Putting The Public's Money Where Its Mouth Is

Consumers' enthusiasm for health reform wanes sharply when asked to pay higher taxes to expand coverage.

by Daniel P. Kessler and David W. Brady

ABSTRACT: This paper reports the results of a 2009 national survey that quantifies Americans' willingness to pay to expand health insurance coverage. We asked respondents whether they would support a Medicaid expansion, a subsidy for low-income people, or a subsidy for the chronically ill, if they had to pay more income taxes to cover the program's costs. Based on respondents' reported income, we told them approximately how much, in dollar terms, their tax increases would be. Our results reflect a tension in public opinion recognized by previous investigators: a desire for reform but limited willingness to pay for it. [Health Aff (Millwood). 2009;28(5):w917–25 (published online 18 August 2009; 10.1377/hlthaff.28.5.w917)]

Survey researchers have tracked American public opinion about health reform for more than twenty years.[1] As Robert Blendon and colleagues have observed, analyses of poll results have revealed two recurring tensions in Americans' views about the nation's health policy.[2, 3] First, although Americans report dissatisfaction with the health care system and private health insurance, they remain satisfied with their own arrangements and do not favor a single-payer plan. Second, although Americans agree that something should be done to help the uninsured, they are reluctant to pay higher taxes to do it.

In this paper we report results from a 2009 national survey designed to investigate the latter of these tensions. We applied contingent valuation methods to estimate how much Americans are willing to pay to expand health insurance coverage. Based on parameter estimates from previous research, we calculated the likely costs of realistic health reform scenarios. Then we calculated the dollar amount by which each respondent's income taxes would have to increase to finance those costs, under the assumption that every taxpayer's income taxes would increase by the same percentage. We individually customized each questionnaire by asking each respondent about his or her support for reform, given the income tax increase that he or she would have to pay.

Daniel Kessler (fkessler@stanford.edu) is a professor in the Graduate School of Business and Senior Fellow at the Hoover Institution, Stanford University, in Stanford, California. David Brady is a professor in the Department of Political Science and deputy director of the Hoover Institution, Stanford University.

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The Contingent Valuation Survey

During 8–21 January 2009 we conducted an Internet-based contingent valuation survey on individuals' preferences for health insurance and health policy reform through YouGov/Polimetrix.[4] Our approach provides a more accurate assessment of people's willingness to pay for public goods than ordinary survey methods. Ordinary surveys often measure unconstrained attitudes to vaguely defined goods, such as "how important it is for Congress to expand insurance coverage." Researchers have long recognized that such surveys poorly predict how respondents will react to specific policy proposals.[5] Our contingent valuation survey sought to address this concern by presenting detailed descriptions to respondents—of the proposed public good, how it would be provided, its cost and how it would be financed, and the larger context for considering the change[6]—and then requiring them to make concrete trade-offs. Experimental evidence supports the validity of the contingent valuation approach.[7]

We introduced the policy scenario questions by informing respondents that we wanted "to ask...some questions about proposals that have been made to provide health insurance to more Americans." We then asked, in random order, about respondents' preferences for three alternative policies: insurance subsidies for low-income people, Medicaid expansions, and insurance subsidies for the chronically ill. We chose the first two policies because they are the two main mechanisms that have been used (for example, in Massachusetts) to expand coverage and are being considered for adoption at the federal level. The third policy has been used in the Netherlands to improve the performance of private insurance markets.[8] We included it as a less costly alternative that would yield benefits to people across the income distribution, although with a smaller effect on the uninsurance rate.

■ **Subsidy for low-income people.** We prefaced our questionnaire about the income-based subsidy with the following explanation: "[One/Another] of these proposals would give a government subsidy to low- and moderate-income people that would help them and their employers afford insurance. Under this proposal, people would get insurance from their employer, their union, or an insurance company. The government would provide financial assistance but would not provide the insurance itself."

