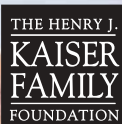


# Challenges and Tradeoffs in Low-Income Family Budgets: Implications for Health Coverage

April 2004



THE KAISER COMMISSION ON  
**Medicaid and the Uninsured**

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The Kaiser Commission on Medicaid and the Uninsured provides information and analysis on health care coverage and access for the low-income population, with a special focus on Medicaid's role and coverage of the uninsured. Begun in 1991 and based in the Kaiser Family Foundation's Washington, DC office, the Commission is the largest operating program of the Foundation. The Commission's work is conducted by Foundation staff under the guidance of a bipartisan group of national leaders and experts in health care and public policy.

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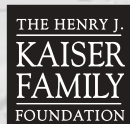
# **Challenges and Tradeoffs in Low-Income Family Budgets: Implications for Health Coverage**

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Kaiser Commission on Medicaid and the Uninsured**

**April 2004**



**THE KAISER COMMISSION ON  
Medicaid and the Uninsured**

## ACKNOWLEDGEMENTS

The authors would like to extend thanks and appreciation to Barbara Lyons and Diane Rowland of the Kaiser Commission on Medicaid and the Uninsured for their support and guidance, thoughtful comments and suggestions and encouragement throughout the project.

This project would not have been possible without the gracious participation and generosity of the families we interviewed. We are also grateful for the support and recruitment expertise provided by Gene LeCouteur of Lake Snell Perry & Associates, and by the participating focus group facilities—Baltimore Research, Essman Research and Insight Research.

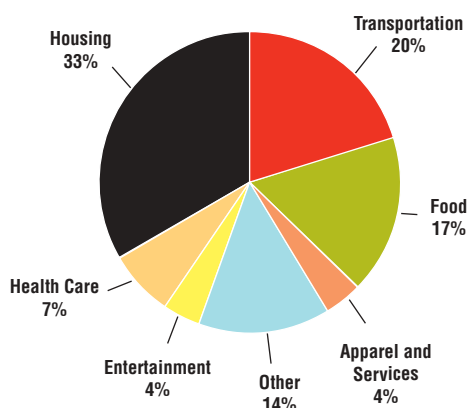
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## EXECUTIVE SUMMARY

This report, based on in-depth family interviews in three cities across the country conducted in 2003, explores the experiences of families trying to make ends meet on limited budgets. By discussing these families' work, spending patterns, financial challenges, priorities and tradeoffs and health care and coverage, this report intends to provide a deeper understanding of families' financial pressures and choices and information to assess the impact of current and proposed policies. Nationally, low-income families spend 7 out of 10 dollars on basic living expenses, including housing, transportation, and food. The remainder of their income is split among many categories—with health care spending amounting to 7 percent of income (Figure 1).

**Figure 1**  
**National Spending Patterns of**  
**Low-Income Families, 2000**



NOTE: Low-income is defined as families who earn less than 200% of the federal poverty level which was \$27,476 for a family of three in 2000. DATA: 2000 Bureau of Labor Statistics' Consumer Expenditure Survey (CEX).

SOURCE: Busch, S. and J. Hudman, "Low-Income families' Spending Patterns: Implications for Health Policy," Kaiser Commission on Medicaid and the Uninsured, 2004.

This report outlines the unique stories of 12 American families, including profiles of families at different stages of life such as young workers, families with children, and older seniors. It shows the variation in their budgets, spending, and tradeoffs, (See Figure 2) but also reveals powerful common themes:

- **Work:** Income has declined during 2003 reflecting the lagging economy and fewer job opportunities. Participants say they value their jobs but are overworked; they work overtime and odd jobs to make ends meet.
- **Financial Problems and Debts:** With income down, family finances are uncertain. Many workers live paycheck to paycheck and most families report that they do not have a cushion of savings and have gone into debt. These debts cause stress for families and result in poor credit ratings, raising costs for mortgages and car loans. However, many families say they do not want to resort to personal bankruptcy and are trying to pay off their debts.
- **Priorities and Tradeoffs:** Families rotate bills, paying the most important such as rent first, and cut spending to try to get by on limited budgets. Cost-cutting strategies include going without a car, eating low-priced foods like pasta and canned goods, shopping at thrift stores and using unlicensed day care.

- **Health Care and Coverage:** Almost none of the working families profiled here have employer-sponsored coverage. The few that have access to employer-sponsored coverage report trouble paying their part of the premium and tend to cycle off and on coverage. Many families, even those who are insured, report that they have large unpaid medical bills mostly from one-time and unexpected medical problems. Uninsured families report that they are often reluctant to seek health care because they do not want to accumulate more debt. While children often have access to affordable and comprehensive coverage through Medicaid and SCHIP, many parents or childless adults do not.
- **Getting and Giving Help:** Many families report that they welcome public health coverage, such as Medicaid and SCHIP, but most do not want cash assistance. Families have few other sources of assistance. They turn to relatives and churches for emergency help with food and shelter but rely on their own resources to pay monthly bills.
- **Hopes for the Future:** For the future, families strive for more stable jobs, homes of their own and relief from financial worries. Parents hope they will be able to provide for their children and assure them a better future.

The gaps in our nation's health coverage system fall at the doorstep of low-income families. Health care is a primary concern to all of the families profiled in this report. All wanted health care protection. However, opportunities to obtain coverage and protection from medical bills were largely outside their grasp. Many families were not offered employer-sponsored coverage or families did not qualify because of work hours or short tenures. When employer-sponsored or non-group coverage was available, it was often too expensive or had high deductibles. Many of the families relied on public coverage. Typically, the children have Medicaid or SCHIP, but the parents do not. Income eligibility for parents is usually much lower than for children, and some states with expanded coverage for working parents are scaling back because of budget pressures. Childless adults are typically not covered through the Medicaid program. Due to budget pressures, states are imposing premiums and cost-sharing, while also dropping benefits and cutting back on eligibility.

The problems and challenges discussed in this report underscore the importance of pursuing new policy options that provide affordable and continuous coverage and that address and do not exacerbate the significant problem of medical debt. Health insurance is a critical aspect of the greater security low-income families seek. Low-income families, many already struggling to get by and saddled with large medical bills and debt, cannot take on substantial additional health care spending. New coverage options should be carefully designed to help working families access quality health care and regain their financial footing.



Figure 2:

***“We are used to working”***



**Sara and Oscar, Oakland, CA**

**Family Profile:** Sara and Oscar have four children at home

**Employment:** Oscar is a driver for a courier company, Sara is a stay-at-home mother

**Location:** Oakland, CA

**Annual Income:** \$24,000 (97% of the federal poverty level)

**Health Insurance:** Mom and 2 younger children: Medicaid; Dad and 2 older children: Uninsured

**Typical Monthly Budget—\$2,156**

**■ Housing & Utilities \$550 (23%)**

The landlord recently asked them to leave the house they have rented for the past ten years. They now expect to pay more than twice their current rent of \$400.

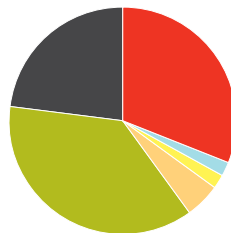
**■ Food \$800 (37%)**

They are hesitant to apply for food stamps. They had WIC assistance for their four-year-old girl and are applying for WIC for their newborn baby girl.

**■ Health Care \$117 (5%)**

**■ Entertainment and Gifts \$41 (2%)**

Their computer, purchased after receiving a \$2,000 tax refund, is used by the kids for homework and by Sara and Oscar to email friends in Mexico.



**■ Transportation \$663 (31%)**

Oscar uses his pickup truck for work and is responsible for all work-related expenses.

**■ Other \$35 (2%)**



**Mary and Darrell, Baltimore, MD**

***“We just want to get by”***

**Family Profile:** Darrell and Mary have two children at home

**Employment:** Mary is a home health aide and Darrell works at a fast food restaurant

**Location:** Baltimore, MD

**Annual Income:** \$26,400 (143% of the federal poverty level)

**Health Insurance:** Family: Uninsured—applied for Medicaid

**Typical Monthly Budget—\$1,988**

**■ Housing & Utilities \$920 (46%)**

Darrell and Mary rent one floor of a city duplex. They share the two bedroom apartment with their children, paying \$610 a month in rent.

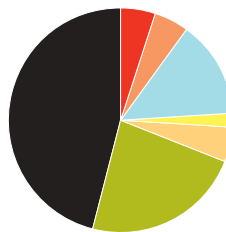
**■ Food \$450 (23%)**

Food stamps cover about one-third of their monthly food costs. When money is tight, the couple sometimes gets food from Mary’s mother.

**■ Health Care \$100 (5%)**

If Darrell has an asthma attack, or one of the kids is injured, the family goes to the university hospital ER, where they know they will not be turned away.

