BILL SUPPORTERS STILL CAN'T SAY "AFFORDABLE"

This post from Nate is just weird.

As you recall, in my last post on affordability issues, I basically accepted Nate's selected source for family expenses—BLS data—and showed that even still this plan was unaffordable for a middle class family with child care costs.

> 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 post completely ignored that part of my post, completely ignored that I had used BLS data for housing, completely ignored that I had eliminated all income taxes for this family, completely ignored that I specifically backed out BLS data for health care and replaced it with an unrealistic 7.9% charge (indeed, that was one of the big mistakes he had made in adopting the BLS data in the first place, as I pointed out in my post) and still shown the program to be unaffordable.

Either Nate has now decided that the BLS data is no longer valid, or he doesn't want to engage with that part of my post.

But on his other costs, here are some points.

Taxes

Nate argues that my original estimate for taxes was too high (which, of course, I accepted in the second post). But then he has calculated those taxes making them less than the FICA taxes (7.65%) for this family. And he does that even while hypothesizing that one of these family members might be self-employed, which means the family would face FICA taxes of 15.3%. Note also, Nate assumes that this family owns their house and calculates mortgage deductions accordingly, which is probably an unsafe assumption for all middle class families in this day and age; 27% in the BLS data, for example, are renters. So while I'm happy to use the BLS numbers (which, after I got rid of all income taxes became basically just FICA), let it be said that Nate ignores two possibilities that would make those taxes go much higher.

Housing

Here's what Nate says about housing:

> **Housing:** This is still the most significant difference — I had figured housing costs at about $10,000 based on BLS data, versus Marcy's estimate of $19,275. Marcy points out that the a higher propotion of people in the BLS dataset I used will have paid off their mortgage, but that's still just one-fifth of the BLS's sample, so it's not going to make a huge difference. But let's bump up my estimate to $12,000 — or an even $1,000 per month — to account for this, as well as for the fact that a family with two children might want some extra square footage.

Now, if you just figured out what the BLS numbers gave you without the people in the sample who owned their own home outright, it would show that the remaining 80% would pay $12,577, already higher than Nate's estimates. And that's assuming the 4-person families are living in the same size housing that all the singles in the BLS sample are living in, so on that basis, the number is still likely higher.

But let's do this another way. I live in a house that was—when I bought it in 2002—almost exactly the average price of a house in this country. After losing value over the last several years, it is now worth somewhere between the average national price and average price for a midwestern house. I have not refinanced since I bought it, but when I bought it I put 20% down and had near perfect credit—almost certainly far better off than the middle class families we're talking about. Admittedly, Ann Arbor's property taxes are crazy, which adds a lot to monthly payments. So assume my better-than-average mortgage cancels out Ann Arbor's exorbitant tax rates. And yet I still pay a few thousand more than the $12,577 you'd get off of the BLS numbers. And my house is average or below average in other ways, too—it's 50 years old, in average condition, just 1,000 square feet, has just one bathroom, and the third bedroom makes a much better office than a bedroom. All three families who lived in this house before I did were just like the middle class families I'm talking about (though one was a single mother). In other words, this almost perfectly average house, with higher property taxes but lower credit costs, costs several thousand more than Nate has calculated.

Child Care

Here's what Nate says about child care:

> **Child Care:** Marcy's data says that pre-school care costs $6,216 per year, and infant and toddler care costs $7,936 per year. Assume that each child needs three years of infant care and three years of pre-school care out of an 18-year childhood. If that's the case, the family will spend $2,358.50 per year per child on average, or $4,717 on average for two children. Also, while Marcy asserts that her estimates are high, not all families will have to pay for day care. Even if both parents are working, some families may be fortunate enough to have a free or discounted child care program available to them via a church, employer, or municipality, or may have older relatives living nearby to take care of the children during the daytime. Or, if one or more of the parents works

> from home – which will be the case fairly often for someone in the individual market – they may be able to take care of the toddlers themselves and still earn a paycheck.

