

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS  
ACTION AGENDA SUMMARY

DEPT: Health Services Agency *max*

BOARD AGENDA # 9:05 a.m.

Urgent  Routine

AGENDA DATE April 5, 2011

CEO Concurs with Recommendation YES  NO   
(Information Attached)

4/5 Vote Required YES  NO

SUBJECT:

Conduct a Public Hearing Pursuant to Section 1442.5 of the Health and Safety Code, to Consider Changes to the Medically Indigent Adult Program Income Limits for Eligibility

STAFF RECOMMENDATIONS:

1. Conduct a Public Hearing pursuant to the Health and Safety Code § 1442.5 to consider and approve the following revised Income Eligibility Standards for the Medically Indigent Adult Program:
  - a. Revise existing County policy to establish the income limit for standard eligibility which provides eligibility with zero patient cost sharing in the Medically Indigent Adult program as 116% of the Federal Poverty Level, effective May 1, 2011.

(Continued on Page 2)

FISCAL IMPACT:

The Medically Indigent Adult (MIA) program represents the majority of the Health Services Agency's Indigent Health Care Program budget. The approved budget for Fiscal Year 2010-2011 for the Indigent Health Care Program is \$13,023,242. The MIA program is funded by State Realignment from a portion of vehicles license fees and sales tax, and by a required County match. The approved budget for this fiscal year does not include any funding for the recommended program changes nor does it fully fund the

(Continued on Page 2)

BOARD ACTION AS FOLLOWS:

No. 2011-210

On motion of Supervisor O'Brien, Seconded by Supervisor DeMartini

and approved by the following vote,

Ayes: Supervisors: O'Brien, Chiesa, Withrow, DeMartini, and Chairman Monteith

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1)  Approved as recommended

2)  Denied

3)  Approved as amended

4)  Other:

MOTION: Approved Staff Recommendations Nos. 1 and 2; and, **amended** the item to direct staff to further research the information that was provided to the Board by the Western Center on Law and Poverty on 4/4/2011 and 4/5/2011, and to return to the Board if modifications need to be made

*Christine Ferraro*

ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

File No.

**STAFF RECOMMENDATIONS (Continued):**

- b. Revise existing County policy to eliminate the existing copayment and share of cost eligibility categories in the Medically Indigent Adult Program and establish a Hardship Eligibility category which provides Medically Indigent Adult program eligibility with patient share of cost requirements for applicants with income between 117% - 223% of the Federal Poverty Level, effective May 1, 2011.
2. Authorize the Managing Director of the Health Services Agency or her designee to carry out the operational changes necessary to implement the approved changes.

**FISCAL IMPACT (Continued):**

enrollment and utilization growth experienced to date and anticipated during this Fiscal Year, projected at \$2.3 million.

It is estimated that the recommended changes will increase the MIA program expenditures by approximately \$130,000 – \$205,000 annually; however, actual costs would be based on the actual applicants, enrollment and utilization of covered services under the MIA program. The overall annual fiscal exposure would be approximately \$2.5 million based on the recommended changes and the previously identified exposure of approximately \$2.3 million which resulted from actual program enrollment and utilization as well as previously authorized changes to patient liability. There is no new external revenue anticipated to offset these additional costs. Health Services Agency Clinic and Ancillary Services fund balance from previous years' carry-over of savings, is recommended as the source of funding to meet the combined increased expenditures for this Fiscal Year. Based on the outcome of the recommendations, the Health Services Agency would request the appropriate budget adjustments no later than the County's Third Quarter Budget Report.

**DISCUSSION:**

Mandate and Legal Challenges

Under Welfare and Institutions Code Section 17000, the County is required to provide or arrange for the provision of medical care services for the indigent residents of the County. Under the law, the scope of benefits and eligibility guidelines are established at the discretion of each county's Board of Supervisors, although case law has provided more detailed expectations.

On September 1, 2009 the Board of Supervisors conducted a public hearing and approved staff recommendations for policy changes designed to reduce program expenditures and avoid deficit spending as a result of decreased MIA program funding coupled with increased enrollment. Those changes were put into effect for new applicants on October 1, 2009 and for existing "enrollees" upon their renewal dates.

These changes were more closely aligned with the State's Medi-Cal eligibility guidelines and with many other counties' indigent coverage programs.

The Western Center on Law and Poverty (WCLP) challenged the new County policy, threatening legal action in the absence of policy changes. Specifically, WCLP took issue with the absence of consideration to an individual's ability to pay for medical care and the administrative policy of requiring the collection of copayments or share of cost prior to rendering care. The WCLP successfully sued both San Diego and Fresno Counties with regard to the ability to pay issue. A separate lawsuit is presently in litigation against the City and County of San Francisco with regard to the collection of copayments prior to the rendering of care. The Court compelled the use of local cost of living factors to determine indigent status and an individual's ability to pay a share of medical costs in both San Diego and Fresno Counties. The outcome of the San Francisco case is still pending.

On February 1, 2010, after conferring with County Counsel, the Health Services Agency implemented an administrative policy change regarding collection of copayments and share of cost at the time of service. Although staff continues to request collection, if the patient is not able or refuses to pay at the time of service, care is still provided.

On March 30, 2010, the Stanislaus County Board of Supervisors approved a staff recommendation to reinstate the income standards and cost sharing policies which had been in effect prior to the September 1, 2009 approved change and directed staff to further review the eligibility standards considering the issues raised by the WCLP.

A Cost of Living Study was undertaken by Health Services Agency staff. Based on the outcome of that work, and review of the court cases in San Diego and Fresno counties, staff developed income limit changes for consideration. After review of the results of the Cost of Living Study compared with the two self-sufficiency studies submitted by WCLP, staff determined that as a matter of due diligence an outside third party review of the validity of the internally produced study was the next step before making a recommendation to the Board of Supervisors. The validation analysis commenced by HFS Consultants in December of 2010. On December 23, 2010, County Counsel received notice of a lawsuit regarding this matter.

#### Background on Cost of Living Study and Proposed Policy

Current policy is largely based upon the State of California's Medi-Cal eligibility guidelines and the majority of other county MIA programs rather than on a local cost of living component. Due to the absence of such a cost of living component, WCLP has taken issue with the County's eligibility policy. Staff considered several possibilities to determine the most reasonable and feasible method to determine and integrate a local cost of living mechanism into a future policy recommendation. WCLP provided two published studies on county specific or region specific cost of living. Staff explored the process used by San Diego and Fresno Counties in their effort to determine their respective local cost of living for use in their MIA eligibility standards. Also, when staff analyzed the source data underlying the studies provided by WCLP, the factors

Conduct a Public Hearing Pursuant to Section 1442.5 of the Health and Safety Code, to Consider Changes to the Medically Indigent Adult Program Income Limits for Eligibility  
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considered in those studies appeared to go beyond a determination of the basic needs/subsistence mandate on the County. For instance, the cost components in these studies included allowances for entertainment, gifts and dining-out. As those studies appeared to go beyond determination of the mandated basic needs/subsistence, Health Services Agency staff began efforts to develop an internally produced Cost of Living Study to ensure that the cost items on which the basic needs/subsistence levels were based in fact were limited to the common understanding of necessary requirements

First, staff set out to determine the level of income that would represent the basic needs/subsistence level of income required for residents of our County in order to recommend the establishment of the Standard Eligibility Income Limit as a percentage of the Federal Poverty Level (FPL). Standard Eligibility would enable an applicant who met all other eligibility requirements, to be eligible for the MIA program services without any patient cost sharing. *Note: Existing policy would remain with regard to requiring that all applicants agree to a lien in the case of real property ownership.* Staff then worked to establish a Hardship category that would enable applicants with income that was somewhat above the Standard Eligibility to access care while sharing in the cost of the care. In order to establish the Hardship Income Limit, staff researched both the cost for individuals to purchase a commercial policy of health insurance, and the cost of the health coverage offered to the uninsured by the State of California. Based on that research, \$811 was determined to be the available purchase price of health insurance coverage.