**■ Entertainment and Gifts \$30 (2%)**



**■ Transportation \$108 (5%)**

Darrell and Mary each buy a \$54 bus pass each month to get to work. They do not have a car, but they would like to start saving for one.

**■ Clothes \$100 (5%)**

**■ Other \$280 (14%)**

The minimum monthly payment on the couple’s credit card debts is about \$200. Darrell and Mary pay this each month, but are not able to pay down the balance. They also give Mary’s niece about \$80 a month to care for their son in the afternoons.



## METHODOLOGY

This report provides information on 12 families with incomes below 250% of the federal poverty level (\$38,150 for a family of three in 2003) living in three cities: Baltimore, Des Moines and Oakland (See Table 1 and one-page profiles on each family beginning on page 13). The interviews took place in both English and Spanish during January through March 2003. Under the direction of Lake, Snell, Perry and Associates, local focus group facilities in the three target cities recruited participants representing a range of incomes (some families above and some below 100% of FPL—\$15,260 for a family of three in 2003) and a mix of ethnic and racial backgrounds, family composition and health insurance status (See Table 1). We asked participants to complete a worksheet in advance of the interview detailing their income and spending for the previous month (See Appendix). During the in-depth family interviews, we asked participants to clarify information and discuss financial choices, challenges and tradeoffs. Annual income shown on profiles is

**Table 1: Family Profiles**

Participants	Annual Income (Percent of Federal Poverty Level—FPL)	Work	City	Family	Race/Ethnicity	Health Insurance Status
Darrell and Mary	\$26,400 (143% FPL)	Darrell—Janitor for a fast food restaurant Mary—Home health aide	Baltimore	Couple with two children at home	African American	Family: Uninsured— Applied for Medicaid
Ellen	\$24,960 (136% FPL)	Operates a press in a print shop	Baltimore	Single mother with three children at home	White	Parent: Uninsured Kids: Medicaid
Ray and Tricia	\$32,040 (174% FPL)	Ray—Self employed contractor Tricia—Nursing Assistant	Baltimore	Couple with two children at home	African American	Parents: Uninsured Kids: Medicaid
Bill and Stephanie	\$14,573 (79% FPL)	Bill—Self-employed as a machinery repairman Stephanie—Works in school cafeteria	Baltimore	Couple with two children at home	White	Parents: Uninsured Kids: SCHIP
Joanne	\$23,400 (153% FPL)	Unemployed clerical worker	Baltimore	Single mother with two children at home	African American	Family: Medicaid
Janelle	\$16,640 (90% FPL)	Packages marketing materials	Des Moines	Single mother with three children at home	African American	Family: Medicaid
Patty and Michael	\$35,932 (195% FPL)	Patty—Cuts pork in processing plant Michael—Works at bottling plant	Des Moines	Couple with two children at home	African American	Family: Uninsured
Carol and Josh	\$9,934 (65% FPL)	Carol—Stay-at-home mother Josh—Works at fast food restaurant	Des Moines	Couple with one child at home	White	Parents: Uninsured Child: Medicaid
Faith and Jack	\$14,808 (122% FPL)	Retired Faith—Cabinetmaker Jack—Construction worker	Des Moines	Retired couple	White	Family: Medicare
John	\$22,200 (247% FPL)	Manages apartment complex	Oakland	Single adult	White	Private Non-group
Sara and Oscar	\$24,000 (97% FPL)	Sara—Stay-at-home mother Oscar—Driver for courier company	Oakland	Couple with four children at home	Latino	Mom: Medicaid Dad: Uninsured Older kids: Uninsured Younger kids: Medicaid
Maria	\$15,550 (102% FPL)	Waitress	Oakland	Single mother with two children at home	Latina	Family: Uninsured

projected from monthly work earnings reported by families. Spending covered by government assistance programs (food stamps, TANF, disability, energy assistance, etc.) is included in the spending amounts shown. In this brief, we use pseudonyms to protect the privacy of families we interviewed.

## MAIN THEMES

### Work

- **Work is a source of pride and satisfaction.** All families profiled here are working or looking for work. Participants get real satisfaction from their jobs and take pride in doing them well, although they are sometimes frustrated by their lack of job choices and training opportunities. Mary, for instance, would like to participate in a phlebotomist training program in Baltimore but is ineligible because she does not receive cash assistance. Most participants have low-wage labor-intensive jobs that they have held for two to three years. A number work as nurse's aides, waitresses, or in fast food restaurants, while a few have higher skilled jobs as building contractors, printing press operators and secretaries. Most of the jobs do not offer benefits such as health insurance, sick leave, or retirement plans.

*Jack was a construction worker for decades in Des Moines • “I helped build this city, by gosh.”*

*Tricia likes her job as a nursing assistant in Baltimore • “I love my work. I love my job ... I really like being a nursing assistant because I have more contact with the patients.”*

- **Many families report a drop in income over the last year, which they attribute to the sluggish economy after 9/11.** Some participants are unemployed. Others, while still employed, are making less money because of reduced work hours and less overtime. Participants in Des Moines report that higher paid factory jobs have largely been replaced by lower wage service jobs.

*Janelle has many skills but can't find a stable job in Des Moines • “I thought it was just me. You know, I thought maybe because of my color or I am doing something wrong on the application. But it's not, it is the economy. I have skills. I drove forklifts, I built tractor tires, I was in quality control.”*

*Maria supports her two daughters on her income as a waitress in Oakland • “I don't have a very good salary because they are cutting back our hours ... I used to make a lot in tips ... but they don't leave as much as before.”*

- **Odd jobs and overtime provide needed additional income.** Families find odd jobs around the neighborhood to generate extra income. These jobs might include braiding hair, shoveling snow, cleaning neighbors' yards and harvesting crops. Participants also look for chances to work overtime but report fewer opportunities because of the sluggish economy.

*Mary and Darrell look for ways to make extra money in their Baltimore city neighborhood • “We do odd things to make ends meet. We ... got out there and shoveled snow ... cleaned back yards ... A lot of times my mother comes over and she lets me do her hair ... that little \$20 ... it really helps out. Because I can go buy bread or you know, toilet paper or stuff like that.”*

- **Employment choices are limited by lack of transportation.** Families with cars can get to work easily and have better access to higher paid jobs located in suburbs and inaccessible by public transportation. Families without cars look for jobs close to public transportation or make informal car-pooling arrangements with friends. Families rely heavily on cars if they have them, but often drive without car insurance because they can't afford this additional expense.

*Mary and Darrell spend hours on the bus in Baltimore getting to work. They would like to save for a car • “As far as not having a car ... it makes us late ... three hours yesterday, waiting for the number eight bus ... I’m embarrassed to say, but I was in tears ... I think that if we had a car, it would be a lot easier.”*

## Financial Problems and Debts

- **Without the cushion of savings and insurance, families report that their finances are precarious.** While a few families have a nest egg of savings, many live paycheck-to-paycheck. Most participants work but do not have the security of pensions or other retirement plans. Car insurance can provide another form of security, protecting against theft and accidents. Similar to health and life insurance, however, it is unaffordable for many families.

*Ellen, a single mother of two in Baltimore, lacks financial security • “I don’t have health insurance. I don’t have retirement. I don’t have any of that. I just work week to week.”*

- **Adverse events like unemployment or divorce can trigger rapid declines in family finances.** Janelle, who was unemployed for a year, said she quickly transitioned from relative financial stability to losing most of her material possessions and eventually becoming homeless after she lost her job. Once homeless, the task of re-establishing a job and household proved formidable. Other families, while able to keep their apartments, generate substantial unpaid bills during periods of unemployment.

*Janelle reflects on her loss of job and home last year in Des Moines • “I was making like \$700 a week. I was working a lot of overtime ... I had a house and I was paying like \$500 a month with a garage and a car. It’s just one day you can have so much and then the next day it’s gone.”*

- **Families have substantial debts and accompanying stresses.** With substantial debts, most families are anxious and concerned. They spend considerable time and effort trying to understand and manage their debts; answering calls from collection agencies, trying to negotiate payment plans, working through the process of bankruptcy and simply trying to understand what is owed. This burden of time and effort—in addition to anxiety and worry—takes its toll.

Some families have relied on credit cards to make ends meet during the recent economic slowdown and now face uphill battles to pay off balances. Participants say these debts are very easy to accumulate but hard to pay off. Some families have sworn off credit cards, saying that using them has made their overall financial situation much more difficult. Patty and Michael have a heavy load of debt, mostly from unpaid medical expenses. These bills create stresses for the family. Many of their unpaid medical bills date to when they had private health insurance, which did not cover the physical therapy services their daughter needed after she had a serious accident. Because of their poor credit the family pays high interest rates on their mortgage and car loan.