To half of the sample, we proposed a limited or minor version of this reform. In this case, we told respondents that reform "would cut the number of uninsured people by a quarter, from about 16 percent of the U.S. population to about 12 percent." Finally, we asked respondents about their likelihood of suporting reform, offering four choices of response: very likely, somewhat likely, not too likely, or not at all likely. If your family had to pay $X more per year in federal income taxes to finance this proposal, how likely would you be to support it? To the other half, we proposed a major version of this reform. In this case, we told respondents that reform "would cut the number of uninsured people in half, from about 16 percent of

the U.S. population to about 8 percent." When we asked these respondents about their likelihood of support (again offering four choices of response), we doubled the amount they had to pay to correspond to the twofold increase in the policy's effect on the uninsured: "if your family had to pay $2X more per year in federal income taxes to finance this proposal, how likely would you be to support it?"

■ **Medicaid expansion.** We prefaced our question about Medicaid with the following: "[One/Another] of these proposals would make Medicaid available to moderate-income people. Medicaid is a government health insurance program that has traditionally been available only to low-income people."

We split the sample in half with minor and major versions of the reform, using the same reductions in the uninsured and cost as we did for the subsidy for low-income people.

■ **Subsidy for the chronically ill.** We prefaced our question about the illness-based subsidy with the following: "[One/Another] of these proposals would give a government subsidy to people who had a chronic illness or persistently high health costs that would help them and their employers afford insurance. It would have a small impact on the overall number of uninsured people, but it would make it easier for everyone else to get insurance by subsidizing the sickest people in the market." Then we asked all respondents the following question: "If your family had to pay $Y more per year in federal income taxes to finance this proposal, how likely would you be to support it?"

Calculating respondent-specific values for X and Y in the questions above involved three steps.[9] First, we estimated the total cost of each policy. Second, assuming that the policy would be financed with a proportional increase in everyone's personal income taxes, we calculated how large of a tax increase would be needed. Third, based on the family income that each respondent reported in the survey, we calculated in dollar terms what this tax increase would be. This is our "baseline" estimate.

To investigate the sensitivity of respondents' support for reform to its cost, we replicated our original survey on two additional samples. Respondents in the first were told that their tax increase would be 50 percent of our baseline estimate. Respondents in the second were told that their tax increase would be 150 percent of our baseline estimate.

Study Results

In total, we obtained responses from 3,344 U.S. adults. The incomes of respondents in our sample were similar to those found in other national surveys. Median income in our weighted sample was $50,000; according to the Current Population Survey (CPS), median U.S. income in 2007 was $50,233.[10] Respondents in our sample were slightly more likely to be uninsured and more likely to be unhappy with the quality of their own health care than the national average. The uninsurance rate in our weighted sample (19.1 percent) was slightly higher than the national

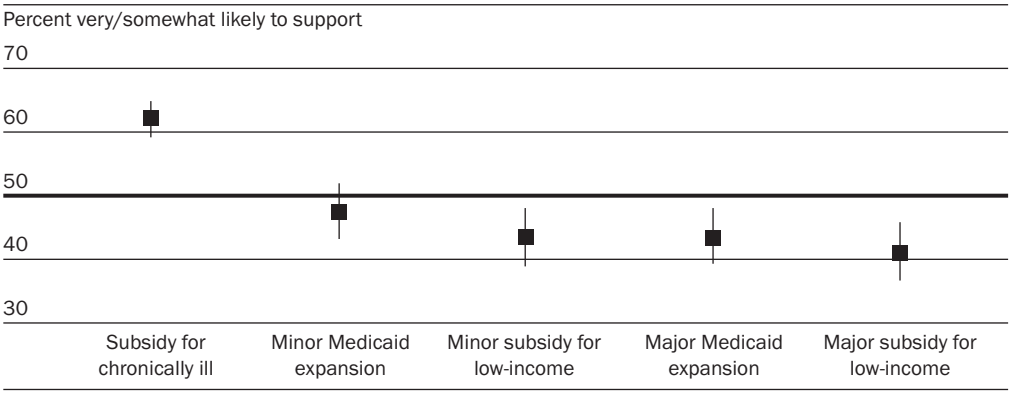
average for adults in 2007 (16.7 percent), according to the CPS.[11] In addition, 62.9 percent of respondents in our weighted sample rated the quality of their own health care "excellent" or "good," compared to 83 percent of respondents in the 2008 Gallup Poll.[12]

