

Ch. 5 - Health and Welfare Mar 13, 2006
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Mid-term exam - Take home distributed Wed Mar 22
- Return Wed Apr. 5, 2006
- through Ch. 6 - Education Policy

Who has never gotten sick?

Are you poor?

What is your health care policy now?

The poor: 30-35 million people are below the poverty line.

Entitlements and benefits from government based on criteria:

- age
- income
- retirement
- disability
- unemployment

Who/when launched entitlement programs?

- 1930's, New Deal, ~~FDR~~ FDR
- 1960's, Great Society, LBJ

1/3 of U.S. population receives ^{30/} entitlement benefits.

Examples:

- Social security
- Medicare
- Welfare
- Unemployment

Fig. 5-1 Federal Spending

Total Entitlement Spending = 61%

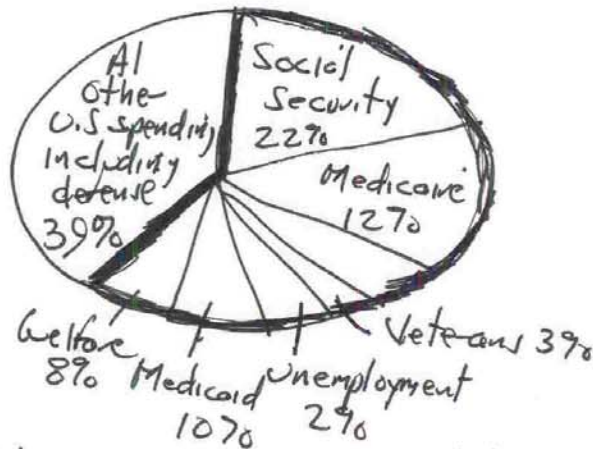


Table 5-1 Major Federal Entitlement Programs

Program	People
Social Security	46.4 m
Unemployment	10.1 m
Education	
Stafford Loans	5.4 m
Pell Grants	3.8 m
Head Start	0.8 m

College Students You! ←

How many poor?

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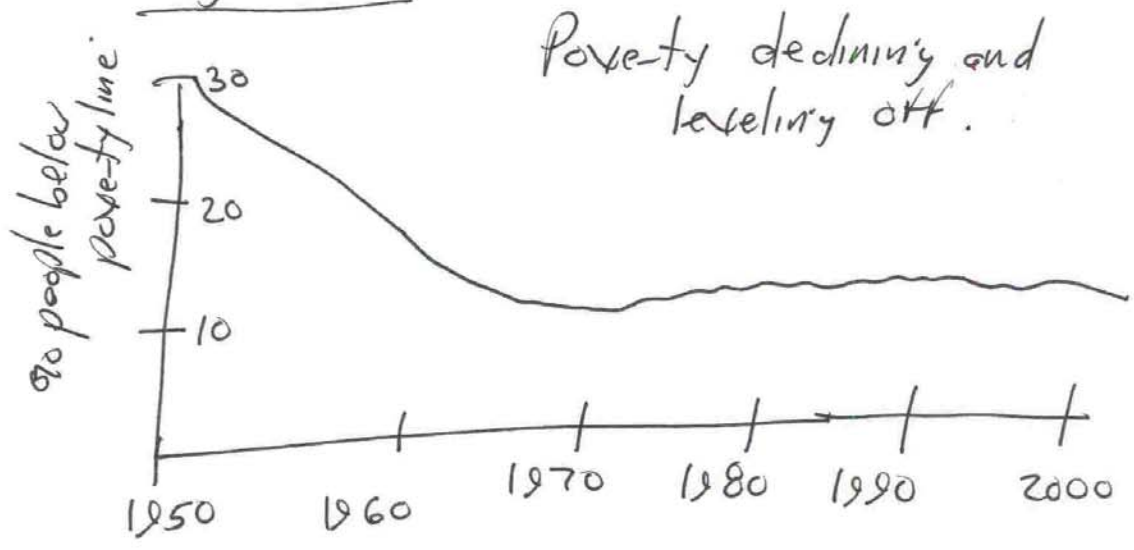
- 30 - 35 million people
- 11 - 12% of pop.
- Poverty line - family of four = $\frac{1}{5}$ Income = 18,500/yr.
- White 9% poor
- Black 23.2
- Hispanic 21.8
- Age 9% poor
- Under 18 17%
- Over 65 10%

Who are poor?

- Poverty related to family structure
- Most common among female-headed families (30%) vs. ~~30%~~ Married couples (5%)
- Race - Blacks \approx 2x higher than white
- Age - Elderly 10x more wealthy than young adults
- Young are more poor than old
- Elderly have medicare for healthcare.
- Old more likely to own homes

For most people, poverty is temporary ^{32/}

Figure 5-2



Why poor?