- **Bankruptcy is not always seen as a good way to resolve debts.** Even though their level of debt may be overwhelming, many families do not see bankruptcy as a good solution because they are committed to paying off their own debts, are concerned about the impact of bankruptcy on their credit or do not have the money to pay for bankruptcy filing costs.

*Mary and her husband Darrell work low-wage jobs in Baltimore. Even with limited means, they are determined to pay off their debts • “We don’t want to get out of our debt. You know we made them debts. We needed everything we got from them. So we’re going to pay it.”*

## Priorities and Tradeoffs

- **Managing budgets is a constant juggling act.** Families use a variety of strategies to manage limited budgets. They report “rotating bills”—paying portions of bills but not the complete balance—and targeting the most critical expenses each month. They use these strategies to stay ahead of creditors, to keep utilities from being shut off, and to avoid eviction. End of year tax refunds, from overpayment of taxes and earned income tax credits, are used to pay off balances or to make other purchases. Many families say this is the only way they can save.

*Ray is a self-employed contractor in Baltimore • “We might lapse one month, probably because I might not have a big job that month. But I’ll get a big job the next month. And we’ll have a lot of money but we may be behind. And we try to figure out what we going to pay first and what’s more important to pay.”*

*Patty, a mother of two in Des Moines, discusses rotating bills • “What we do is call this one and say ‘I’m gonna be late’ and pay that one. Then we’ll skip this one, two or three times and pay that one, and then call you back and make arrangements with this one, and we do it like that every month.”*

- **Rent or mortgage payments are usually the first priority for spending, then utilities and food.** Most families try to pay their rent, or a large part of it, first each month before tackling other bills. The fear of eviction and homelessness is very real. While food makes up a significant part of the family budget, it is also one of the areas where families can save. For families with cars, there are more options. With a car, families can keep food costs down by shopping at “big box” discount stores, usually located in the suburbs. By shopping at discount stores, taking advantage of sales, eating cheaper foods like macaroni and chicken and buying lower priced store brands, families can reduce their food costs. Even so, many families occasionally run out of food and turn to food pantries and churches for groceries or meals.

*Carol keeps a close eye on the budget for her Des Moines family of four • “Basically rent comes first, then the utilities we have to pay, like electric and phone ... I can actually feed up to eight people on \$80 a month for the entire month ... Sometimes you have to go to four or five stores to get the best price.”*

- **Many families report paying a high percentage of their take home pay in mortgage or rent.** Five of the families that we profiled report spending a third or less of their take home pay in mortgage payments or rent. The other seven families spent more than a third, with two families spending over 60 percent.
- **Family’s report that they cannot afford licensed child care for young children.** Some families rely on informal arrangements with family members or friends to cover child care, generally paying a relatively small amount (\$30 or \$40 a week) for the assistance. Other families work split shifts to avoid needing child care. One mother reports that she was no longer willing to rely on these informal arrangements after she had a bad experience with a home-based child care provider. She wants to enroll her children in a licensed child care center but cannot afford it until she qualifies for child care assistance. Families would like help paying child care costs but say this support is often not available, especially if they do not receive cash assistance.

*Without access to affordable child care in Baltimore, Joanne has had a hard time looking for a job • “They wouldn’t give me vouchers because I don’t have a job. How am I ever going to find a job with a three-year old with me all day long if I can’t get any assistance with [a] day care voucher.”*

*Patty and Michael avoid day care expenses by working split shifts in Des Moines • “Well you know, me and [Michael] always works different shifts ... It worked pretty well ... we didn’t have to pay a lot of child care, but we lost a lot of time with each other.”*

## Health Care and Coverage

- **Many families—even those who are insured—have large unpaid medical bills.** Regular monthly health care spending is often not high, but many families have substantial medical debts resulting from accidents or other one-time medical problems. Even with health care coverage, medical problems can generate thousands of dollars of medical debt from deductibles, copayments and uncovered services such as physical therapy or prescription drugs. Faith and Jack, for example, are covered by Medicare but owe the hospital \$3,000 for Faith’s medical care. Sara and Oscar established a payment plan with their health care provider to pay off a medical bill. The couple just finished paying off a \$2,000 medical charge. In most cases, however, unpaid bills are turned over to collection agencies and trigger poor credit ratings resulting in high interest rates on car loans and mortgages.

*John, an apartment manager in Oakland, borrowed money to pay for knee surgery last year • “It was a medical expense that kind of came out of the blue and I just didn’t have the money. I basically borrowed from my dad. I am paying it off.”*

*Mary, a home health aide in Baltimore, did not have health insurance to cover health expenses totaling \$7,000 to repair her broken jaw • “That was a major, major expense that we couldn’t afford that you know we still owe for.”*

- **Uninsured families are often reluctant to seek health care because they do not want to accumulate more debt.** Ellen reports that she has not seen a doctor for nine years while Michael says he only goes to a doctor in a real emergency. Carol has gone off the expensive medications she needs for a serious medical condition. Families generally believe they would be able to get care if they needed it from public clinics and hospitals, but are reluctant to accumulate more bills they know they cannot pay.

*Michael, in Des Moines, avoids taking his uninsured children to the doctor • “If it ain’t an emergency where you’re dying, bleeding, lost a limb, you ain’t going ... [If we have to go] We wait for the bill, can’t pay the bill, so that goes on the credit report.”*

*Patty often treats her children at home in Des Moines because she cannot afford to go to the doctor. She worries about whether she is making the right decision • “I think one of the kids got scraped up on the knee or something, and it was a gash, and we didn’t take them. And we had to finally end up taking them, because the gash would never close, but we was trying to take care of it ourselves ... you think it’s little and try to save money off of it, but in the long run, it cost you more money.”*

- **Many families do not want cash assistance but are eager to enroll in Medicaid and SCHIP despite the enrollment barriers they face.** Families’ reasons for not wanting cash assistance vary. Some families do not want to be dependent on public programs. Others do not feel cash assistance provides enough benefit to warrant the considerable time and effort required to enroll. Overall, Medicaid and SCHIP coverage as well as food stamps are viewed much more positively by the families and are seen as necessary supports for working families. Families use public coverage and food stamps as temporary assistance, tying them over periods of unemployment or reduced income, or helping keep family budgets in balance over more extended periods.

Obtaining public coverage for children is a big relief for many families, who don’t have any other affordable options. Still, families are frustrated when they lose eligibility based on small changes in income and experience enrollment barriers. It sometimes takes months to complete the application process and families can go weeks without hearing back about the status of applications.



**Mary was frustrated by the obstacles she faced enrolling in Maryland's Medicaid program •**

*"They always say thirty days. Give it thirty more days ... I say 'well Miss if I'm sick, I mean thirty days is a long time' ... I had to actually stay home from work to go up there. So that's missing a day off my pay, to go up there to apply for something that I didn't even get."*

- **Working uninsured adults have few options for their own health coverage.** Even though their children are covered, most parents and other single adults are uninsured. They are not, or believe they are not, eligible for Medicaid and do not have access to affordable employer coverage through their jobs. Some families say they were covered by an employer plan in the past, but lost the coverage when they switched jobs. Employer coverage is seen as a viable option if worker contributions are relatively low—some cite \$100 a month as a threshold.

**John is trying to find better health insurance coverage in Oakland after needing surgery last year •** *"Because of that experience [knee surgery] I have actually decided to try to get on ... [a] plan. At first I was turned down because of the knee surgery ... I went and approached [my bosses] and I asked them if they would be willing to sponsor me on an [employer] plan in lieu of other compensation."*

- **Families cycle on and off insurance.** Families report periods of private coverage, public coverage and of being uninsured over the last two years as employers, income and family status changed. Families lose private coverage when they change jobs or are laid off and often find that new employers do not offer coverage or it is too expensive. Some families shift from private providers to public clinics and hospitals when they lose their coverage.

**Patty and Michael, in Des Moines, were insured through Michael's work. They lost that coverage when he was laid off. The family is now uninsured. Patty says she cannot afford the health insurance offered through her job. •** *"I been eligible for three years ... it's like ninety some dollars a paycheck. I can't afford that."*

## Getting and Giving Help

- **Families turn to relatives and churches for help.** Parents and other relatives help families, but to a somewhat limited degree because of their own limited resources. Help in the form of food, assistance with childcare, and temporary loans is provided to family members with the most urgent and immediate needs. A surprising number of working families also get help from churches, which provide meals, used clothing, food and holiday gifts.

**Patty's extended family in Des Moines does not have the resources to help her. She relies on church food pantries to feed her family of four when money is tight •** *"I work hard, but we still got to end up using the food pantries ... because our incomes together don't make ends meet."*

- **Even with their own difficulties, families try to help others in need.** Their own challenges and experiences make families empathetic toward others who are worse off. Families offer the help they can; meals for neighborhood children, assistance for relatives or a few dollars to help a homeless family.