The methodology used and source data obtained for the staff produced study was provided to the HFS Consultants to obtain an objective third party review of the reasonableness and validity of the study methodology and its results. HFS Consultants validated the study. A summary of the Cost of Living Study and determination of the Cost of Health Coverage is attached as Attachment A. A report prepared by HFS Consultants summarizing the independent review of the County's study is attached as Attachment B.

Based on the externally validated Cost of Living Study, staff recommends that the Standard Eligibility Income Limit with no share of cost be established as 116% of the Federal Poverty Level.

Based on the externally validated study of the cost of purchasing health coverage in our county, staff converted that value to a percentage of the FPL and added it to the Standard Eligibility Income Limit recommended. As a result, staff recommends 223% be established as the Income Limit to qualify for the Hardship Eligibility Category.

Although no other recommended changes to the County's eligibility procedure handbook are part of this proposal, it is important to note that the actual eligibility determination process is based on a detailed procedure and requires the applicant to provide written documentation to support the applicant's circumstances. There are also many income exemptions in calculating the average monthly income, such as the value of court ordered payments. There are also asset exemptions such as a home and a

Conduct a Public Hearing Pursuant to Section 1442.5 of the Health and Safety Code, to Consider Changes to the Medically Indigent Adult Program Income Limits for Eligibility  
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moderately priced vehicle. The eligibility procedure handbook used by Health Services Agency staff has been provided to WCLP.

Trends and Financial Implications

The following table 1 summarizes the recent policy changes with respect to Income Limits and that which are now proposed.

**Table 1**

<b>Income Based Limits</b>	<b>Policy in effect between October 1, 2009 and April 1, 2010</b>	<b>Present Policy</b>	<b>Proposed Policy Effective May 1, 2011</b>	<b>Proposed Policy Change</b>
FPL or Income Level at which zero share of cost applies (liens still apply)	0 - \$299	0 – 49% of FPL	“Standard Eligibility” FPL or Income Level at which zero share of cost applies (liens still apply)	0 – 116% of FPL
FPL or Income Level at which copays apply	\$300 - \$599 (approx. equivalent to 33% - 65%)	50% to 129% of FPL	N/A	NA
FPL or Income Level at which Share of Cost applies	\$600 - \$1,205 (approx. equivalent to 66% - 200%)	130% - 200% of FPL	“Hardship Eligibility” FPL or Income Level at which Share of Cost applies	117% - 223% of FPL
Cost Sharing for Major Restorative Dental Benefits	50% cost sharing for all income levels	No dental benefit specific Share of Cost - Income driven Share of Cost applied.	No dental benefit specific Share of Cost - Income driven Share of Cost applied.	No dental benefit specific Share of Cost - Income driven Share of Cost applied.

*Note: Income and Asset Limits, and Monthly Share of Cost vary by Household Family Size. The 2010 Federal Poverty Limit (100% FPL) for a Family Size of One is \$902.50 of monthly income.*

Monthly Share of Cost works much like a monthly deductible. The amount of one's share of cost would be the equivalent of the amount of one's income over the zero share of cost income limit. For example, 116% of the FPL is \$1,047 per month. If an

approved applicant had an average monthly income of \$1,147, the monthly share of cost would be \$100 which is equal to \$1,147 minus \$1,047. The patient would be responsible for the first \$100 of cost each month that MIA program healthcare services were provided, while the MIA program would incur the monthly cost above the \$100. Payment arrangements would be made available for those who could not pay at the time of service. Provision of services would not be delayed where payment could not be made at the time of service.

Financial Implications of this Proposal

Of significance is that this proposal projects increased cost without any new external funding. The MIA program is a County obligation under State law and is one of the programs counties are to provide with Realignment funds. Health realignment funding from the State consists of sales tax and vehicle license fees and requires a County General Fund match which for the MIA program is approximately \$2.25 million annually. As a direct result of the unprecedented economic crisis, these State tax revenues have decreased resulting in a corresponding decline in Realignment funding. No offsetting relief on the program mandate has been provided by the State as such relief would require legislation.

The MIA program represents the majority of the Health Services Agency's Indigent Health Care Program budget. The approved budget for Fiscal Year 2010-2011 for the Indigent Health Care Program is \$13,023,242 and does not include funding for this year's projected expenditure growth of approximately \$2.3 million, or funding for the current proposed changes. Should these recommendations be approved, staff projects the annualized increased cost to be approximately \$130,000 to \$205,000. Table 2 below illustrates the estimated financial impact.

Table 2

**Impact of Recommendations from Current Policy**

<b>Federal Poverty Level (Income)</b>	<b>Current v. Proposed Impact to Patient</b>	<b>Estimated Savings \$ or Loss () to County</b>
0 – 49 % of FPL	No Change	No Change
50 – 116% of FPL	Copays → No Share of Cost	(\$ 50,000 – 60,000)
117 – 130% of FPL	Copays → Share of Cost	\$ 50,000 – 75,000
131 – 200% of FPL	Share of Cost → Higher Share of Cost	\$ 20,000 – 30,000
201 – 223% of FPL	Ineligible → Eligible w/ Share of Cost	(\$150,000 – 250,000)

Public Hearing

Under the Health and Safety Code Section 1442.5, a public hearing is required in the event the Board of Supervisors considers a reduction or elimination of a healthcare

service. At the proposed Standard Eligibility Income Limit, an estimated 356 individuals would be subject to a monthly share of cost that is greater than the copayments applicable to them under current policy. Additionally, an estimated 855 individuals who are currently eligible with a Share of Cost would be subject to an increased Share of Cost. Although this is not an actual reduction or elimination of a service, it could be viewed as a reduction as it is not to the financial advantage of the resident and as such, on March 15, 2011 the Board of Supervisors scheduled a public hearing to be held on April 5, 2011, and staff carried out the advance notice requirements.

**POLICY ISSUE:**

Approval of this item supports the Board of Supervisors' priorities of A Healthy Community and Efficient Delivery of Public Services by considering changes which meet the current interpretation of the law while providing for the medical needs of our County's indigent population.

**STAFFING IMPACT:**

There is no staffing impact associated with this proposal.

**DEPARTMENT CONTACT:**

Mary Ann Lee, Managing Director, 209-558-7163.

Attachment 1
Attachment 2
Attachment 3
Attachment 4
Attachment 5
Attachment 6
Attachment 7

**STANISLAUS COUNTY  
COST OF LIVING STUDY  
FALL 2010  
EXECUTIVE SUMMARY**

**SUMMARY:**

The Stanislaus County Health Services Agency (HSA) completed a Cost of Living Study (COLS) during the latter part of calendar year 2010. The purpose of the COLS was to assess the appropriateness of the existing eligibility limits for the Medically Indigent Adult program, and to determine if modifications should be recommended to the Board of Supervisors.

With regard to eligibility, the Medically Indigent Adult program mandate (Welfare and Institutions Code 17000) as further clarified in recent court cases, is to be based on limits established by the County Board of Supervisors based upon ability to pay as determined through a COLS. Court cases have clarified that the cost of living applicable to a county's obligation is based upon basic needs or subsistence level. Further, the courts have ruled that for residents with income somewhat above the subsistence level eligibility, but who are unable to obtain subsistence medical care, a hardship waiver including cost sharing is an option.

There were two eligibility limit objectives for this COLS project. They were:

- a. To objectively identify the income level as a percentage of the Federal Poverty Limit (FPL) which represents the subsistence need level of income for Stanislaus County.  
COLS conclusion: 116% of the FPL (that level is currently \$1,047 per mo.)
- b. To objectively identify the appropriate income range above the subsistence level that would provide eligibility with patient cost sharing ("Hardship Eligibility")  
COLS conclusion: 117% - 223% of the FPL (that level is currently \$1,048 – 2,012 per mo.)

The summarized resulting COLS figures are illustrated on Exhibit 1.

