83% Inflation

# Discretionary Monthly Income after 300% FPL



Portland-Vancouver (2006)

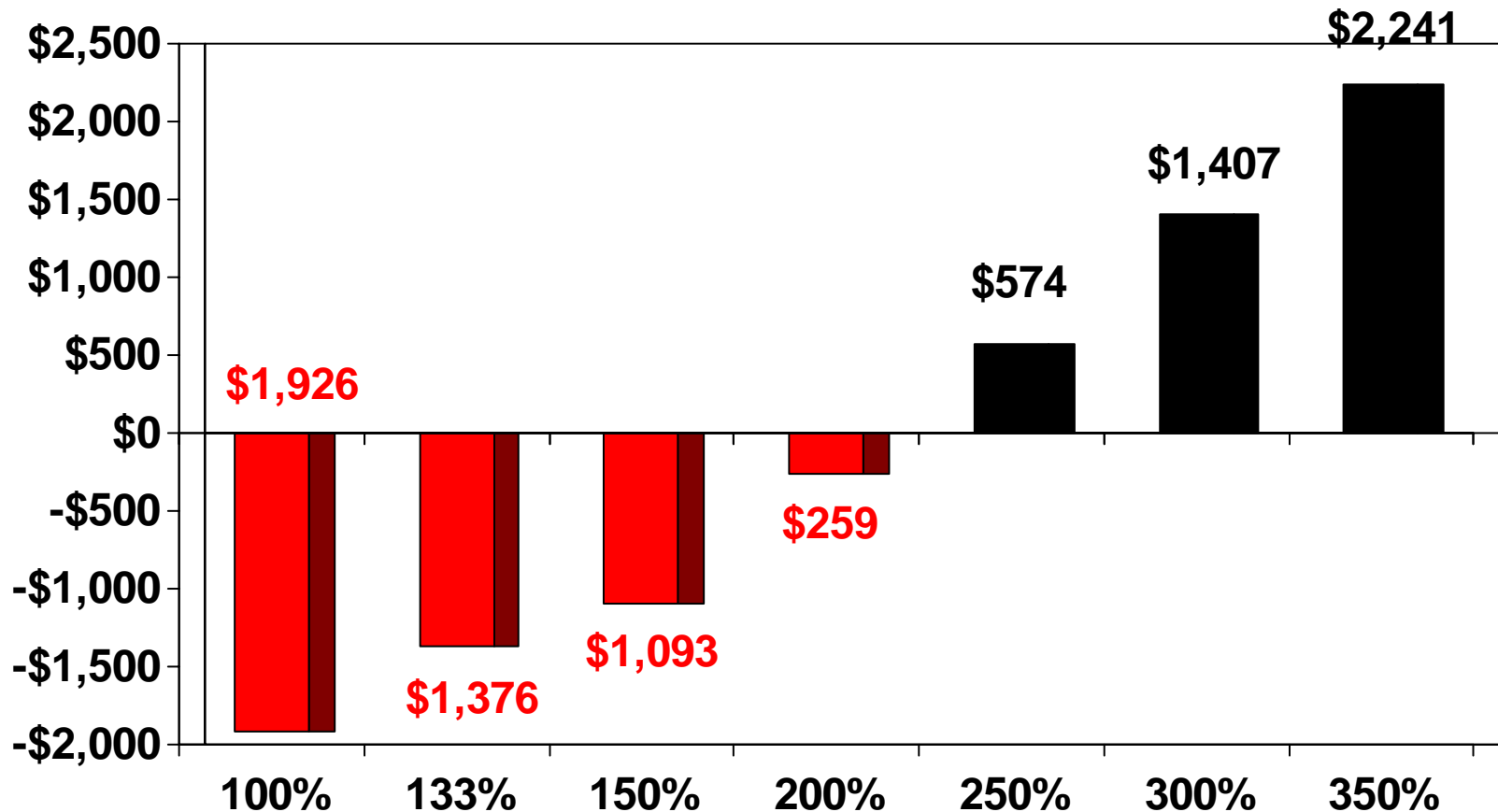
1 Parent + 3 Children

# Family Budget: Rural Oregon 1 Parent/ 3 Children

Monthly housing	\$	883
Monthly food	\$	600
Monthly child care	\$	957
Monthly transportation	\$	334
Monthly taxes	\$	417
Monthly other necessities (e.g., clothing)	\$	401
Monthly total mandatory expenses	\$	3,593
Annual total	\$	43,112

Economic Policy Institute (2004) +6.83% Inflation

# Discretionary Monthly Income after 250% of FPL



Rural Oregon (2006)

1 Parent + 3 Children

# Discussion Points

- These 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.