**Mary, in Baltimore, feeds neighborhood kids along with her own two children •** *"I don't care [whose] kids they are. If they come over here ... with my children, and they're hungry and my kids get ready to eat, they're going to eat too ... And sometimes maybe I can't even afford it. I can't afford to feed somebody else's kids."*



## Hopes for the Future

- **Families want more security in the form of stable jobs, homes of their own, and savings.** Families want jobs allowing them to work enough hours to make a decent living. They want safe and secure child care for their children and, while they acknowledge the many roadblocks standing in their way, they dream of buying their own homes.

*Joanne, a single mother of two in Baltimore, recently lost her job • “[My goals are] to get a job. To rebuild ... To get me a home. That’s it right there, a home.”*

*Michael was finally able to buy a house for his family of four in Des Moines • “She made me promise her I’d buy her a house, so when the time came, and I finally got the chance to, I just went on ahead and did it cause it was something we always wanted to do.”*

- **Families would like relief from financial worries and time to relax together.** With the stresses of unpaid bills and the need to work extra hours for additional income, home life can be stressful. Families would like relief from these stresses and a chance to spend more time together. Yet, even with these concerns, families talk with warmth, optimism and humor about their children and hopes for the future.

*Ellen in Baltimore, would like an opportunity to relax with her children • “My kids like to camp and stuff and all that. But we didn’t get to go a lot this summer. I want to be able to do that this summer. Like every weekend we would go somewhere and go fishing.”*

*Joanne, an unemployed single mother in Baltimore, is determined to keep a positive attitude despite her hardships • “I’m not going to sit around and get depressed and stressed because it’s not going to help me. I have two kids. I have to take care of my kids.”*

## CONCLUSION AND POLICY IMPLICATIONS

**Families—struggling to make ends meet—lack health insurance.** The gaps in our nation’s health coverage system fall at the doorstep of low-income families. Health care is a primary concern to all of the families profiled in this report. All wanted health care protection. However, opportunities to obtain coverage and protection from medical bills were largely outside their grasp. Without insurance protection, many initially put off seeking care, but for most the need for health care services was unavoidable as accidents, acute and chronic conditions, and injuries demanded attention. As a result, many of these families, already struggling to get by, were also saddled with the financial consequences of large medical bills and debt.

**Medicaid and SCHIP have been critical for low-income children.** One positive finding was that Medicaid and SCHIP provided much needed protection for many of the children in these families. This coverage assured that the children could get check-ups and medical care when injured or sick. Parents placed a high value on the coverage provided by Medicaid and SCHIP for their children. However, not all children were covered, and in at least one case, younger children were eligible while older children in the same family were uninsured. These gaps reflect income limits on eligibility that preclude these programs from reaching all low-income children.

**Working parents are often not able to obtain Medicaid or employer-sponsored coverage.** Adults, however, faced a bleaker picture with public and private options falling short. Although states can use Medicaid to cover working parents, Medicaid eligibility levels were typically too low for parents to qualify, even when working at a minimum wage job. Adults without dependent children typically do not qualify for Medicaid regardless of income, unless pregnant or disabled. Enabling states to cover these adults would require a change in federal law and additional federal resources. Many families were not offered employer-sponsored coverage or did not qualify because of work hours or short tenures. When employer-sponsored or non-group coverage was available, it was often too expensive or had high deductibles.

**Policy options addressing health coverage need to be conscious of families' difficult financial situations.** Policy options to address gaps in health insurance coverage need to be cognizant of the financial realities faced by low-income working families. Housing, food and transportation are necessities that take the first and biggest chunk out of family budgets. With little left over at the end of the month and minimal, if any, savings, families' situations can deteriorate rapidly in the face of job loss, an accident, or loss of a spouse. In the face of limited family budgets, expanding health coverage of low-income families will take additional public resources. Private insurance is expensive, now costing an average of \$3,400 a year for an individual and \$9,068 for a family (total cost of both employer and employee contributions to employer-sponsored insurance based on the Kaiser Family Foundation's annual employer health benefits survey 2003). Given the limited availability of employer-sponsored insurance, expanding private coverage would require large subsidies to make coverage affordable. Annual tax credits in the \$1,000 to \$3,000 range are not likely to be sufficient to enable many low-income families to secure private health insurance if they do not have access to affordable coverage through their employers.

**Building upon public coverage is a promising option, but most states do not currently have the resources to expand their programs.** The success of public coverage for children could be built upon to provide a more secure, continuous source of coverage for low-income families. States have used Medicaid and SCHIP to successfully bulwark children's coverage. However, in the face of deteriorating fiscal situations, most states have not taken advantage of opportunities to raise income eligibility levels for working parents. In fact, states are scaling back eligibility, reducing benefits, and increasing cost-sharing in Medicaid and SCHIP. These changes may undermine the value of health coverage for families by making coverage unaffordable and families unprotected for important health services.

The problems and challenges discussed in this report underscore the importance of pursuing new policy options that provide affordable and continuous coverage and that address and do not exacerbate the significant problem of medical debt. Health insurance is a critical aspect of the greater security low-income families seek. Low-income families, many already struggling to get by and saddled with large medical bills and debt, cannot take on substantial additional health care spending. New coverage options should be carefully designed to help working families access quality health care and regain their financial footing.

## FAMILY PROFILES

The following family profiles are based on in-depth interviews with families with incomes below 250% of the federal poverty level (\$38,150 for a family of three in 2003) in three cities: Baltimore, Des Moines, and Oakland. The interviews—each lasting approximately two hours—took place from January through March 2003 in focus group facilities. The interviews were conducted in English or Spanish with the single adult or couple heading the family. The profiles use pseudonyms to protect the privacy of families we interviewed. Families profiled here reflect a diversity of low-income families from across the country.

## FAMILY PROFILES

### Baltimore, MD

*“Anything for my kids, I’ll do the sacrifice for”* – Joanne

*“We just want to get by”* – Darrell and Mary

*“I just work week to week”* – Ellen

*“The finances are rough”* – Ray and Tricia

*“It hasn’t been the best of years”* – Bill and Stephanie

## “Anything for my kids, I’ll do the sacrifice for”

<b>Family Profile:</b>	Joanne is a single mom with two children at home
<b>Employment:</b>	Unemployed clerical worker
<b>Location:</b>	Baltimore, MD
<b>Annual Income:</b>	\$23,400 (153% of federal poverty level) Her income before she lost her job
<b>Health Insurance</b>	Family: Medicaid

### Typical Monthly Budget—\$2,294

#### ■ Housing & Utilities \$645 (28%)

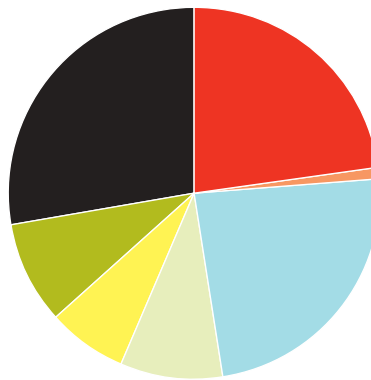
The \$595 she pays in rent on her two-bedroom suburban townhouse is more than she would pay in the city, but she prefers to live in a safer neighborhood.

#### ■ Food \$200 (9%)

She buys in bulk and stores food in a deep freezer. “I’ll take help where I know there’s help available,” says Joanne. She got a Christmas and Thanksgiving food basket from a local church.

#### ■ Entertainment and Gifts \$163 (7%)

**Note:** Joanne and family had no health care spending in previous month



#### ■ Transportation \$523 (23%)

She needs a car to get to work and to take her children to school and day care.

#### ■ Clothes \$20 (1%)

#### ■ Other \$543 (24%)

Most of this amount is for child care (\$510). The father of Joanne’s three-year-old daughter helps pay for her day care program but Joanne also has to pay for before- and after-care at her son’s elementary school.

#### ■ Saving \$200 (9%)

**Work:** Joanne recently lost her \$10 an hour clerical job, partly because she had to take time off work when she had surgery. The \$490 a month she receives in Supplemental Security Income (SSI) payments because of her son’s Attention Deficit Hyperactivity Disorder (ADHD) is a big help paying the bills. She often considers applying for other forms of assistance, but the process is so long and complex that it’s not worth the time and effort. In a crunch, Joanne can count on her mother for financial support.

**Health Care:** Both Joanne and her son are asthmatic and use inhalers. The whole family has Medicaid coverage that pays for prescriptions, yearly checkups, and most other medical needs. Her children are seen by highly-regarded staff at the local university hospital and she goes to a community medical center. She had private medical insurance briefly in 1997 but generally her employers do not offer this benefit.

