

APPENDIX TO HEALTH COVERAGE EXPANSION IN CALIFORNIA: WHAT CAN CONSUMERS AFFORD TO SPEND?

by

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METHODOLOGY

The estimates in this Policy Brief were derived from Medical Expenditure Panel Survey (MEPS) Household component data for 2002 to 2004. This survey collects data on health care expenditures, insurance coverage, and other important health care issues. In order to approximate health care spending levels and income levels for Californians in 2007, only the western subset of the MEPS data was used.

The data on direct out-of-pocket spending and family income were inflated using the 2007 Medical Care Services CPI-U. The health care insurance premium data were inflated using the California HealthCare Foundation (CHCF) and Center for Studying Health System Change (CSHSC) 2006 *Employer Health Benefits Survey* to approximate the increase in premium costs to 2007 dollars. The methods used in this analysis were partially based on the approach used in a recent report using MEPS data to approximate the affordability of health insurance in Massachusetts.¹

The MEPS Household Component is released in several different data files. In this Brief, the analyses are based upon the 2002, 2003, and 2004 Full Year Consolidated Data Files and Person Round Plan files. The Full Year Consolidated Data file was used to aggregate each individual into family or household units using the Health Insurance Unit Identifier (HIEUIDX) variable to group dependents and policyholders together. Only families or households with 12 months of continuous privately purchased or employer-based health insurance coverage in a given year were included in the calculations in order to obtain reasonable estimates of annual costs associated with having private coverage in both the employer-based and non-employer-based health insurance markets. All respondents over age 64 were also excluded due to the likelihood of their coverage through Medicare. In addition, once the families/household units were compiled based on health insurance unit identifier, this data file was used to calculate family income and direct out-of-pocket health care spending by summing the income and amounts for each individual from the household.

¹ Holohan J, Hadley J, and Blumberg L. 2006. Setting a Standard of Affordability for Health Insurance Coverage in Massachusetts. Washington, DC: The Urban Institute.
[http://www.mass.gov/Qhic/docs/Urban%20Institute%20Affordability%20Report%20\(08-06\).pdf](http://www.mass.gov/Qhic/docs/Urban%20Institute%20Affordability%20Report%20(08-06).pdf)

This process allowed for the calculation of one measure of health care spending – the ratio of family income spent on direct out-of-pocket costs for each family or household. In order to calculate the other two spending measures, the Person Round Plan file was used to calculate the total health care premiums spent by families or households on privately purchased or employer-based insurance. This total premium amount was used to calculate the proportion of family income represented by annual premiums paid, as well as the proportion of family income represented by total spending (out-of-pocket plus premiums paid). The employer share of premiums was not used in these calculations, as they are not a proposed component of the current reform proposals in California.

These three measures allow us to predict the impact of various California health care proposals on the population of California, by spending level and income category based on Federal Poverty Level (FPL). Using 2006 Federal Poverty Level (FPL) categories, each family or household was assigned to an income grouping based on total family income and number of adults and children in the household. The groupings included: 101% to 200% FPL, 201% to 250% FPL, 251% to 300% FPL, 301% to 400% FPL, and over 400% FPL. These income groupings allowed us to estimate the impact of the Governor's and legislature's health care reform proposals on the California population. Families with incomes below 100% of FPL were excluded from the analysis.

In order to estimate the actual number of individuals in California impacted by the proposed reforms, the UC Berkeley Labor Center used 2005 Public Use File of the California Health Interview Survey data (www.chis.ucla.edu). CHIS is a population-based survey with over 45,000 household responses that collects data on health insurance coverage, family income, health status, disease condition, and various other health-related issues. CHIS 2005 was used in order to assign individual respondents into the same income groupings as described above, and to compare the sources of insurance coverage for each group. Again, the elderly (over 64) population and individuals reporting family income below 100% of FPL were excluded from these estimates due to the likelihood that they would be covered by Medicare.