**Study Methodology**

To design the COLS project, staff researched related projects in San Diego and Fresno counties, and researched source data/assumptions for the Cost of Living estimates provided by Western Center on Law and Poverty, the California Budget Project (CBP) study and the Insight Center for Community Economic Development Self Sufficiency Study (SSS), as well as reviewed other data sources relevant to Stanislaus County.

The following summarizes the research conducted and the basis for the Stanislaus County Cost of Living Study findings by category.

**Housing** – Staff accessed the Housing & Urban Development (HUD) website and found information on the Fair Market Values used by the California Budget Project. The CBP



housing figure was based on the maximum amount that HUD will pay per month for housing and utilities for a one bedroom apartment. According to the HUD information, the maximum amount is based on the 40<sup>th</sup> percentile of cost, meaning that 40% of available one bedroom apartments were below the CBP estimated cost. Additionally, the CDP data did not include HUD's studio information and as such under-represented low income housing. Staff concluded that the CDP HUD based estimate was not representative of subsistence level housing cost.

Staff did searches for apartments and room shares in Stanislaus County (via "Craigslist", in the newspaper, namely The Modesto Bee, Modesto Bee's website, and apartmenthunterz.com). The search results found numerous studio apartments currently available at rates below \$500 per month, while some apartments offered all utilities paid or a period of free rent. For the Craigslist search, staff downloaded all apartments and room shares and determined the monthly average housing unit rent to be \$509.43.

Staff obtained a Market Overview Report from RealFacts for Stanislaus County for the 4<sup>th</sup> quarter of 2010 and used the same analysis and assumptions used in Market Pointe's Housing Study for San Diego County. Based on that analysis, the market value of apartments in Stanislaus County (following the same assumption that 2 individuals live in 2 bedroom apartments as the Market Pointe Survey) the monthly average rent to be \$508.27.

Staff then averaged all of its searches to identify rate representing only the cost of housing – i.e. phone or utilities cost is not included in the housing rate. Staff identified the housing component of the COLS to be valued at \$510.00. To assess the reasonableness of this figure, staff researched two additional sources: Stanislaus County Housing Authority and Consumer Expenditure Surveys. Staff accessed the public housing available units from the Stanislaus County Housing Authority and found units available at 30% of subsistence level income (at 116% of the FPL, 30% = \$314) as well as low income units available for under \$500 per month for a one bedroom. It is important to note however, that although San Diego and Fresno Counties included subsidized housing in their studies, to be conservative and assure fairness, staff did not include any subsidized housing in the COLS housing component. Second, staff compared the \$510 figure to the rental rates paid according to the Consumer Expenditure Surveys for 2008 and 2009. Stanislaus County's calculated housing rate of \$510 was 124% to 165% respectively of the national average rent per person. Hence, we concluded that the Stanislaus County COLS housing rate of \$510.00 appears reasonable.

**Utilities** – staff used the Energy Consumption Expenditures for Housing Units and Energy Usage Indicators for 2005 and determined the average per household member Btu usage converted to kwh on the assumption that most apartments have electrical heat which is costlier than gas. Staff then calculated the average kWh per month and accessed the local energy providers' websites to determine the average cost per month. Staff accessed Modesto Irrigation District, Turlock Irrigation District and Pacific Gas & Electric and determined the monthly year-round averages. The monthly average of all three providers was \$33.45. Since most room shares include all utilities and some apartments included all utilities, staff concluded that \$33.45 is reasonable.

Staff accessed data on local phone plans and found that individuals with incomes below 150% of the Federal Poverty Level were able to receive discounted local phone service. Consistent with the basic needs/subsistence level responsibility, staff used the Lifeline rate that is available for local plans including the set up fee, and determined the total monthly estimated cost is \$7.67.

**Childcare** – No childcare costs are included as indigent adults with children in the household should have linkage to Medi-Cal and hence, not eligible for the MIA program. The CBP and SSS reports provided by Western Center on Law and Poverty also did not include a cost for Childcare for single adults. Additionally, costs for court ordered child support are subtracted when calculating an applicant’s income.

**Food** – For estimating food costs, staff accessed the USDA website and obtained the November 2010 Food Plan costs. Consistent with the basic needs/subsistence level responsibility, staff used the “Thrifty Food Plan” cost for a male between the ages of 18 and 50 as the base for our calculations. We obtained the food cost index for all cities in Stanislaus County from [www.bestplaces.net](http://www.bestplaces.net) and used that index (117) to determine the food cost. Since the court approved Fresno County’s cost determination which based its food cost on the USDA Thrifty Food Plan, staff concluded it was reasonable to use the Thrifty Food Plan for the Stanislaus County study.

**Transportation** – Staff found the most recent national driver survey (2003) published by the Bureau of Transportation Statistics (BTS) and found that more than half of the population (68%) drives 15 miles or less to work; hence, staff estimated 30 miles round trip per day at five days per week for fifty-two weeks without any reduction for any vacation or sick days used. Staff obtained the AAA 2010 variable costs per mile (14.10 cents) and used that amount to determine the cost of gas, maintenance and tires. (Since the AAA survey estimates that a car is only kept for 5 years and hence builds in the cost of financing and depreciation for 5 years, staff determined this data to be inconsistent with subsistence level need and as such did not include AAA’s estimated fixed costs data.) Rather, for the fixed costs staff identified the average age of vehicles across the nation as posted on to the BTS website to be 9.4 years, and using that data staff estimated the cost of registration, taxes and basic auto liability. Of note, the estimated round trip mileage for individuals living in Stanislaus County is possibly overestimated based on local trends; however, staff chose to be conservative and hence left the national trend data of 15 miles to/from work in our analysis. Also, staff did not use the IRS mileage rate as again this is based on newer vehicles and hence the rate builds in the cost of financing and depreciation. Staff utilized the California low cost insurance program for Stanislaus County to determine the cost of auto liability insurance.

Staff utilized the U.S. Census Bureau data that shows that in Stanislaus County that 40.70% of the population has only one or less vehicles; hence our calculations assume that individuals have one vehicle.

To assess applicability of the source data used, staff researched the Energy Information Administration data which supported that lower income individuals drive fewer miles, own older model vehicles and own more energy efficient vehicles than higher income individuals.

To determine a value for the cost of registration and vehicle license fees, staff researched the California Department of Motor Vehicles website for a 2001 Honda Civic in Stanislaus County and found the total fees to be \$91.00. To be conservative and assure reasonableness, staff rounded up and established the figure at \$100.00.

**Healthcare** – Staff excluded healthcare costs in the determination of subsistence level income, since MIA program eligibility would provide for healthcare.

To determine the income range above subsistence level that could qualify with patient cost sharing (Hardship Eligibility), staff researched the cost of purchasing health care insurance. Staff accessed the California Major Risk Medical Insurance Plan costs to determine the estimated monthly costs using the weighted average costs for all 2009-2010 eligible participants. That amount was determined to be \$811 per month. Note: As a matter of fairness and equity, an additional \$154 per month in costs are also added to set the income range as some of the cost estimates in the determination of subsistence level income, such as Social Security, are a function of income and rise as income rises. The \$154 is added to account for this and the resulting maximum amount per month of income above subsistence level that could be considered Hardship Eligibility is \$2,012.

**Miscellaneous** – Staff used the same assumption used in the SSS report provided by Western Center on Law and Poverty – i.e. 10% of all other costs. The sales tax figure is based on the Stanislaus County rate.

**Social Security** – Staff accessed the Internal Revenue Service website and included the cost of social security based on 7.65% of gross income including social security.

**Federal Tax, Low-Income Home Energy Assistance Program (LIHEAP) & Earned Income Tax Credit (EITC).** Staff did not include an estimate for Federal Tax as individuals with income at or below the subsistence income level of 116% of the Federal Poverty Level would qualify for the LHEAP and EITC credits, which nearly offset the estimated Federal Tax.