**Buying a House:** What she pays in rent now would cover a monthly mortgage payment, but losing her job has made it more difficult than ever to buy a house. “That’s it right there, a home,” says Joanne, in describing her biggest goal.

**Savings and Debt:** Saving is an important goal. Before she lost her job recently, she saved about \$200 a month. “Everything that I was getting I was banking because I’ve been through this before.” She still carries a large credit card debt from her college days and she is considering filing for personal bankruptcy.

**Keeping her Spirits Up:** Among her circle of friends and family economic uncertainty is a constant. She tries not to let it get her down. “I’m not going to sit around and get depressed and stressed out because it’s not going to help me. I have two kids. I have to take care of my kids.” She feels confident that she will be able to find work soon.



**Mary and Darrell, Baltimore, MD**



## “We just want to get by”

<b>Family Profile:</b>	Darrell and Mary have two children at home
<b>Employment:</b>	Mary is a home health aide and Darrell works at a fast food restaurant
<b>Location:</b>	Baltimore, MD
<b>Annual Income:</b>	\$26,400 (143% of the federal poverty level)
<b>Health Insurance:</b>	Family: Uninsured—applied for Medicaid

### Typical Monthly Budget—\$1,988

#### ■ Housing & Utilities \$920 (46%)

Darrell and Mary rent one floor of a city duplex. They share the two bedroom apartment with their children, paying \$610 a month in rent.

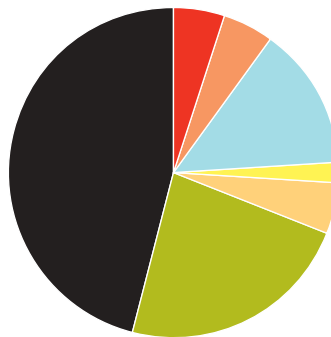
#### ■ Food \$450 (23%)

Food stamps cover about one-third of their monthly food costs. When money is tight, the couple sometimes gets food from Mary’s mother.

#### ■ Health Care \$100 (5%)

If Darrell has an asthma attack, or one of the kids is injured, the family goes to the university hospital ER, where they know they will not be turned away.

#### ■ Entertainment and Gifts \$30 (2%)



#### ■ Transportation \$108 (5%)

Darrell and Mary each buy a \$54 bus pass each month to get to work. They do not have a car, but they would like to start saving for one.

#### ■ Clothes \$100 (5%)

#### ■ Other \$280 (14%)

The minimum monthly payment on the couple’s credit card debts is about \$200. Darrell and Mary pay this each month, but are not able to pay down the balance. They also give Mary’s niece about \$80 a month to care for their son in the afternoons.

- **Work:** Darrell and Mary both have low-wage labor intensive jobs. With limited skills and training, they have few other options. In order to pick up additional income, they are exploring ways to make extra money. Darrell is looking for a second job. Mary braids hair, shovels snow, cleans yards, and does any other work around the neighborhood to bring in additional income.
- **Health Care:** Mary applied for Medicaid coverage a couple months ago but still has not heard if the family is eligible. *“I had to actually stay home from work to go up there. So that’s missing a day off my pay, to go up there to apply for something that I didn’t even get.”* With Darrell’s chronic asthma under control, and everyone else healthy, the family does not have many regular health care expenses. It is unexpected problems—like when Mary broke her jaw in a fall—that throw their budget off balance. If they need health care, they go to the ER at the university hospital, where they know they will receive services and later be billed. They try to do what they can to keep health costs down. When Darrell needed a tooth pulled, he called around to get the cheapest price, settling on the student training clinic at a local university, where they pulled the tooth for \$25.
- **Recovery:** Both recovering substance abusers, they are proud to be back on their feet. *“For me, looking in from the outside, I think we might be going a little better than some of our friends (are) doing,”* Mary says, *“I’ve been clean for two years. (Darrell) clean for four. So that’s what makes it work a lot better now.”*
- **Debts:** The family is having a hard time paying off credit card debts. They also have \$7,000 of medical debt from treatment Mary got last year when she broke her jaw. Still, they do not want to file for bankruptcy. *“We don’t want to get out of our debt,”* Mary states, *“You know, we made them debts. We needed everything we got from them. So we’re going to pay it.”*



**Ellen, Baltimore, MD**

## “I just work week to week”

<b>Family Profile:</b>	Ellen is a single mom with three daughters at home
<b>Employment:</b>	Ellen works in a print shop
<b>Location:</b>	Baltimore, MD
<b>Annual Income:</b>	\$24,960 (136% of the federal poverty level)
<b>Health Insurance:</b>	Parent: Uninsured; Children: Medicaid

### Typical Monthly Budget—\$1,736

#### ■ Housing & Utilities \$1,019 (59%)

Ellen has two mortgages on the home she bought seven years ago and shares with her three daughters. Her interest rate is high but she can't get a better rate because of her credit history.

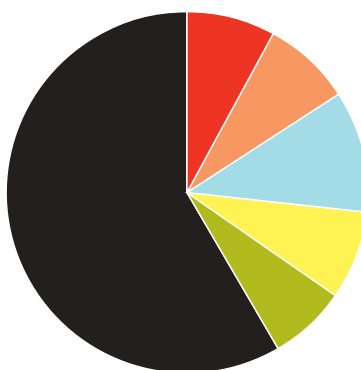
#### ■ Food \$120 (7%)

Ellen keeps food costs low by shopping at discount stores and buying low-cost foods. “Instead of having steak and pork chop we have hot dogs and noodles.”

#### ■ Entertainment and Gifts \$134 (8%)

Ellen bought \$70 of diapers last month for three friends' baby showers. Her family spends \$10 a week for Friday night pizza.

**Note:** Ellen and her family had no health care spending in previous month



#### ■ Transportation \$134 (8%)

She relies on her car to get to work and take her kids to school each morning. The car is paid off but she still has gas and insurance expenses each month.

#### ■ Clothing \$133 (8%)

#### ■ Other \$196 (11%)

Unexpected expenses, like an unpaid parking ticket for more than \$100, bump up Ellen's spending. She pays \$20 each month for her daughter's activities through the Big Sister program and \$40 for debt payments.

**Work:** Ellen enjoys her job working at a print shop for \$13 an hour. By adding overtime and picking up extra work around the holidays, she can usually make ends meet for her family of four. But this balance was thrown off when Ellen's income dipped last year. First, the print shop business slowed after 9/11, eliminating overtime, and then she had to take unpaid leave to deal with a family crisis. *“I was fine until all that stuff happened and I had to keep taking off work to go to court, to go to the social worker, to go to the clinic. And when I take off I don't get paid for it.”*

**Health Care:** Ellen's daughters get weekly counseling—covered by Medicaid—to help them cope with family stress. Since Ellen is uninsured, however, she cannot get the counseling that she needs. She has not had health coverage since she was pregnant with her nine-year-old daughter. That was also the last time she saw a doctor. She treats herself with over-the-counter medicines when she is sick rather than go to the doctor and incur more debt. Her employer of sixteen years has never offered her coverage, even though she thinks he may offer it to other employees. *“So the last time when I approached him (about coverage) he said, ‘well it wouldn't do you much good anyway so I'm just not going to give it to you.’”*

**Debts:** With less income coming in, she could not pay all her bills. Each unpaid bill represents a double burden; she needs money to pay the bill but also considerable time and attention to meet with creditors and a lawyer and to answer calls from collectors.

**Worries about Future:** Ellen is proud of her accomplishments: she has a stable job, her daughters are on the honor roll and she is a homeowner. But she worries about the future. *“I don't have health insurance,” recounts Ellen, “I don't have retirement. I don't have any of that. I just work week to week.”*



**Ray and Tricia, Baltimore, MD**

## “The finances are rough”

<b>Family Profile:</b>	Ray and Tricia have two children at home
<b>Employment:</b>	Ray runs a contracting business and Tricia is a nursing assistant
<b>Location:</b>	Baltimore, MD
<b>Annual Income:</b>	\$32,040 (174% of the federal poverty level)
<b>Health Insurance:</b>	Parents: Uninsured; Children: Medicaid

### Typical Monthly Budget—\$2,581

#### ■ Housing & Utilities \$845 (33%)

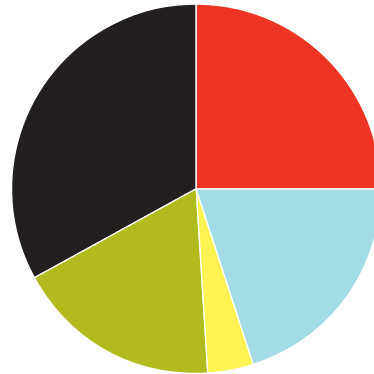
They spend \$595 a month for a townhouse in a city neighborhood. Utilities and cable contribute another couple hundred dollars to their housing bill. Ray and Tricia have applied for Section 8 housing assistance. If they qualify, they will move into a single family home.