Exhibit 1 presents the proportion of respondents who said that they would be very or somewhat likely to support each reform at its baseline cost; each respondent has been weighted so that the characteristics of our sample reflect those of the U.S. population. It shows the extent of respondents' support for a subsidy for the chronically ill, a minor Medicaid expansion (one that would reduce the number of uninsured by 25 percent), a minor subsidy for low-income people (one that would reduce the number of uninsured by 25 percent), a major Medicaid expansion (one that would reduce the number of uninsured by 50 percent), and a major subsidy for low-income people (one that would reduce the number of uninsured by 50 percent).

According to Exhibit 1, the only reform with majority support is a subsidy for the chronically ill: 62.1 percent of Americans would be somewhat or very likely to support a program that increased personal income taxes to subsidize the purchase of insurance by people with chronic illnesses. Proposals to expand Medicaid and provide income-based subsidies fared worse, and more expansive or major versions of these reforms fared worse than more limited or minor versions. The proportion of respondents expressing support for a minor Medicaid expansion, 47.3 percent, was just under (although not statistically distinguishable from) a majority. The proportions expressing support for the other policies we proposed ranged from 43.3 percent (for a minor income-based subsidy) to 40.8 percent (for a major income-based subsidy); each was statistically distinguishable from 50 percent.

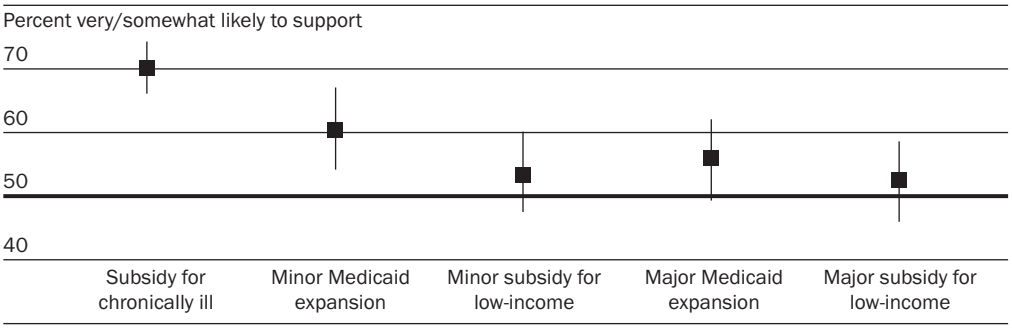
Exhibits 2 and 3 show that support for health reform was stronger among re-

EXHIBIT 1
Public Support For Health Reform, January 2009



SOURCE: Authors' calculations.
NOTE: Vertical lines denote 95 percent confidence intervals.

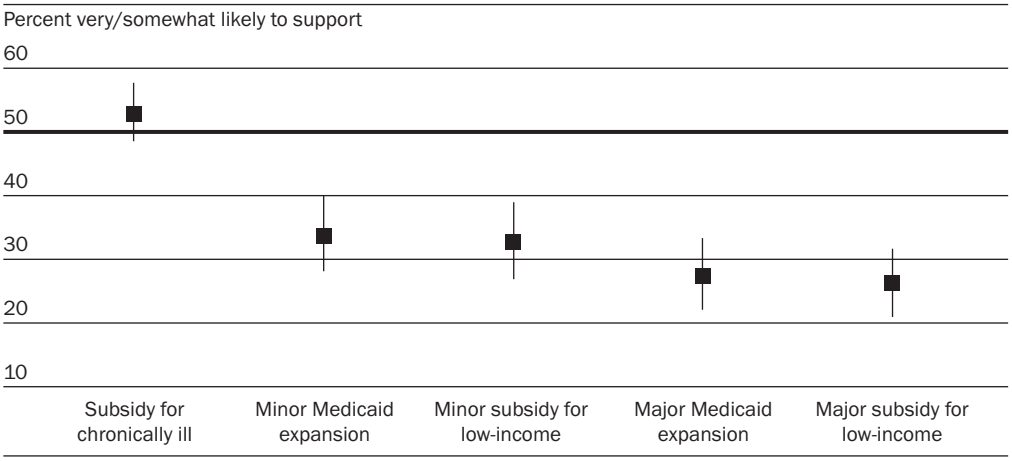
EXHIBIT 2
Public Support For Health Reform Among Households With Incomes At Or Below The U.S. Median, January 2009