**Hardship Eligibility Value Component – See Healthcare.**

**Stanislaus County  
Cost of Living Study Worksheet  
Fall 2010**

**Exhibit 1**

<b>Subsistence Level Costs and Credits</b>	<b>Cost/Income Level</b>	<b>Comments</b>
Housing	510.00	
Phone - Lifeline Rate	7.67	
Electricity/Gas	33.45	
Child care	-	
Food	195.74	
Transportation	125.57	
Health Care	-	
Miscellaneous	87.24	
State	-	
Sales Tax	7.31	
Social Security	79.69	
<b>Total Subsistence Level Costs</b>	<b>1,046.67</b>	Represents the Income required for subsistence level living
<b>Stated as % of Federal Poverty Limit</b> (100% of FPL = \$902.50)	<b>116%</b>	Standard Eligibility Income Limit
<b>Cost/Income Value for Hardship Eligibility</b>		
Health Insurance	811.00	
Increased costs at this level of required income	153.87	
<b>Cost/Income Required including Healthcare</b>	<b>964.87</b>	
<b>Total of Subsistence Level + Costs of Health Insurance</b>	<b>2,011.54</b>	Hardship Eligibility Income Limit
<b>Stated as % of FPL (100% = \$902.50)</b>	<b>223%</b>	Hardship Eligibility Income Range = 117% - 223% of FPL

**Notes:**

Figures are based on one adult male.

Figures calculated as average annual cost however stated as monthly.

Not included in the subsistence level income are the estimates for Federal Income Tax of \$26.92 or the LHEAP credit of \$19.33 or EITC credit of \$5.50.

LHEAP = Low Income Home Energy Assistance Program

EITC = Earned Income Tax Credit



**Attachment B**

# Cost of Living Study

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## Base Self Sufficiency Income Level for Stanislaus County

2/25/2011

## **Description and Scope of the Project**

In late December 2010, Stanislaus County authorized HFS to conduct an economic review of the County's "Cost of Living" study developed to determine the basic cost of living for the county's Medically Indigent Adult population. HFS' thus proceeded to conduct an independent review of the county's work along three dimensions 1) the Data Sources used in the County's analysis, 2) the Methodology employed in estimating a value for each of the major categories of cost (e.g. Housing, Food, etc.), and 3) a validation of how the County applied the methodology against the data sources (aka Data Application). For this document the HFS project title is "Stanislaus County Cost of Living Review" or "SCCOL Review".

Note - The term "cost of living" as used in the above manner is somewhat misleading as the county's goal was to determine the minimum cost of subsistence living for an adult male, and thus an inferred income level, such that the individual could not afford to pay anything towards their individual cost of health care. This Pre-tax subsistence level can thus be thought of as the "Base Self Sufficiency Income Level" (aka Lower Limit) and one where for incomes below the Lower Limit the county would be paying 100% of the healthcare costs for their MIA population. Above the Lower Limit, the individual, with or without county assistance, would need additional health insurance to cover their health care costs until their pre-tax incomes increase to a level where they become fully self sufficient (aka Upper Limit) and are able to afford their own healthcare coverage. As a practical example – if the Lower Limit is \$10,000 and the Upper Limit is \$20,000 – the county would pay all healthcare costs for a MIA male making \$10,000 or less; for incomes between \$10,000 and \$20,000, depending on the mechanisms available, the county would aid individuals with their health care costs; and finally for those individuals with incomes above \$20,000 public healthcare assistance would not be provided. NOTE: these are example figures and are not actual determined values by Stanislaus County.

## **Our Approach**

In order for HFS to start as soon as possible, the county provided HFS with a large binder (Binder Material) with their preliminary analysis, data sources, methodologies, and rationale in all of the major expense categories (Housing, Utilities (gas and electricity), Phone, Food, Transportation, and Taxes). The county also provided two independent studies that are commonly cited in this kind of analysis as an aid in determining the FSSIL – (1) the California Budget Project's "Making Ends Meet" June 2007 (with Stanislaus County updating values to 2010 levels) and (2) Insight Center for Community Economic Development's "Self – Sufficiency Study" 2008. Furthermore, the county provided recent court documents for Fresno County, and San Diego County so HFS could review current court approved values and incorporate any learning's in a review of the Stanislaus County work. Furthermore during the

timeframe between start and finish of the HFS review, the CBP published a new "Making Ends Meet" document dated September 2010 and that study was also included in the comparisons.

As the approval for HFS to begin the proposed review occurred late in December with the Holidays approaching, an initial review of the binder material was conducted during the Christmas through New Year timeframe. HFS initial review was somewhat hampered in that the Binder Material provided was in paper based format and a significant amount of the preliminary county analysis contained hand-written documentation. To aid HFS documentation efforts and promote reproducibility and auditing capabilities, when HFS personnel performed their review they endeavored to download the available cited references in electronic format (PDF or Excel formats) and to automate any analysis using Microsoft Excel (to avoid possible simple manual calculator errors).

Where source documents were only available as web pages (rendered using pure HTML format) the web pages were downloaded using an offline web browsing "add-in" for the Firefox browser – titled "ScrapBooked". As each expense category and source document was reviewed, the HFS electronic copy was compared to the County's paper based format to investigate accuracy and determine if any updated material was available that should be incorporated. As the county was seeking to validate, and improve where necessary, their analysis; the methodology for each category's calculated spend was investigated for thoroughness and consistency along economic theory.

As the study progressed, and any questions or possible improvements were identified, phone discussions were held between the County Staff and HFS personnel for discussion and review. As each of the major expense categories were investigated, the County would then assess the HFS comments and determine if further action or clarification was needed. For those instances where clarification by the County was needed, the County provided additional material to HFS (e.g. other studies, source documents, additional analysis, etc.). For those instances where further clarification by HFS was needed, HFS provided similar electronic documentation to the County (e.g. data downloads, source documents).

At the conclusion of the above review process, when all expense categories had been investigated, the County then finalized their analysis and provided HFS with their Final review findings (and source documentation in electronic format). HFS then re-examined the County's findings, re-examined each expense category in detail, added any additional supporting documentation (in Electronic Format) that might improve clarity of understanding, and produced a PowerPoint document with the HFS findings.

The HFS PowerPoint document summarized by major expense category the review findings along the aforementioned three dimensions of Data Sources, Methodology, and Data Application and evaluated each category dimension as to whether it was “sound” or not. Sound is herein defined as “reasoned: logically valid” or “a sound argument”. For this document, in each expense category the source documents origination and “key” is as follows - all documented source documents provided by HFS begins with +(H) and all documented sources beginning with +(SC) is Stanislaus County. Furthermore if the titles of the documents are not self explanatory a short description is also annotated.

This Word document should be used in conjunction with the aforementioned PowerPoint document to provide an understanding of the investigation and analysis conducted by HFS during the SCCOL Review.

Data Sources – In determining the soundness of an expense category’s Data Sources, several aspects were investigated – (1) What is the source being used and is the source a Nationally Recognized or a Category Valid Data source (e.g. US Department of Housing and Urban Development in the case of Housing) (2) If there is not a readily available valid sources, such that analysis was needed to determine a “valid” estimate, was there a large enough sample size where valid conclusions can be drawn (e.g. number of available market rentals downloaded from a web query) (3) Where other studies were cited or used in performing the analysis, did the cited study appear to have a sound data source and methodology (e.g. AAA mileage cost for average cost per mile).

Methodology – In determining the soundness of an expense category’s Methodology, the primary aspect being investigated was - does the argument “make sense” logically and do the components of the argument follow the transitive property (transitive is defined herein as “A leads to B”, “B leads to C”, then “A leads to C”).

Data Application – In determining the soundness of an expense category’s Data Application , the primary aspect being investigated is one of calculation validity when applying the Methodology against the data sources. The soundness of the data application can be thought of being almost a straightforward check of the calculations employed (or does  $2+2=4$ ).