#### ■ Food \$476 (18%)

Food stamps cover the family’s groceries and they spend another \$80 a month on meals out for their family of four. They also receive WIC. They keep grocery bills down by shopping in bulk once a month. Ray is the cook, preparing meals for his family each night.

#### ■ Entertainment and Gifts \$100 (4%)

**Note:** Ray and Tricia family had no health care or clothing spending in previous month



#### ■ Transportation \$635 (25%)

Ray uses the family truck to get to his job sites and transport construction materials. Tricia drives to her nighttime nursing job. They have a car loan payment of \$405 each month and spend \$160 a month on gas. They also spent \$70 on repairs.

#### ■ Other \$525 (20%)

Ray pays \$405 each month in child support for two daughters who live nearby. The couple also makes \$120 a month in debt payments, mostly to pay off two credit cards.

**Work:** Ray likes being his own boss but worries because his income fluctuates. Most months he makes about \$2,500, but this month—with fewer and smaller jobs—he made less than \$1,000. Tricia recently went back to work as a nursing assistant after taking time off with their baby. She still cares for their three-month-old during the day and works the night shift at a nursing home. Tricia went back to school to become a RN, but did not complete her studies because she gave birth to her second child. Now, she is not sure she wants to go back to school. “I don’t know,” she reflects, “I really like being a nursing assistant because I have more contact with the patients than with the RN stuff.”

**Health Care:** While the children are covered by Medicaid, Ray and Tricia are both uninsured and doubt they will have the resources (or opportunity) to purchase coverage anytime soon. Because they are both healthy they do not have medical expenses in a typical month, but they recognize that Ray’s job is risky and he could get injured.

**Managing Finances:** Ray and Tricia rotate their bills, prioritizing the most important. “We might lapse one month probably because I might not have a big job that month. But I’ll get a big job the next month. And we’ll have a lot of money but we be behind. And we try to figure out what we going to pay first and what’s more important to pay.”

**Paying off Debt:** With Tricia back at work the family would like to purchase liability insurance for Ray’s business and life insurance to protect the family. They also hope to pay off debts—totaling about \$6,000—by the end of the year. “The finances are rough. Right now, we’re basically behind in everything. But we’re working trying to get all the bills cleared. And I just recently went back to work full-time.” Ray and Tricia are both committed to paying off their debts rather than declaring bankruptcy. “Because that’s on your credit. And they look at credit for everything. And right now, by me just getting started with the business of my own, and when you look into getting liability insurance, you know, they looking at the credit.”



**Stephanie and Bill, Baltimore, MD**



## *“It hasn’t been the best of years”*

<b>Family Profile:</b>	Bill and Stephanie have two sons at home
<b>Employment:</b>	Bill repairs machinery and Stephanie works in a school cafeteria
<b>Location:</b>	Baltimore, MD
<b>Annual Income:</b>	\$14,573 (79% of the federal poverty level)
<b>Health Insurance:</b>	Parents: Uninsured; Children: SCHIP

### Typical Monthly Budget—\$1,399

#### ■ Housing & Utilities \$512 (37%)

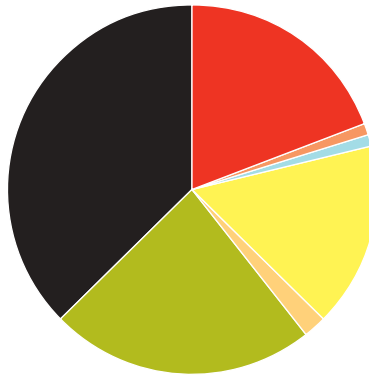
Bill and Stephanie took money out of their IRA to pay off the mortgage. In the process, they incurred an \$8,000 tax penalty for early withdrawal. “We needed to make sure that if something were to happen that we wouldn’t lose that place.”

#### ■ Food \$320 (23%)

#### ■ Health Care \$34 (2%)

#### ■ Entertainment and Gifts \$228 (16%)

They value socializing with their friends, and spent about \$200 on a party last month, something they do only about twice a year.



#### ■ Transportation \$271 (19%)

Cars are important in their semi-rural neighborhood that lacks public transportation. They spend a lot of time driving their sons to and from sports games and practice. Although both cars are fully paid, they recently had to spend \$1,300 out of savings for repairs. Usually Bill does all vehicle repairs to save money.

#### ■ Clothes \$17 (1%)

#### ■ Other \$17 (1%)

**Work:** After twenty-five years repairing machinery for a large company, Bill decided to go into business for himself. To help out, Stephanie got a part-time job at the school cafeteria, with hours allowing her to be home after school for her two sons. “*It hasn’t been the best of years,*” says Bill. Although they saved and planned for it, the home-based business has been less profitable than expected. Bill supplements their income by helping nearby farmers harvest their crops with his small tractor and by doing other odd jobs.

**Health Care:** The couple enrolled their two sons in Maryland’s SCHIP program after a visit from an outreach worker. “*It’s a nice program,*” says Stephanie. It pays for doctor visits, prescription, dental, and vision care. Bill and Stephanie are now uninsured. Bill was unable to find a policy that would cost less than \$3,000 a year to cover his family in case of serious illness. Should a major illness occur, they would either finance the medical costs or fall back on retirement savings as a last resort. A good employer-sponsored health insurance plan is a key benefit Bill is looking for in his next job.

**Planning for the Future:** Since Bill left his job, the family has been living on limited income and on their savings. With money in an IRA, Bill and Stephanie have a good foundation for their retirement, but they have dipped into this lately. Their goal once Bill finds full-time work is to rebuild their savings.

**Setting an Example for their Children:** Stephanie grew up on welfare, and does not want that for her kids. “*I’m not proud of the fact that we have a state insurance, but for the boys, I want to make sure that they have what they need and if that’s the route I got to go then that’s the route I’m going to go.*” Stephanie hopes to get her GED soon and then take some college courses. “*I find it hard to gripe at my kids about going to school when I [didn’t finish]. I actually want college for them.*”

## FAMILY PROFILES

### Des Moines, IA

*"I am trying to be self-sufficient"* – Janelle

*"Hope we get a little peace"* – Patty and Michael

*"It takes a lot of smarts"* – Carol and Josh

*"Just getting by"* – Faith and Jack



**Janelle, Des Moines, IA**

## *“I am trying to be self-sufficient”*

<b>Family Profile:</b>	Janelle is a homeless single mom with three children
<b>Employment:</b>	She just found temporary work after being unemployed for a year
<b>Location:</b>	Des Moines, IA
<b>Annual Income:</b>	\$16,640 (90% of the federal poverty level) Her income if she keeps her temp job
<b>Health Insurance:</b>	Family: Medicaid

### Typical Monthly Budget—\$835

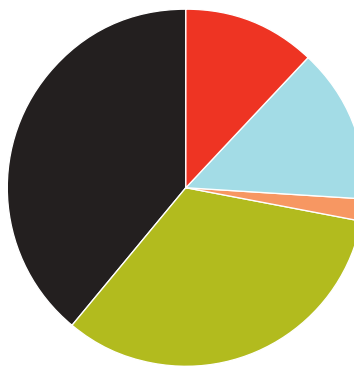
#### ■ Housing & Utilities \$325 (39%)

Janelle pays \$275 a month for a room she shares with her three children at the YWCA. After she lost her job she was evicted from her rental home because of unpaid rent. She lived for three months in a homeless shelter.

#### ■ Food \$275 (33%)

Food stamps cover \$269 of Janelle’s grocery expenses but she finds it hard to keep food costs down without a car to transport bulk groceries or a safe and clean place to cook for her family.

**Note:** Janelle and her family had no health care or entertainment spending in previous month.



#### ■ Transportation \$100 (12%)

Janelle pays friends or co-workers a few dollars a day to drive her back and forth to work or to the grocery store. She received a free bus pass as a work support, but no buses run to her job site.

#### ■ Other \$120 (14%)

Janelle pays a friend at the YWCA \$30 a week to take care of her kids while she is at work. This is a temporary set-up while Janelle waits to qualify for subsidized child care.

#### ■ Clothes \$15 (2%)

Janelle relies on used clothing and donations for her kids.