SOURCE: Authors' calculations.
NOTES: Vertical lines denote 95 percent confidence intervals. U.S. median income = $50,000.

spondents with below-median household incomes ($50,000 per year or less) than among respondents with above-median household income. Although a majority of both lower- and higher-income respondents supported a subsidy for the chronically ill, support was stronger among those with lower versus higher incomes, with (respectively) 69.9 percent and 52.9 percent in favor. A majority of lower-income households supported expansions of Medicaid and provision of income-based subsidies for insurance (53.4–60.3 percent, depending on the reform), but only a minority of higher-income households did (25.7–33.3 percent). This is not surprising. Lower-income households stand to benefit more than higher-income households from these reforms and pay less in terms of increased income taxes.

EXHIBIT 3
Public Support For Health Reform Among Households With Incomes Above The U.S. Median, January 2009



SOURCE: Authors' calculations.
NOTES: Vertical lines denote 95 percent confidence intervals. U.S. median income = $50,000.

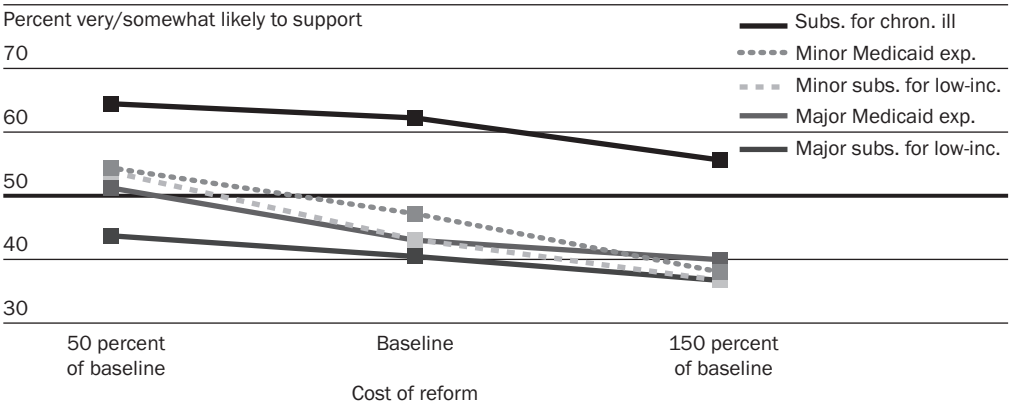
Exhibit 4 presents "political demand curves" for each of the five reforms. Each line shows how the percentage of respondents supporting a reform depends on its cost. The leftmost points represent the proportion of respondents supporting reform at 50 percent of baseline; the center points, support for reform at 100 percent of baseline; and the rightmost points, support for reform at 150 percent of baseline. In general, political demand curves slope downward: as the cost of reform rises, support for reform falls. Exhibit 4 also shows the approximate cost at which proposed coverage expansions achieve majority support. If a Medicaid expansion or a minor income-based subsidy could be implemented at 50 percent of baseline cost, a slight majority of Americans would support it. Unfortunately, this is unlikely to be feasible.

Discussion

■ **Summary of findings.** Although American public opinion about health reform has been studied extensively, surprisingly little work has sought to apply formal contingent valuation survey methods to identify what people are willing to pay for it. Our results from such survey conducted in January 2009 reflect the tension in American public opinion recognized by previous investigators: a desire to help make insurance more affordable but limited willingness to endorse the income transfers necessary to do so.