Lastly, as a further “reality” check, the County’s determined values were also compared both as to dollar amount and percentage of income against the two other court approved County values for Fresno County and San Diego County, the CBP Project’s “Making Ends Meet” June 2007 (updated County values), the more recent CBP - September 2010 values, and the Insight Center for Community Economic Development’s “Self – Sufficiency Study” 2008 values.



## Individual Major Expense Categories (e.g. housing, food, etc.)

### Housing

Housing expense is the largest single expense category both by percentage and amount in all of the County studies cited and remains the largest component of costs for the MIA cohort group. Because of the magnitude of housing costs, most of the HFS effort and resources were employed in examining this category and the analysis behind calculating an expected level of base subsistence level monthly housing expense.

Data Sources – HFS Finding - Sound

Cited Sources:

- +(H) Modesto, Fresno MSAs Fair Market Rents (FMR) – HUD Small Area Demonstration Rents
- +(H) Final 2011 FMR Tables.pdf – HUD
- +(SC) 4Q10 MO Stanislaus county.pdf - RealFacts Market Overview pdf
- +(SC) Extract Range above \$42.xls – Craigslist Download of available Apartments, Rentals Rooms Available and Shares

Methodology – HFS Finding – Sound (although Conflicting Evidence is present)

Cited Sources:

- +(SC) Cost of Living Narrative.Doc
- +(SC) Stanislaus County Original working papers (aka Binder Material)
- +(SC) Craigslist Analysis.pdf – Statistical results based on above data source
- +(H) Small\_Area\_FMR\_Methodology.pdf - HUD
- +(SC) San Diego County Indigent Housing Methodology – sd county indigent housing UPDATED 7-13-07 (2).xls

Data Application – Sound

Cited Sources:

- +(H) Modesto, Fresno Craigslist download rental analysis (...Apts Housing Shares Graphs.XLS)
- +(SC) Avg Rent per Person for 2BR apts and smaller based on real facts data.xls

## Summary

<b>Data Sources</b>	<b>Methodology</b>	<b>Data Application</b>
RealFacts Stanislaus County Study	San Diego County Indigent Housing Methodology (MarketPointe)	Calculated Average
Craigslist.Com	Craigslist Market Sampling	Calculated Average
HUD Fair Market Rents	Small Area Demonstration Project	Calculated Average

### Conflicting Evidence

Housing was the single area where there appears to be conflicting evidence that would tend to decrease or increased the County's estimate of base housing expense. In examining the County's methodology and results, the first issue discovered was one of a potentially limited sample size. Several of the readily obtainable market information employed (local classifieds, internet searches, etc.) seemed to lack enough data points as to draw any meaningful conclusions, therefore HFS personnel constructed Excel models to automatically download a large sample size of available Apartments and Rental units posted on Craigslist.com and provided these data sets to the County.

Craigslist.Com was selected as it provided access to large volumes of available market driven rents. These automatic downloads focused on both the Modesto Craigslist market and the Fresno Craigslist market and using these two sample sets, it was discovered that on average Fresno County had less expensive available rentals than Stanislaus County. But as mentioned this is available market driven rents – it excludes such housing options as County Public Housing, and HUD Subsidized Housing (which would decrease an individuals' housing expense). Lastly, there was not a simple method to identify those available Craigslist rentals that included utility cost so without that information available it cannot be clearly determined if drawing a conclusion purely from available market driven rents using the Craigslist data is entirely valid.

The automatic Craigslist download models did permit the capability to examine the category of Room/Shared housing options (none of the other data sources directly provided this capability). Analysis of the Rooms/Shared available housing cost supports the availability of Rooms/Share options having lower monthly rents than pure single occupancy options and thus would be expected to provide an option to decrease monthly housing cost.

As a way to ensure that the Craigslist raw data was in fact representative of Stanislaus County available rentals, a comparison was made against the County's paid housing study by RealFacts.com (cited above as "+(SC) 4Q10 MO Stanislaus county.pdf - RealFacts Market Overview pdf"). The RealFacts study corroborated the average rental rates determined using the automated Craigslist download models so it was determined the Craigslist models were a "good" source of average available market driven rents. Also worthy of note is the County's calculation of available average monthly housing cost from the two independent sources, both Craigslist and Realfacts, produced an estimate within a few dollars of each other.

The next step was to investigate the HUD Fair Market Rents, both on an aggregate County level and on a smaller area (the HUD small area demonstration project utilizes zipcodes in their determination of Fairmarket rents for smaller areas). In comparing the two Counties average available rents for Efficiency and One Bedroom Units, it was discovered that HUD FMV Rents for Stanislaus County are roughly \$35-\$40/month higher than Fresno County. Note though HUD values exclude Rooms/Shares options and are considered maximum amounts which may not be directly applicable to the MIA cohort group.

Conclusion – The above evidence and the associated impacts are not clearly determinable – it is reasonable on one hand to say including Shared Housing Options, County Public Housing, and HUD subsidized housing options could decrease the County's estimated value, while it is equally reasonable to say the gross average available rental cost comparison between Stanislaus County and Fresno County using Craigslist data or the HUD FMR data could point to increasing the County's estimate.

Given the only evidence to increase the County's calculated rental cost is the higher rents suggested by the Craigslist data and the HUD FMR information and neither of the two data sets incorporates cost sharing options or possibilities, there is little "clear cut" evidence to support a specific increase or a decrease. As the County's analysis appears sound and does appear to follow the methodologies behind the court approved rates for San Diego and Fresno Counties, without further evidence to the contrary, no change to County methodology is indicated and thus the overall HFS conclusion is the methodology behind the Stanislaus County Cost of Living Study is sound.

## **Utilities (Gas and Electricity)**

Monthly utility cost is closely tied to housing choice and thus to monthly housing expense. As the above Conflicting Evidence Section mentions, there are numerous rental options that could possibly include monthly utility cost but identifying and stratifying those units and their impact towards housing cost is

not easily discernable. Therefore, the County utilized national average energy consumption and then approximated the equivalent monthly utility cost.

Note also, that while not included as a direct offset towards monthly utility cost – the County does mention the availability of Low-Income assistance programs which would only help to decrease the calculated average monthly expense.

**Data Sources – Sound**

**Cited Sources:**

- +(H) Energy Information Administration 2005 Residential Energy Consumption Survey - D10\_Alltables1-15(1).puff
- +(H) TID water and power Schedule DE – D11\_tidweb\_res\_rates\_de.pdf
- +(H) MID Electric Rate Schedule D – D12\_Mid Schedule D\_Residential.pdf
- +(H) Low-Income Energy Assistance Program – (S9)

**Methodology – Sound**

**Cited Sources:**

- +(SC) Cost of Living Narrative.Doc
- +(SC) Revised Cost of Living Study 1\_23\_11.xls Notes

**Data Application – Sound**

**Cited Sources:**

- +(SC) Binder Material

**Summary**

<b>Data Sources</b>	<b>Methodology</b>	<b>Data Application</b>
Energy Administration Energy Consumption Survey	Stanislaus County – Conversion BTU to KWH	National Average X Local Rates
TID Rate Schedule		
MID Rate Schedule		

## Phone

Monthly Phone expense for the Medically Indigent Cohort group was considered a very straightforward process as most of the MIA population would have incomes at or below the Lower Limit and are thus assumed to be eligible for the California “Lifeline” rate offered by local carriers.

Data Sources – Sound

Cited Sources:

- +(H) ATT Lifeline Low Income Phone Information – (S8)

Methodology – Sound

Cited Sources:

- +(SC) Cost of Living Narrative.Doc
- +(SC) Revised Cost of Living Study 1\_23\_11.xls Notes

Data Application – Sound

Cited Sources:

- +(SC) Cost of Living Narrative.Doc
- +(SC) Binder Material

Summary

Data Sources	Methodology	Data Application
AT&T Lifeline Rate	Stanislaus County – Direct Quote	Monthly Lifeline Expense

## Food

Determining monthly food expense for the Medically Indigent Cohort Group is not an entirely self evident process, therefore care must be taken to eliminate any potential biases that could arbitrarily impact the determination. The County thus utilized a National standard for monthly food expense for low income individuals with food preparation performed at home and then adjusted that monthly cost to transform the national value into a county value using a more localized Food Cost of Living index.