**Work:** Janelle has been unemployed for most of the last year. In spite of her skills and the help of a dedicated case worker, she has been unable to find a relatively well-paid factory or warehouse job. Opportunities have dried up and available jobs pay less than they used to. She earned \$13 an hour three years ago producing tires, while her current temp job, which she is grateful to have, pays only \$8 an hour. *“I thought it was just me. You know, I thought maybe because of my color or I am doing something wrong on the application, but it’s not, it is the economy. I have skills. I drove fork lifts, I built tractor tires, I was in quality control. There is (just) no warehouse work.”*

**Health Care:** The family is currently enrolled in Medicaid. Janelle was covered by private health insurance while she was working, but now she is not sure she will sign up for employer coverage if she finds a stable job. *“I don’t know, I probably won’t. I am never hardly sick ... and then I think about all that I have put in before and I never did go to the doctor.”*

**Homeless:** After she was laid off, Janelle fell behind on her rent payments and was eventually evicted. She abandoned her household belongings, at first moving in with relatives and then staying in a homeless shelter. Living in shelters and transitional housing has taken a toll on her family. *“(My daughter) is just so angry. (She says), ‘Mommy, the kids make fun of me, they say I live in a shelter.’ So I think that is why her grades are dropping down and you know she just, it’s like she don’t care.”* Janelle is eager to find a place of her own but feels she will have to wait until she has a stable job.

**Pursuing Self-Sufficiency:** *“My hope for the future is I want to be self-sufficient,”* says Janelle, who is anxious to get a stable job and a place to live. But with fewer and lower paying jobs available, she fears this will be a challenge.



**Michael and Patty, Des Moines, IA**

## “Hope we get a little peace”

<b>Family Profile:</b>	Patty and Michael have two children at home
<b>Employment:</b>	They both work in food processing plants
<b>Location:</b>	Des Moines, IA
<b>Annual Income:</b>	\$35,932—with his new job (195% of the federal poverty level)
<b>Health Insurance:</b>	Family: Uninsured

### Typical Monthly Budget—\$1,680

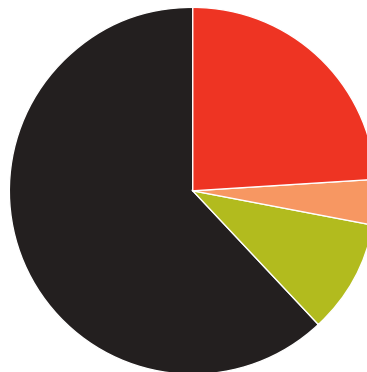
#### ■ Housing & Utilities \$1,037 (62%)

Patty and Michael’s mortgage payment is about \$700 a month, utilities are \$240, and the monthly water bill is about \$100. The family is happy to finally have their own home, but are concerned about the many repairs it needs. They purchased their home with help from a housing assistance program.

#### ■ Food \$175 (10%)

The family eats a lot of chicken and other low-cost foods to keep grocery bills down. While Michael was out of work, Patty and the kids went to food pantries and ate at local churches.

**Note:** Patty and Michael had no health care or entertainment and gift spending in previous month.



#### ■ Transportation \$401 (24%)

Patty drives to work early in the morning while Michael gets the kids off to school. He then gets a ride to his job with friends. Because of their poor credit, they have a 14% interest rate on their car loan.

#### ■ Clothes \$67 (4%)

**Work:** Michael was unemployed for five months but recently found a job at a bottling plant. He now makes \$8.50 an hour, just over half what he earned two years ago manufacturing tires. Patty never finished high school and feels lucky to have a stable job cutting pork in a meat processing plant where she makes about \$10 an hour. She works overtime whenever she can and supplements her wages with occasional income braiding hair. To balance their jobs and child care, Patty and Michael have always worked different shifts.

**Health Care:** Two years ago the family had health insurance through Michael’s employer. They lost this coverage when the employer went out of business. Patty has access to health insurance coverage through her work, but it costs about \$350 a month for family coverage, more than the family can afford. The children were enrolled in Medicaid for awhile. Now, with Michael working again, they no longer qualify and the family is again uninsured. They avoid going to the doctor. *“If it ain’t an emergency where you’re dying, bleeding, lost a limb, you ain’t going. We have no insurance, so usually (if we have to go to the doctor we) just go to the county hospital. We wait for the bill, can’t pay the bill, so that goes on the credit report.”*

**Debt:** The family has a heavy load of debt, mostly from unpaid medical expenses. These bills create stresses for the family. *“(with Michael working) I hope we get a little peace,”* says Patty, *“Mostly, all the fighting is financial . . . you mad because the light bill people done sent you the disconnect, and you don’t know how you going to pay it, so you take it out on the next one.”* Many of their unpaid medical bills date to when they had private health insurance, which did not cover the physical therapy services their daughter needed after she had a serious accident. Because of their poor credit the family pays high interest rates on their mortgage and car loan.





**Carol and Josh, Des Moines, IA**

## *“It takes a lot of smarts”*

<b>Family Profile:</b>	Carol and Josh have one child at home
<b>Employment:</b>	Josh works at a fast food restaurant
<b>Location:</b>	Des Moines, IA
<b>Annual Income:</b>	\$9,934 (65% of the federal poverty level)
<b>Health Insurance:</b>	Parents: Uninsured; Children: Medicaid

### Typical Monthly Budget—\$881

#### ■ Housing & Utilities \$575 (65%)

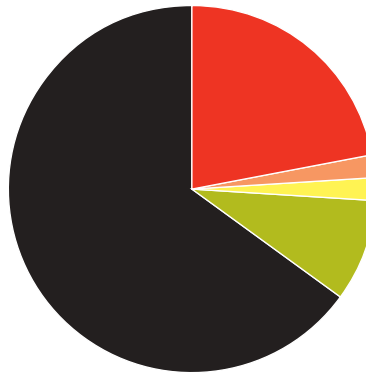
“Basically rent comes first. Then the utilities we have to pay, like electric and phone.” Sometimes, they borrow from Carol’s grandmother to avoid eviction. After their son was born, they were temporarily homeless to save money to rent a new apartment.

#### ■ Food \$80 (9%)

Donations from relatives, free food giveaways, and low-cost stores keep their food spending down. “Sometimes you have to go to four or five stores to get the best price.”

#### ■ Entertainment and Gifts \$15 (2%)

**Note:** Carol and Josh had no health care spending in previous month.



#### ■ Transportation \$196 (22%)

Carol drives an hour each way for the weekly visit to see her disabled son who is in foster care. Getting the money for gas and to maintain their car, which they bought for just \$200, is a constant challenge.

#### ■ Clothes \$15 (2%)

They rely heavily on community assistance programs that provide free clothes, including maternity clothes.

**Work:** Josh has worked at a fast-food restaurant for four years, and is looking for a higher-paying job. The hours are uncertain, sometimes dropping to 20 or less a week. His last paycheck for two weeks was just \$213. Carol is a stay-at-home mother. The couple is keeping their dial-up internet connection in the hopes that she can find home-based data entry work. Just before their son was born, Josh had a higher-paying job with overtime, but had to quit when Carol got sick.

**Health Care:** Medicaid covered her two pregnancies but Carol lost coverage after her second baby was born. She is now uninsured. She continues to have serious medical problems, triggered by her pregnancy, and suffers from severe asthma. Josh’s current employer does not offer health coverage. They still owe about \$1,000 in medical expenses (not covered by Medicaid) from her two pregnancies and her son’s severe medical and developmental problems. Without coverage, Carol has stopped taking the expensive medicine she needs to prevent a recurrence of blood clots, a condition that almost killed her after giving birth to her first child.

**Making it on Their Own:** The couple’s main goal is to become financially stable so they can take care of their disabled son on their own. “We are just trying to make sure we can get by on what we have, because that’s what is going to determine whether or not our son can come home.”

**Managing Finances:** They often pick up items discarded by others and fix them. “If you know what you are doing you can get really nice stuff and not have too many problems.” Carol knows how to stretch her resources. “I have been through worse. When I was younger I helped my father with my two brothers. It takes a lot of knowledge and actually it takes a lot of smarts to be able to manage for a family on \$10,000 a year,” she says proudly. “Still, it is kind of hard to live a normal life without a normal income.”



**Jack and Faith, Des Moines, IA**

## “Just getting by”

<b>Family Profile:</b>	Faith and Jack are retired
<b>Employment:</b>	Faith was a cabinetmaker and Jack worked in construction
<b>Location:</b>	Des Moines, IA
<b>Annual Income:</b>	\$14,808 (122% of the federal poverty level)
<b>Health Insurance:</b>	Family: Medicare

### Typical Monthly Budget—\$1,161

#### ■ Housing & Utilities \$304 (26%)

After qualifying for subsidized housing their rent fell from \$425 to \$269 a month. Before they moved into the apartment last year, the couple lived rent-free for ten years in a trailer on a car lot in exchange for keeping an eye on the place. *“They’re nice for a couple weeks’ vacation, but not to live in.”*

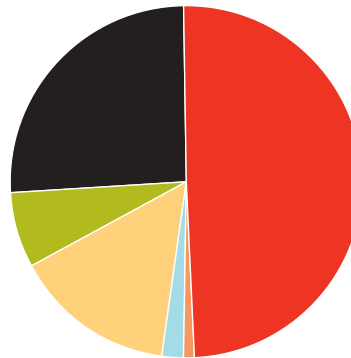
#### ■ Food \$80 (7%)

They take advantage of free food offered through the county and churches.