- ① Economic productivity low. Why? Less education.
- ② General economy. Recursions & depressions.
- ③ Discrimination. Blacks earn less than whites.
- ④ Culture of poverty - becomes way of life, tough to break cycle.
- ⑤ Disintegration of family structure.

Q How to cure poverty?

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A Social Security & Welfare?

FDR signed Social Security Act of 1935.

(Antidote to poverty during Great Depression)

- Regular deductions from earnings, 15.3% of Income;
- After ^{Age} 65, ~~ret~~ can receive full social security benefits
- Deductions for unemployment compensation.

S.S. creates trust fund of cash.

The future of social security.

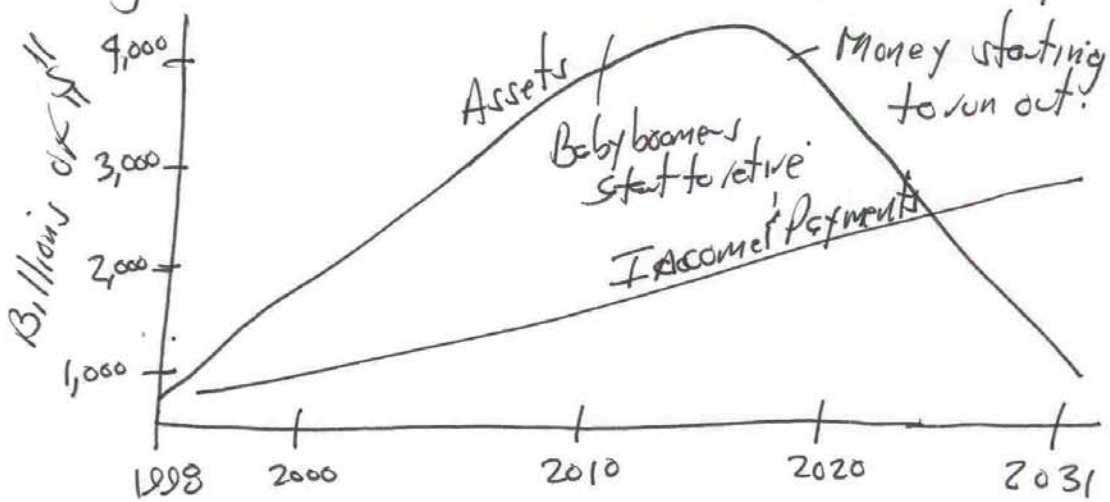
Tax Burden increasing, may run out of cash.

1930's 10 workers supporting one retiree
~~to~~ 2030 2 workers supporting one retiree

	<u>Life Expectancy</u>
1935	61
2000	77

	<u>S.S. Tax</u>
1935	39%
2004	15.3%

Fig. 5-4 Future of Social Security 341



Wealthy retirees - Aged are more wealthy than young.

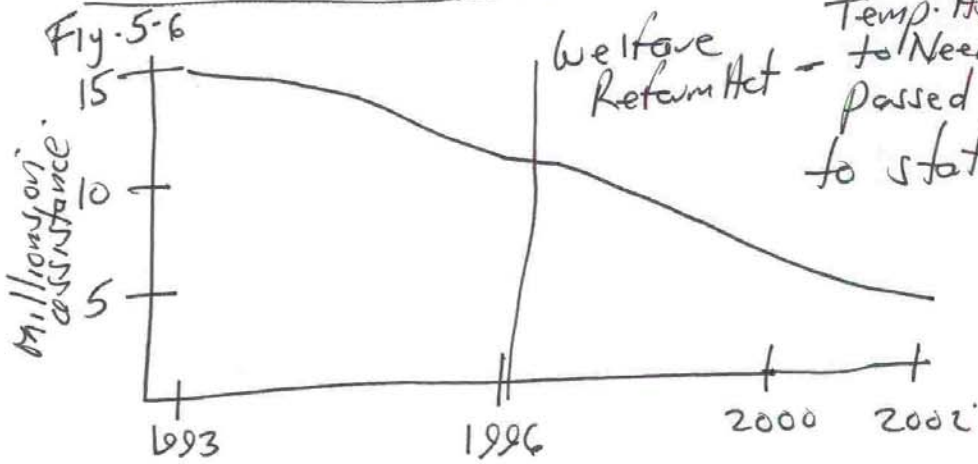
- the young pay to finance social security for old.

Baby Boom - born 1945 - 1960. How old now?
 Those born in 1945 will be retiring at age 65 starting in 2010.

Fig. 5-5 Social Security Reform Options

Payroll taxes	5370	to favoring
Increase ^{early} retirement 62 to 65	3770	
Increase payroll tax to 6.2%	3670	
Raise Age to 70	1770	

Welfare Reform



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Temp. Assistance
to Needy Families
- passed responsibility
to states.