Although a large number of Americans may support major health reform, only a minority are willing to pay for it. Tax increases sufficient to pay for expanding coverage even to one-quarter of the uninsured were simply too large to attract majority support. The problem is that the income redistribution that would be necessary to implement such a coverage expansion erodes the support of households with above-median incomes.

EXHIBIT 4
Public Support For Health Reform As A Function Of The Cost Of Reform, January 2009



SOURCE: Authors' calculations.
NOTE: For full descriptions of abbreviated reform options, see text and Exhibits 1–3.

"Designing a subsidy to assist people with a persistent need for costly care, rather than a one-time need, may increase its appeal."

On the other hand, our results suggest that people are willing to pay more for reform than many earlier surveys found. For example, the *Washington Post*/Kaiser Family Foundation/Harvard University Survey of Political Independents conducted in May 2007 found that 55 percent of respondents were unwilling to pay anything more in health insurance premiums or income taxes to increase the number of Americans who have health insurance.[13] In addition, the Health Confidence Survey conducted in May 2007 found that 75 percent of respondents were unwilling to pay even 5 percent more in federal income taxes to make sure that all Americans had health insurance.[14]

In contrast, we found that a slim majority (51.3 percent) of Americans were willing to pay 5 percent more in federal income taxes to expand Medicaid to half of the uninsured, if such an expansion were technically possible.[15] We also found majority support for a subsidy for the chronically ill. A clear majority of Americans, including a majority of higher-income households, supported such a subsidy, even at 150 percent of its baseline cost. Other surveys that proposed a similar reform—a subsidy for people with catastrophic medical costs—garnered less public support.[16] Our results suggest that designing the subsidy to assist people with a persistent need for costly care, rather than a one-time need, may increase its appeal.

■ **Caveats.** Three features of our survey might affect the interpretation of our results. First, the differences between the characteristics of our weighted sample and those from other surveys, although small, might mean that the population's willingness to pay would differ from our observed values. If anything, these differences would suggest that our results overstate the population's willingness to pay; the higher rates of uninsurance and dissatisfaction with the country's status quo health care policy would suggest that our sample is more amenable than average to reform.

Second, the fact that our survey was conducted in the midst of an economic downturn might limit the generalizability of our results to times of economic prosperity. On the one hand, people might be less willing to accept tax increases to expand coverage in "hard times;" on the other hand, people might be more willing to do so, because need for a social safety net is greater. Research by the Kaiser Family Foundation suggests that if anything, the latter is true: a foundation survey conducted the month before ours found that 49 percent of respondents were unwilling to pay anything more in health insurance premiums or income taxes to increase the number of Americans who have health insurance.[17] This is smaller than the fraction of respondents that a foundation survey found were unwilling to pay for reform in May 2007,[13] before the start of the current recession.[18]

Third, our results may depend on the specific means of financing that we pro-

posed—an equiproportional increase in personal income taxes. Increases in income taxes are a standard financing mechanism proposed in contingent valuation surveys to pay for national public goods.[19] An increase in income taxes, through the repeal of the tax exclusion for employer-sponsored health insurance, is also one of the means of financing that is currently being debated.[20] We added the assumption that the increase in taxes would be imposed proportionately on all, so that we did not conflate respondents' preferences over changing the degree of progressivity of the tax system with their preferences for health reform.

Depending on the financing mechanism actually chosen, however, the population's willingness to pay for reform may be greater or less than our results suggest. Repealing the exclusion for employer-sponsored health insurance, for example, would make the tax code more progressive at the bottom of the income distribution but less progressive at the middle and top;[21] the population's willingness to support reform with this financing mechanism, rather than a proportional tax increase, would depend on its preferences for progressivity. In addition, some analysts argue that reform can be financed, at least in part, through cost savings achieved through reform; the population's willingness to support a coverage expansion with this financing mechanism would depend on the extent to which it preferred spending cost savings on coverage expansions to rebating them in the form of tax or premium decreases. Future work might explore the sensitivity of reform to the financing mechanism used and further explore how reaction to reform is correlated with personal characteristics (as Kate Bundorf and Victor Fuchs have done).[22]

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NOTES

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