## Data Sources – Sound

### Cited Sources:

- +(SC) Official USDA Food Plans - USDACostofFoodNov10.pdf
- +(SC) Stanislaus County Cities on [www.bestplace.net](http://www.bestplace.net).pdf
- +(H) Bestplaces COL Info Stanislaus County (S3)

## Methodology – Sound

### Cited Sources:

- +(SC) Cost of Living Narrative.Doc
- +(SC) Revised Cost of Living Study 1\_23\_11.xls Notes

## Data Application – Sound

### Cited Sources:

- +(SC) Cost of Living Narrative.Doc
- +(SC) Binder Material

## Summary

Data Sources	Methodology	Data Application
USDA Thrifty Food Plan	Stanislaus County – National value adjusted to County Levels	National Rate adjusted by Food Cost of Living

## Transportation

Determining monthly Transportation expense for the Medically Indigent Cohort group is a very complex task. Depending on the assumptions made and the mode of transportation selected, available cost estimates could range from the simple – a monthly bus pass to the more complex – estimating the type of vehicle, the age, associated registration fees, insurance, mileage costs. The County chose the

direction of the more complex method apparently due to the physical location of their MIA population and the extent and availability of public transportation options.

Not e – it appears the County stressed being conservative in estimating transportation cost as the county's documentation cites several influences where if the logic was followed it would tend to promote a lower estimated transportation cost - National Commute mileage probably is higher than local trends indicate, Energy Administration studies conclude lower income individuals drive less than higher income individuals, and the County rounded up the DMV estimated registration fees approximately by 10%.

#### Data Sources – Sound

##### Cited Sources:

- +(H) BTS Transportation Statistics Annual Report 2003 – D14a BTS Transportation Statistics Annual Report.pdf
- +(H) AAA Behind The Numbers 2010 Edition - D14\_201048935480.Driving Costs 2010.pdf
- +(H) US Census Bureau 2000 Profile of Selected Housing Characteristics – Number of Vehicles (S14)
- +(H) Annual Insurance cost liability only by county – D17annualliabilityonlypremiumpercounty2010.pdf
- +(SC) Binder Material – DMV registration costs

#### Methodology – Sound

##### Cited Sources:

- +(SC) Cost of Living Narrative.Doc
- +(SC) Revised Cost of Living Study 1\_23\_11.xls Notes

#### Data Application – Sound

##### Cited Sources:

- +(SC) Cost of Living Narrative.Doc
- +(SC) Binder Material

Summary

Data Sources	Methodology	Data Application
Variable Cost:		
BTS Annual Statistics – Average National Commute Distance	Stanislaus County – estimate Variable Costs, Mileage	Average National Commute Distance X AAA Rate
AAA – Cost Per Mile		
Fixed Cost:		
BTS Annual Statistics – Average Age of vehicle	Stanislaus County – estimate fixed costs, age of vehicle	Sample Vehicle’s Low Cost Insurance
US Census 2000 – Number of Vehicles	Stanislaus County – estimate fixed costs, # Vehicles – determine “sample” vehicle for subsequent estimates	Sample Vehicle’s Low Cost Registration and taxes, rounded upwards
CA – Low Cost Insurance Program by county	Published Rate	
DMV – Annual Registration Fees, taxes for Sample Vehicle	Stanislaus County – DMV web site lookup for sample vehicle	

**Healthcare**

As the above review of the individual categories was aimed at reviewing the County’s analysis work towards determining the Lower Limit such that individuals having income below this level would have their healthcare costs fully covered by the County – the MIA cohort groups’ expected healthcare cost is thus zero. See “Revised Upper Limit Values” section below for a discussion of a review of the healthcare component.

**Miscellaneous**

Reviewing the Miscellaneous category was a very straightforward task in that it was a pure mathematical function of 10% of the combined Housing, Utilities, Food, Transportation, and Healthcare (where applicable) expense amounts. Note the Miscellaneous expense category was calculated in exactly the same manner based on the category sums at both the Lower and Upper Limits.

Data Sources – Sound

Cited Sources:



- +(SC) Cost of Living Narrative.Doc
- +(SC) Binder Material

Methodology – Sound

Cited Sources:

- +(SC) Cost of Living Narrative.Doc
- +(SC) Revised Cost of Living Study 1\_23\_11.xls Notes

Data Application – Sound

Cited Sources:

- +(SC) Cost of Living Narrative.Doc

Summary

Data Sources	Methodology	Data Application
Insight Center Self Sufficiency Study	Stanislaus County – Applied Rate	10% X Sum (Housing, Utilities, Food, Transportation)

**Taxes (Federal, Social Security, State, Sales)**

While taxes are specifically excluded from the County’s determination of the Lower and Upper Limit, their calculation was included for completeness and comparison purposes. The Tax category was also a relatively straightforward category to review – Sales Tax was applied using the Stanislaus County rate against the Miscellaneous category amount, Social Security was applied against the implied income level suggested by the above individual category amounts at the employee rate of 7.65%, State taxes were determined using the online 540EZ form and at the pre-tax Lower Limit there was no State income taxes indicated, and Federal Income Taxes were determined by the County using the IRS online 1040EZ form using the implied income levels suggested by the above individual category amounts. Note for all of the Tax related category expense, all were calculated in exactly the same manner based on the implied income level and category amounts suggested at both the pre-tax Lower and Upper Limits amounts.

### Data Sources – Sound

#### Cited Sources:

- +(SC) Cost of Living Narrative.Doc
- +(SC) Binder Material

### Methodology – Sound

#### Cited Sources:

- +(SC) Cost of Living Narrative.Doc
- +(SC) Revised Cost of Living Study 1\_23\_11.xls Notes

### Data Application – Sound

#### Cited Sources:

- +(SC) Cost of Living Narrative.Doc

### Summary

Data Sources	Methodology	Data Application
IRS Web Site – 1040EZ online forms	IRS Online Tax Calculator	Form 1040EZ calculations
CA Franchise tax board – 540 EZ online forms	CA Online Tax Calculator	Form 540 EZ calculations
Social Security Administration	Lower Income Employee Percentage	7.65% X Implied Income Level
Stanislaus County Sales Tax Rate	Sales Tax applied to applicable category (Miscellaneous)	8.375% X Miscellaneous Category

## Revised Upper Limit Values

After the HFS initial review was conducted and the County had finalized their Base Self Sufficiency level, the County then asked HFS to investigate the County’s analysis of how implementing the California Major Risk Medical Insurance Plan would increase the Base Self Sufficiency level and thus produce an Upper Limit for the MIA program. The MRMIP uses age group to establish cost for individual healthcare coverage, therefore the County set about stratifying the affected MIA cohort group into affected age groups.

The county first assembled data for all males and females and stratified them into the appropriate age group to determine the expected Healthcare insurance cost for each group. The County used their entire MIA population in their calculations as the best method to determine a representative or expected healthcare insurance cost as there was not an easy way to predetermine the actual age distribution of affected individuals. The individual MRMIP monthly cost for coverage within each age group was then applied to obtain the total monthly cost of healthcare coverage by age group. Each age group's monthly total cost of healthcare coverage was then summed to obtain the total affected MIA population's total monthly healthcare coverage cost. As a covered individual would be expected to fall within any of the possible MRMIP age groups, a weighted average monthly cost of MRMIP healthcare coverage was then determined.

Because the MRMIP program includes a \$1,500 per year out-of-pocket cost deductible, this amount was then converted to a monthly amount and then added to the weighted average MRMIP monthly coverage amount to determine the expected cost of monthly Healthcare Coverage for "in-between" MIA participants. "In-between" in the sense these individuals have annual incomes above the Lower Limit, but do not have incomes where they would be considered fully self sufficient and thus able to afford their own healthcare insurance. Note where the addition of the healthcare self coverage amount would affect individual category expense (Miscellaneous and Taxes); the County further refined the expected expense for those categories based on the increase to income.

