# WHY CAN'T BILL SUPPORTERS SAY "AFFORDABLE"?

Like Nate, I appreciate having a discussion based in facts and details. And Nate says several of the cost estimates I used to show why the health care bill is unaffordable for middle class families "are on the high side." I appreciate him checking my numbers–as I have said on several versions of the post I have done on affordability, I'd like to have a real discussion about these costs.

**Nate's numbers are too low**

Nate uses a different method than me; rather than building costs up from individual estimates as I did (indeed, Nate never shows what my hypothetical family's budget would look like), he looks at BLS data, and argues that either, "this is significantly more than most two-child families will be spending on these services – probably by a margin of $10,000 or so," and/or my hypothetical family, "does not have a reasonable and responsible gameplan to begin with."

Now, Nate hasn't actually shown that. Instead, his primary source of numbers shows what the average family in this income bracket ($50,000 to 69,999) would spend. And that family is older (average adult age of 47) and smaller (2.7 people, with just .7 kids) than the family I was discussing. That's significant in ways that make his costs too low on several counts. For example, over a fifth of the people in the BLS estimate own their home outright. A significant portion are single or couples. Adding older home-owners and singles needing smaller homes into his consideration almost certainly means Nate's housing costs are too low for a family of four or even three. Similarly, Nate's figures for food expenses are low by $1,324 (and his average family eats out, which USDA assumes my average family of 4 does not for its calculations).

Plus, Nate doesn't point to the places where my estimates (based on real expenditures) are quite low, according to the numbers Nate uses. I said this family spent $1,500 a year on heat, electricity, and water; his numbers say the average 2.7 member family would spend $2,823. I said this family would spend $1,200 for all telecom services; Nate's data says this 2.7 member family would spend $1,253 on telephone services alone, with cable, at least, presumably included in the $1,141 of audio and visual equipment and service. So, accepting Nate's numbers for these services would mean both my costs and probably his, too, for utilities and telecom are still too low for a 4-person family.

And the BLS data Nate uses appears to not account for child care at all (please correct me if I'm wrong here). Nate points out rightly that, "not all families will have a pre-school aged child. The typical child spends 3-4 years in pre-school, but then 12-13 years in the public school system," but doesn't account for the fact that I used costs for just one kid in child care, and not the more expensive infant or toddler rates. Also, if these kids were school aged, it would mean the family would spend $1,353 more on food because of the growing kids' higher calorie requirements. Also, note these costs don't necessarily have to include child care. Unmanageable college loan debt, unplanned major house repairs, existing medical debt, or credit card debt could all get my middle class family into the same plight without any child care costs and without, necessarily, making this family at all unusual or frivolous.

And then there's the most ironic place where Nate's calculations–finding my estimates $10,000 too high–are themselves too low: health care. The BLS data Nate uses shows this family of 2.7 spends $3,229 yearly on health care. Yet, the majority of this pool would get health care through work, a significant number are single, and some (though not many) are on Medicare.

**Even Nate's numbers show this plan is unaffordable for a middle class family**

But what's remarkable is that, even assuming Nate's numbers are correct and mine are high, those numbers **still** show that this plan is unaffordable for a family of three paying some child care.

Nate's numbers show the average income in this bracket is $59,319, with $58,610 left after taxes (note, a family of 3 at 301% of poverty would make $55,131, so this hypothetical 2.7-member family would still fall into the same income bracket I used in my original post). This average family would spend $50,465 a year. So to show what happens when this average family has to pay child care and spend 7.9% of its income on mandated insurance, I'm going to take out the BLS health care costs and add in the 7.9% this family would have to spend under the mandate. And because I argued earlier that these families aren't spending all that much on entertainment (and therefore couldn't save money by cutting entertainment expenses), I'm going to back out entertainment costs too. And because Nate said my estimates for taxes were too high, I'm going to take out those, too (though not FICA, which this family would have to pay).