Working Poor:

Minimum wage 1997 \$5.15/hr.
2006 \$6.15/hr.
\$240/wk \$12,000/yr.?

Inflation is rising faster than minimum wage;
Minimum wage will earn salary below poverty
level.

Earned Income Tax Credit - 2 or more
children,
Income below \$34,000

In many cases, EITC will amount
to no federal income tax for
low income families, more effective
than minimum
wage

Health Care

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Definition of health. Is it not getting sick? or ~~not~~ is it not dying?

According to author, good health care doesn't necessarily correlate with good health. If you want long life, chose good parents, don't smoke, don't drink, get lots of exercise, etc.

Table 5-3 Leading causes of death:

	2000 per 100,000
Heart Disease	257
Stroke	60
Cancer	200
Accidents	39
Pneumonia	24
Diabetes	25
Suicide	10
Homicide	6
AIDS	5.

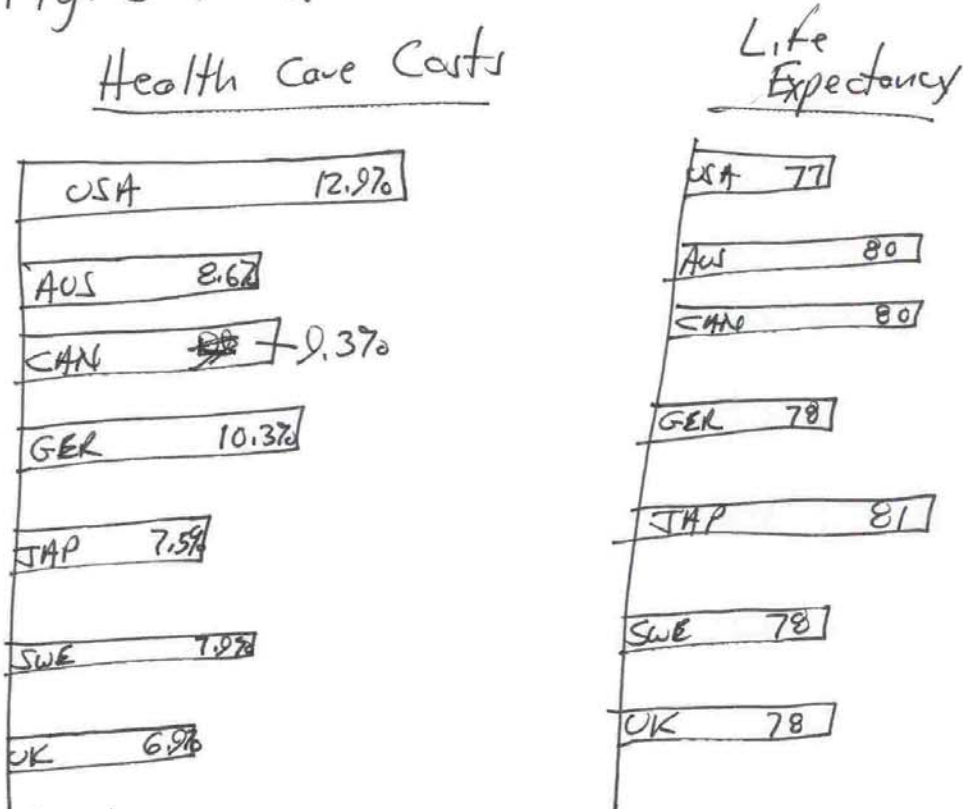
Medicaid is for the poor

Medicare is for those over 65

85% of U.S. covered by private or govt health insurance.

Young adults are least insured.

Fig. 5-7 Health Care Costs



People in U.S. pays more for health care, yet don't ~~live~~ live as long as other countries why?

Health Care Reform

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- Health care costs increasing, 4 to 13% of GDP now.
- Increase in managed care, HMO's, Blue Cross, Blue Shield.

Reform Strategies

- ① Federal Gov't pays health care for everyone. (ex. Canada)
- ② Universal health care, requiring employers to pay health care costs.
- ③ Open access plans, insurance companies to accept all people into plan.

SUMMARY

- ① Nearly 20% of pop. below poverty line.
- ② Poverty caused by lack of education, recession, lack of family structure, culture of poverty.
- ③ Poverty linked to welfare programs
- ④ Social security trust fund may run out, the young pay for old.
- ⑤ S.S. also pays for welfare programs

⑥ Welfare rolls reduced due to 30/
welfare reform act of 1996.

⑧ Is the goal of health care policy to
develop good health by low-death rates or
access to good health care?

⑨ Health care such as Medicare, Medicaid, and
health care insurance available to 85%
of population.

⑩ Health care reform: based on two
conflicting goals:

Expanded
Access
to all

vs.

Containing
Costs