

Single Index Insurance Measure of Poverty

Needs = Needed Non Medical Consumption – NMN
(Food, Clothing, Shelter, and other needs)

+ Premium for Insurance Policy that covers needed medical contingencies -- PIP

+ Expected Medical Co-Payments – EMOOP

Resources = 'Adjusted' Cash or Money Income -- ACY (Panel recommended from the current definition subtracting taxes and a limited amount of work related expenses but adding the value of government in-kind benefits that supplemented the family's consumption of their non medical needs)

+ Insurance Value of Employer or Government provided Health Insurance -- PEGI

A family would be poor if

$$ACY + PEGI < NMN + PIP + EMOOP$$

$$ACY + PEGI < NMN + PIP_{100}$$

Where PIP_{100} is the premium covering 100% of needed medical contingencies

Problems

Fungibility of Insurance

Can this approach be implemented?

Aaron-Burtless Two Step Approach

Determine if the family is 'Cash Poor'

Does the family have sufficient resources to purchase both non-medical needs and meet their expected medical co-payments? If not then they are 'cash' poor

Cash Poor if $ACY < NMN + EMOOP$

Determine if the family is 'Medically Poor'

If a family is either under or uninsured then does the family have sufficient resources to purchase an insurance policy that would cover their medical needs without making themselves cash poor. If not then they are 'medically' poor

Medically Poor if Under or Uninsured
and
 $ACY < NMN + EMOOP + PIP$

Family is poor if they are either 'Cash Poor' or 'Medically Poor'

Questions

- Is an ex ante approach really appropriate?
- Is the ability of families to meet their non medical and medical needs really comparable or should they be kept separate?

Panel Recommendation

A family is poor if

$$ACY - AMOOP < NMN$$

$$(ACY < NMN + AMOOP)$$

Further the Panel recommended development of

“one or more’ medical care risk’ indexes that measure the economic risk to families and individuals of having no or inadequate health insurance coverage. However, such indexes should be kept separate from the measure of economic poverty.”