Taking the unaffected Lower Limit individual category amounts and adding in the expected cost for Healthcare coverage, plus any increased individual category amounts (as a result of having additional income to fund the expected Healthcare insurance cost) produced the County's pre-tax Upper Limit level.

#### Data Sources – Sound

##### Cited Sources:

- +(SC) California MRMIP Program – California MRMIP.pdf

#### Methodology – Sound

##### Cited Sources:

- +(SC) Cost of Living Narrative.Doc

- +(SC) Revised Cost of Living Study 1\_23\_11.xls Notes

Data Application – Sound

Cited Sources:

- +(SC) Cost of Living Narrative.Doc
- +(SC) Revised Cost of Living Study 1\_23\_11.xls Notes
- +(SC) Eligible pts broken down by gender age range.xls

Summary

Data Sources	Methodology	Data Application
CA MRMIP Program	Stanislaus County – Determined Expected MRMIP Monthly Healthcare Insurance Cost	Expected Monthly MRMIP Healthcare Insurance Cost by age-group + Monthly Deductible Amount = Expected Healthcare Insurance Cost for “In-between” MIA population

## **Comparison to Other Studies**

After HFS finished their review of the County's calculations at both the Lower and Upper Limit (and the provided additional tax calculations), a comparison was made of how the County's estimated values compared to the other studies provided (the two other court approved County values for Fresno County and San Diego County, the CBP Project's "Making Ends Meet" June 2007 (updated by Stanislaus County to 2010 values) and the more recent CBP - September 2010 values, and the Insight Center for Community Economic Development's "Self – Sufficiency Study" 2008 values). The HFS comparison was conducted as a further "reality" check on the County's determined values both as to dollar amount and to the resultant percentage of implied income. The goal of the comparison was to investigate if any of the County's calculated amounts "stood" out as being too low or too high versus the other studies.

Note this comparison is far from a thorough investigation as comparing dollar amount across time, even where adjusted to current dollar estimates, is far from an exact science and should only be treated as an informational comparison. However, that being said investigating the percentage spend for individual category amounts against implied income in all of the studies can be useful in illustrating what the findings of the other studies implied from a function of income perspective (in other words as Implied Income increases what do the other studies imply happens to percentage of spend as implied income increases). Note: for this comparison, taxes are included and thus use the higher implied income levels (above the Stanislaus County pre-tax Lower and Upper Limit Federal Poverty Levels).

### **Housing & Utilities**

In looking at the combined studies results for housing and utilities, as expected this category forms both the largest dollar amount and percentage of spend for individuals having the lowest implied incomes. As implied income levels increase the various studies illustrate that the expense for this category becomes less of percentage of total income as more of an individuals' spend is allocated to other categories (like transportation expense).

### **Food**

In viewing the various studies' expected Food expenditure, it appears food spend behave similarly to Housing and Utilities – at lower income levels food expense seems to be a relatively fixed amount and percentage as individuals increase their income there appears to be some flexibility as to spend amount and food expenditure becomes less of a percentage of total income.

### **Transportation**

Comparing the various studies' estimated amounts for transportation implied the exact opposite behavior to Housing and Food – expected transportation spend tended to increase both in dollar amount and percentage as implied income increases. As an aside, it could be argued that the additional transportation spend is necessary to be able to earn more income and thus produce the higher income.

## **Healthcare**

Healthcare expenditure formed the most difficult category of spend to compare – predominately because it is the category that is most influenced by public policy and court approved income levels. At Lower Implied Income levels, the MIA cohort group is completely covered by public assistance programs (and hence have an expected healthcare cost of zero). At higher, self-sustaining, income levels expected healthcare expense would be covered by healthcare insurance (where a larger contributing and risk population would be expected to decrease monthly expense). Because Stanislaus County is the only study under review which detailed out how their affected MIA population's expected Healthcare Insurance cost was determined, their Upper Limit values should be thought of as a more accurate indication of the true cost of coverage for the MIA cohort group as individuals increase their income levels and become more self sufficient.

## **Miscellaneous**

Due to the mechanical, straightforward calculation of the miscellaneous category estimates comparing this category expected spend can be thought of as a relatively flat percentage amount.

## **Taxes**

The Fresno and San Diego studies excluded expected taxes from their calculations, therefore for illustration purposes, HFS personnel estimated the resultant tax percentage and inferred their values based on the calculated amounts (and thus rate) for Stanislaus County and the Self Sufficiency study. The resultant tax amounts and percentages of all the studies being compared indicates as expected that as income increases the expected tax burden also increases.

## **Appendix (i.e. location of data and sources, supporting analyses, etc.)**

Rather than make this Microsoft Word document too large in size to be practically usable, all of the above category specific "Cited Sources" and supporting analyses are contained in the following compressed archive files:

The Stanislaus County supplied sources are in file – "County Supplied.ZIP) 2,108KB

The HFS Derived files are in file – "HFS Derived.ZIP" 12,753KB

And the Final PowerPoint Presentation file – "Stanislaus County – Self Sufficiency Study 2011 Final.ppt"



# Health Services Agency

## PowerPoint Presentation

Medically Indigent Adult Program  
Cost of Living Study &  
Policy Recommendations  
April 5, 2011



# Medically Indigent Adult Program

- County Obligation under Section 17000 of the Welfare and Institutions Code
- County Board of Supervisors has discretion to establish the Eligibility Standards and Scope of Benefits, although case law has limited that discretion.

# Board Approved Policy Changes Fall 2009

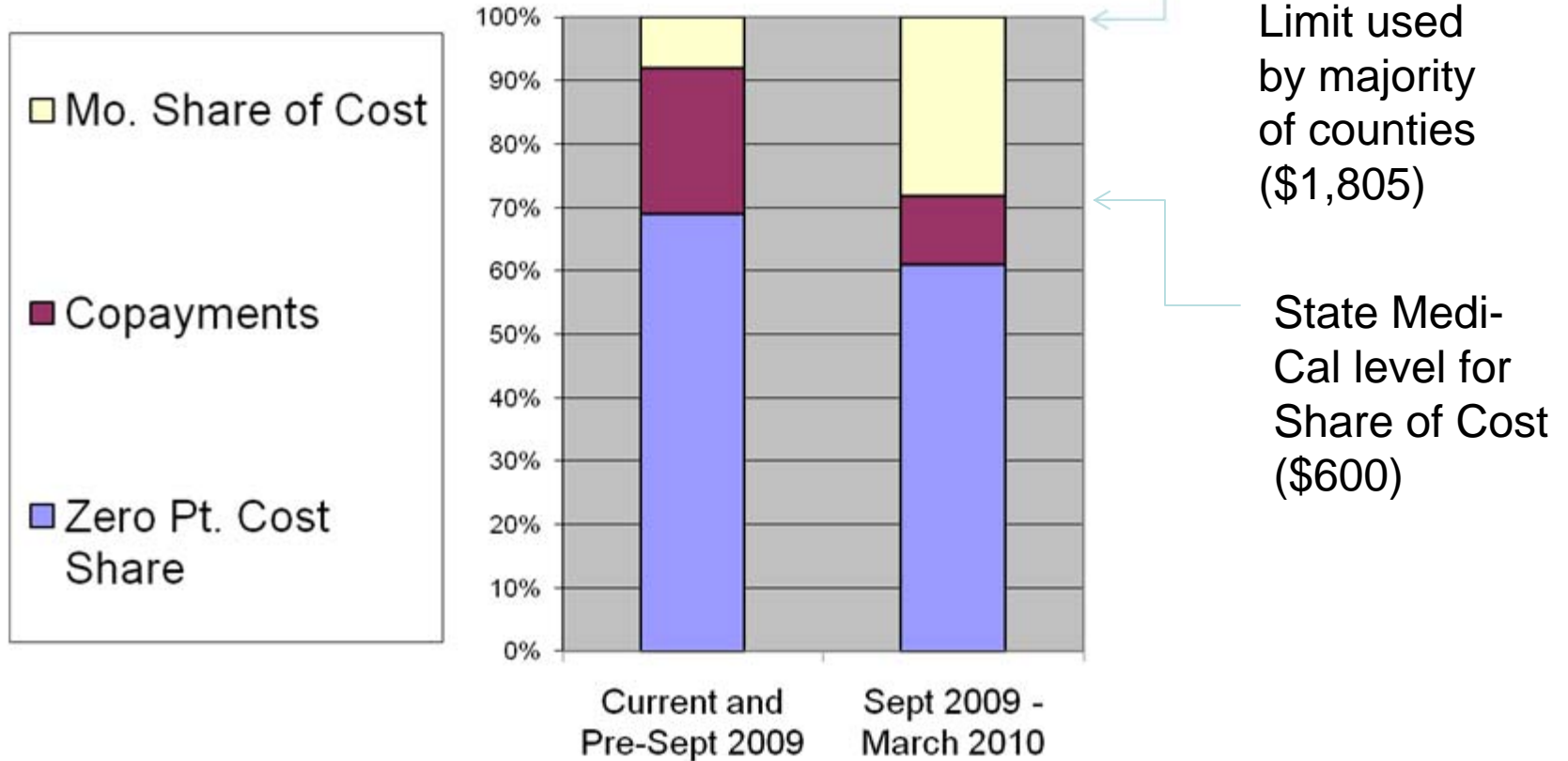
- Lowered the Limits for Patient Cost Sharing Limits
  - Moved additional cost responsibility to patient from County
  - Followed State Medi-Cal Threshold “Maintenance Need”
- Effort to Achieve a Balanced Budget while preserving as much access to care as possible
- County Expenditures/Exposures Outpacing Funding
  - Enrollment Growth
  - Utilization Growth