Now aside from the fact that Nate strains to average this out–ignoring that if both these kids are in child care in a year the costs will be at least $12,432, meaning this family would have to find a way to pay for much higher rates in several years of that average, there are several other bizarre assumptions Nate makes to bring child care costs down. He assumes that a family that doesn't get health care through an employer might get child care through that same employer. He assumes that several discounted child care options aren't included in the child care averages I used. Most curiously, he assumes that children don't need after school care between the time they go into kindergarten and the time they turn 13, when most states consider them capable of watching themselves (after school care for two in Ann Arbor's school system would cost at least $100 a week, or about $3,900 for the school year, and that doesn't account for summers). He has basically chosen to just eliminate many of the realities that working families face when trying to care for their children and in so doing uses an estimate several thousand lower than it probably is.

Also note what Nate has done with the BLS data. He has ignored all the other costs included in it. I guess that means he has ceded my point–that these middle class families aren't spending the $2,936 BLS says they would on entertainment (not even on cable TV). But that also means he is dismissing the $2,343 BLS says a family of 2.7 (with just .7 kids) would use on housekeeping and clothing, as well as the $1,322 BLS says this family would spend on personal care products, reading, and education.

Finally, one outright error in Nate's post that would impact affordability. Nate suggests the government is subsidizing insurance that has an actuarial value of 80-85%:

> There’s simply no way that you can provide $6,000 or $7,000 per year in subidies to a family like this one, for insurance that has an actuarial value of 80-85%, and leave them worse off — not unless the family has better genes than Brett Favre.

It’s not. If it did, it’d be a whole lot more affordable and I might not be harping repeatedly on affordability, because it’d mean families would use up out-of-pocket expenses more slowly, and could afford to actually use the care they had paid for in premiums. Instead, the Senate bill bases subsidies on silver plans, which have an actuarial value of 70%, which means families will have to pay a lot more for actually using the care they had paid for than Nate envisions.

Now, these quibbles about data would be meaningless except for one thing. Setting aside differences on taxes, setting aside the $6,601 in costs for a family of just 2.7 that BLS includes that Nate ignores, and just focusing on the two biggest differences between us–housing costs (using my own costs) and child care, which together amount to about $4,000–and this family would **still** be required to spend more in out-of-pocket charges then they had left over after their other expenses under the Senate bill. So even assuming (as Nate appears to have) that this family would live in a one-bedroom house and have kids watch themselves after school, this family is still going into debt with a significant medical event. Add in the $6,601 in charges that Nate ignores but BLS includes, and this family quite literally has almost no money with which to pay any 30% out-of-pocket costs.

Now, just two final points on this passage in Nate’s post.

> I don’t want to get drawn into a sematic debate about what is “affordable” — particularly when I agree with Marcy

> that the health insurance for working families should be made *more* affordable before President Obama signs this bill.

Nate appears to want to retreat into the question of whether this is “better” than the status quo (as I said in my last post, we’re addressing different issues). But that allows him to avoid a very big question. We are **mandating** that this family pay for premiums. But–even according to BLS data–this family would simply not be able to fully use the service they had paid a significant amount of money for. That means we are asking them to use up their remaining discretionary cash but not ensuring they’ll get the care they need in return, because the plain math of it (assuming they’re not relegated to a one-bedroom house with young kids taking care of themselves after school) shows they will have little money left over to pay the 30% out-of-pocket expenses. Sure, they’d use the health care in catastrophic events, they’d get yearly check-ups in exchange for their premiums, but they simply would have to forgo care that wasn’t emergency care, because actually getting much care would put the family into debt. In MA’s similar program (PPT), 21% (about 19% of whom must have insurance) forgo care, and over 16% of families are struggling with medical bills. Where have we come as a society when we are taking away $5,000 dollars from a family that can ill-afford it (and allowing insurance companies to use 20% of it on profit and marketing) with the understanding that they won’t actually be able to use what they’re supposed to be getting in exchange?

Then, finally, there’s Nate’s claim this bill should be made more affordable for working families before it becomes law. How does he propose doing that, after having spent the last couple weeks pushing the Senate bill? The House bill is actually worse for people at this income level than the Senate bill, and Nate has spent a lot of time explaining that the Nelsons of the world won’t accept substantive changes. At the very least, improving on affordability requires discussing it as such, rather than dismissing it as semantics.