> $50,465 (total expenditures)
>
> -$3,229 (less health care expenses)
>
> -$2,936 (less all entertainment costs)
>
> -$709 (less income taxes)
>
> $43,591 (Nate's numbers less health care, entertainment, income taxes)
>
> +$4,686 (7.9% of $59,319 in income—or the amount paid before opt-out became possible)
>
> +$6,216 (child care for just one four year old in MI)
>
> $54,493

> $4,826 (total income less total expenses)

In other words, this family would have just $4,826 left to spend on entertainment (what Nate originally said this family could cut back on) and out-of-pocket health care expenses.

That says a family expected to pay 30% of out-of-pocket health care expenses would blow their entire discretionary budget after $16,086 in medical costs. More than what my other hypothetical family might spend, but still not a catastrophic medical event. And this hypothetical family would have to go $3,147 in debt before government subsidies would pick up the rest of their out-of-pocket expenses. And that's assuming the family just misses the ability to opt-out. Supposing this family pays the 9.8% the government asks them to pay before subsidizing premiums, the family would spend $5,813 on premiums, blow through their discretionary funds after $12,330 in medical costs, and go $4,274 into debt before out-of-pocket subsidies kicked in. And even if this family got a tax credit of $1,243 for child care rather than paid nothing in income taxes (as I've figured here), this family would still go into debt under this plan.

Note, the biggest differences between Nate's numbers and my earlier scenario are 1) his doesn't account for all the people in my average family, and 2) his doesn't account for child care costs.

So let's look at child care costs. I used data from an industry group—which, since it pushes for tax breaks, may have an incentive to push those costs higher (though mothers in threads say those costs were realistic some years ago). But calculate those costs another way: while this number came from costs for day care for one four-year old in 2005, assuming this family had two children, it would mean a family would spend less than $60/week per child care per child ($120 total). Which even assuming some of them were school age and just needed after school care, wouldn't be unreasonable amounts.

So even using Nate's amounts, this family would go into debt because of a significant, though not catastrophic health event; in addition, this family would go into debt before the government subsidies for out-of-pocket expenses kicked in.

Now, Nate says my analysis is "painting an incomplete picture — and somewhat missing the forest for the trees." You might say of his that he misses the struggling individual middle class families for aggregate data that includes singles and seniors not facing some of the challenges that middle class families are facing. Or you might more charitably say that Nate and I are just talking about totally different things.

But there is one thing that Nate still doesn't address: affordability of care. He doesn't use the word "affordable" in his entire post. He does suggest this family—which would go into debt to pay for care—would avoid the problems of such middle class families now.

> Marcy is basically treating the $5,243 per year as though it's a tax hike. That's not what it is — at all. It's a deeply discounted — albeit mandatory — service that they're purchasing. And it's saving them a lot of money: it either saves them a lot of money *every year* if they're already buying insurance, or a lot of money *on average* if they're not buying insurance.
>
> And in either case, because of the caps in out-of-pocket expenditures — it also provides them with a lot more *certainty* in forecasting their income stream. It allows them to come up with a reasonable gameplan.

But he still assumes something that—the MA experience shows—is not true in all cases: that this family will be getting **a service** in exchange for the 7.9% or 9.8% of its income spent on insurance premiums. 21% of those surveyed in MA said they still couldn't get the health care they needed because they couldn't afford it–precisely the situation this hypothetical family would be in. That is, they would have paid for a service–health insurance, but not health care–but still face the choice between going into debt or forgoing necessary care, even with the insurance.

And that's the complaint. It's one thing for the IRS to serve as the insurance industry's collection agency (still allowing the insurance companies 20% in profit and marketing expenses) if, in exchange, you guarantee that health care won't continue to put middle class families into debt. But for middle class families that have any of a range of fairly typical middle class challenges (like child care costs or leaky roofs or exploding ARMs or college debt), this plan doesn't do that.

I'm grateful that Nate is beginning to look at how this plan will interact with other middle class expenses. I'm happy to revise these numbers if he or someone else provides more detailed costs for such a middle class family. Perhaps the next conversation we should have is what happens to middle class families like these who–predictably, given the costs involved–will opt out because the plans are too expensive.

But the point I'm trying to make is that this plan does not solve the health care debt problem middle class families are experiencing now–and will still experience under the Senate plan. This plan is not affordable for the middle class. And since we're talking about mandating these costs, we ought to be having a discussion about what is affordable.