# Legal Challenge - Western Center on Law and Poverty

- Challenged the administrative policy of requiring payment collection of all or some prior to rendering service
  - **HSA Changed Administrative Policy effective 2/1/10**
- Challenged the methodology used to set Patient Cost Sharing Income levels
  - **BOS reverted to Pre-September 2009 effective 4/1/10 policy and directed that a Cost of Living Study be conducted**
- Challenged upper limit to eligibility
  - **BOS directed that a Cost of Living Study be conducted**

# Enrollment Mix based on Degree of Patient Cost Sharing

Enrollment ~ 8,000



\* FPL = Federal Poverty Limit

# Summary of Case Law on Eligibility Limits

- Courts have held that limits need to be based on a methodology that considers ability to pay for subsistence medical care.
- Ability to Pay Methodology can be in aggregate, rather than by individual applicant's circumstances.
- Courts did not set the limits but rather compelled the use of a reasonable methodology.
- Courts compelled the counties to have a hardship eligibility category above subsistence income level, under which indigent patients could share in the cost of subsistence medical care.
- Courts have held that the county obligation is not for all uninsured but for the indigent, allowing for an upper limit.

# Recent Chronology

- September 2009..... Increased Patient Cost Sharing
- January 2010..... Received Threat of Lawsuit
- February 2010..... Ceased Payment Before Service Req't
- April 2010..... Reverted to Pre-Sept 2009 Policy
- Spring/Summer 2010.. Launched Cost of Living Study project
- Fall/Winter 2010/2011.. Review/Analysis –Decision to Validate
- December 2010..... Sought Validation Study w 3<sup>rd</sup> Party
- December 2010..... Received Notice of Lawsuit
- March 2011..... Set Hearing to Consider COLS
- April 2011..... Conduct Hearing, Policy Decisions

# Cost of Living Study Objectives & Parameters

- Objectives
  - Determine Income Level for Subsistence/Basic Needs =  
Zero Patient Cost Sharing
  - Determine Income Range above Subsistence Level =  
Hardship Eligibility w Patient Cost Sharing
- Parameters
  - Stanislaus County residents, Aged 21 – 64
  - Subsistence/Basic Needs costs
  - Health Insurance Cost
  - Approved Methodologies in Fresno & San Diego court cases

# Subsistence/Basic Needs Cost of Living Components

- Housing
- Utilities (Phone & Electricity/Gas)
- Transportation
- Food
- Sales Tax
- Social Security
- Miscellaneous

# Hardship Eligibility Cost Component

- Health Care Policy Premium



# Example of Research & Result: Housing = \$510

Sources	Monthly Housing Rate
The Modesto Bee, <a href="http://www.modbee.com">www.modbee.com</a> , apartmenthunterz.com	< \$500 per month
Craigslist	Average = \$509.43
RealFacts Market Overview Report	Average = \$508.27
Stanislaus County Housing Authority and Consumer Expenditure Surveys	< \$500 per month

# Basic Needs Cost of Living = 116% of the FPL

Description	Cost
Housing	\$510.00
Phone	7.67
Electricity/Gas	33.45
Food	195.74
Transportation	125.57
Miscellaneous	87.24
Sales Tax	7.31
Social Security	79.69
TOTAL	\$1,046.67

\$902.50 = 100% of FPL

$\$1,046.67 / 902.50 =$

116% of Federal Poverty Level

*Note: Costs & FPL are from 2010*

# Example of Research: Health Care Policy Premium

- |  |  |
|--|--|
| 1. Obtained the CA Major Risk Medical Insurance Program (MRMIP) age-based premium rates applicable to Stanislaus County. There were 8 age bands applicable to the MIA population.....  | Premium Range<br>\$440.60 - \$1,139.80 |
| 2. Using the FY 0910 MIA enrollment data by age band, applied the MRMIP premium rates, totaled and then divided by total FY 0910 MIA enrollment to determine average premium rate..... | \$685.88 Average                       |
| 3. MRMIP Annual Deductible = \$1,500<br>Converted to monthly amount .....  | \$125.00 per month                     |
| 4. Added the Average Premium to the Prorated Monthly Deductible.....   | \$810.88 per month                     |

# Hardship Eligibility with Patient Share of Cost = 117% to 223% of FPL

Description	Cost	FPL
Basic Needs	\$1,046.67	116%
Healthcare Policy Premium	811.00	
Increased costs related to this level of income	153.87	
<b>TOTAL</b>	<b>\$2,011.54</b>	<b>223%</b>

Hardship Income Range

# Impact to MIA patients and County financials is mixed

<b>Federal Poverty Level</b>	<b>Current v. Proposed Impact to Patient</b>	<b>Estimated Savings \$ or Loss () to County</b>
0 – 49 %	No Change	No Change
50 – 116%	Copays → No Share of Cost	(\$ 50,000 – 60,000)
117 – 130%	Copays → Share of Cost	\$ 50,000 – 75,000
131 – 200%	Share of Cost → Higher Share of Cost	\$ 20,000 – 30,000
201 – 223%	Ineligible → Eligible w/ Share of Cost	(\$150,000 – 250,000)

# HFS Consultants

## Independent Review of County Cost of Living Study

# Staff Recommendations

1. Conduct Public Hearing to Consider and Approve:
  - a. Revise existing County policy to establish the income limit for standard eligibility which provides eligibility with zero patient cost sharing in the Medically Indigent Adult program as 116% of the Federal Poverty Limit, effective May 1, 2011.

## Staff Recommendations continued...

- b. Revise existing County policy to eliminate the existing copayment and share of cost eligibility categories in the Medically Indigent Adult Program and establish a Hardship Eligibility category which provides Medically Indigent Adult program eligibility with patient share of cost requirements for applicants with income between 117 – 223% of the Federal Poverty Level, effective May 1, 2011.
2. Authorize the Managing Director of the Health Services Agency or her designee to carry out the operational changes necessary to implement the approved changes.