#### ■ Health Care \$170 (15%)

Faith pays about \$150 monthly for drugs not covered by Medicare.

**Note:** Faith and Jack had no entertainment and gift spending in previous month.



#### ■ Transportation \$579 (50%)

Their '89 Chevy van needs frequent repairs. Paying for gasoline is always a struggle.

#### ■ Clothes \$15 (1%)

#### ■ Other \$18 (2%)

**Health Care:** Faith recently had a bout of pneumonia and a slight stroke that landed her in the hospital. Even though Medicare covered 80 percent of the cost, they were still left with a bill of about \$3,000, which the hospital is trying to recover through a collection agency. Recently she has been able to get a number of prescription drugs free or at low cost through pharmaceutical company-sponsored programs she found out about through the county hospital. Jack uses the Veterans Administration hospital or the county hospital, where he receives free or subsidized care.

**Living on a Fixed Income:** With no savings, they live off the \$910 they get from Social Security and Jack's \$324 a month pension. Faith lost her private pension when the company she worked for went bankrupt. Jack, a WWII veteran, retired after working as a construction laborer for many years. They have no plans to leave Des Moines, where Faith was born. *“I helped build this city, by gosh,”* says Jack. Every morning they go to one of the city's senior centers, where Jack is a fixture at the piano. They regret not having the money to visit their seven grandchildren and six great-grandchildren who live outside Iowa.

**Making Do:** Making ends meet by using credit cards has brought them to the brink of bankruptcy in the past. *“Now, we just tear up credit cards when they come in the mail.”* Despite their limited income, Jack and Faith feel they are doing all right. *“Where we live, we're just all about the same. Just getting by.”*

## FAMILY PROFILES

### Oakland, CA

*"I have tried to be careful"* – John

*"We are used to working"* – Sara and Oscar

*"We had everything"* – Maria

## *“I have tried to be careful”*

<b>Family Profile:</b>	John is single
<b>Employment:</b>	He works as an apartment manager and handyman
<b>Location:</b>	Oakland, CA
<b>Annual Income:</b>	\$22,200 (247% of the federal poverty level)
<b>Health Insurance:</b>	Private Non-group

### Typical Monthly Budget—\$1,519

#### ■ Housing & Utilities \$170 (11%)

John is able to keep his housing costs low because he has a free apartment through his job as a building manager. His income includes his roommate’s rent payments.

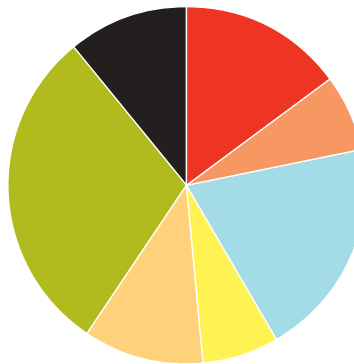
#### ■ Food \$450 (30%)

He spends most of this money on groceries, but also eats meals out with friends.

#### ■ Health Care \$169 (11%)

John has a private high-deductible health insurance policy he purchases on his own for about \$100 a month. The policy is relatively cheap because he is young, healthy, and has no dependents. He also spends \$40 each month on prescription drugs.

#### ■ Entertainment and Gifts \$100 (7%)



#### ■ Transportation \$230 (15%)

#### ■ Clothes \$100 (7%)

#### ■ Other \$300 (20%)

John sends \$200 to his dad each month to repay a loan he needed to pay \$3,000 of uncovered medical expenses last year. It will take him another year to repay this loan. He also owes \$100 each month for a student loan.

**Work:** John would like to find a non-profit job that uses his college degree and focuses on environmental issues, but feels it would be too risky to leave his current job and lose free housing—a valuable benefit in the high-cost Oakland area. Instead, he manages the apartment building, does handyman work on the side and fits in volunteer environmental work when he can.

**Health Care:** John started having problems with his knee last year. At first he put off the surgery he needed because he could not afford it. *“It was a medical expense that kind of came out of the blue and I just didn’t have the money.”* Even though he had health insurance, he needed \$3,000 to pay for copays and deductibles and \$1,000 to cover time off to recuperate. With his knee getting worse, he borrowed money from his father to pay these costs. He has fully recovered, but is still paying off the loan.

Although his employer does not offer health insurance, John has purchased private coverage for the last four years. *“I just realized at one point that I needed it. I did have a friend of mine from years ago who ... broke his leg badly and he had enormous medical bills of like \$80,000 and he had no insurance at the time. I think that might have been one of the things that encouraged me to get the policy. I had it because I wanted some basic coverage in case something catastrophic happened. There was still a high deductible and a high co-pay.”* Now—his recent experience in mind—he would like to switch to a more comprehensive policy. After being turned down when he applied on his own, he persuaded his employer to offer a group policy. They will lower his salary to compensate for the added expense. Paying for the more comprehensive policy will increase his monthly health insurance payment to \$214 a month and his total monthly health care expenses (including his loan payment) to \$414—27% of his budget.





**Sara and Oscar, Oakland, CA**

## “We are used to working”

<b>Family Profile:</b>	Sara and Oscar have four children at home
<b>Employment:</b>	Oscar is a driver for a courier company, Sara is a stay-at-home mother
<b>Location:</b>	Oakland, CA
<b>Annual Income:</b>	\$24,000 (97% of the federal poverty level)
<b>Health Insurance:</b>	Mom and 2 younger children: Medicaid; Dad and 2 older children: Uninsured

### Typical Monthly Budget—\$2,156

#### ■ Housing & Utilities \$550 (23%)

The landlord recently asked them to leave the house they have rented for the past ten years. They now expect to pay more than twice their current rent of \$400.

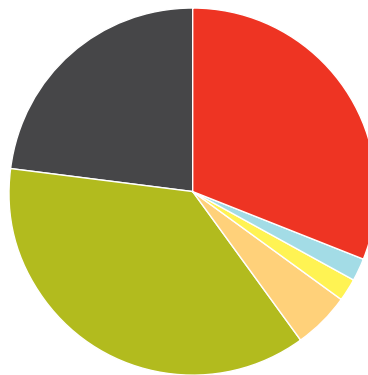
#### ■ Food \$800 (37%)

They are hesitant to apply for food stamps. They had WIC assistance for their four-year-old girl and are applying for WIC for their newborn baby girl.

#### ■ Health Care \$117 (5%)

#### ■ Entertainment and Gifts \$41 (2%)

Their computer, purchased after receiving a \$2,000 tax refund, is used by the kids for homework and by Sara and Oscar to email friends in Mexico.



#### ■ Transportation \$663 (31%)

Oscar uses his pickup truck for work and is responsible for all work-related expenses.

#### ■ Other \$35 (2%)

**Work:** Married in their teens in Mexico, they came to United States about ten years ago in search of economic opportunities. *“We are used to working since we were little. I grew up working and she also grew up working.”* Oscar likes driving for a courier company but competition is reducing hours and wages. Sara has worked cleaning houses and taking care of children. She could go back to work now, but child care, transportation, and lunch would largely offset her extra income. Eventually they want to start their own restaurant or catering business. Although not well-off financially compared to many of their neighbors and friends, they take comfort in their strong and loving family life.

**Health Care:** Sara, her one-month-old infant and her four-year-old daughter are on Medicaid, but Sara will lose coverage when the baby is two months old. Neither Oscar nor the older children, 11 and 14, have insurance. When the 11-year-old fractured his hand playing football last year they ended up with a \$2,000 medical bill, which they have just finished paying off. *“When we’ve had to go we have gone to a clinic,”* says Sara, *“If they charge us there we get the money somehow. We have paid little by little.”*

**Struggling to Save:** Until five years ago they saved enough to send money regularly to relatives in Mexico. On one salary, they are struggling to make ends meet. *“We cut back on expenses. For example, with food, we only buy what is necessary. We don’t buy candy. When we have some extra money then we buy snacks for the children. We don’t buy furniture because there is no space. All of that helps us right now.”* Their goal is to save enough eventually to send their children to college.

## “We had everything”

<b>Family Profile:</b>	Maria is a single mom with two daughters at home
<b>Employment:</b>	She works as a waitress
<b>Location:</b>	Oakland, CA
<b>Annual Income:</b>	\$15,550 (102% of the federal poverty level)
<b>Health Insurance:</b>	Family: Uninsured

### Typical Monthly Budget—\$1,113

#### ■ Housing & Utilities \$500 (23%)

After her divorce they moved to a friend’s renovated garage, where they pay only \$300 for rent.

#### ■ Food \$400 (36%)

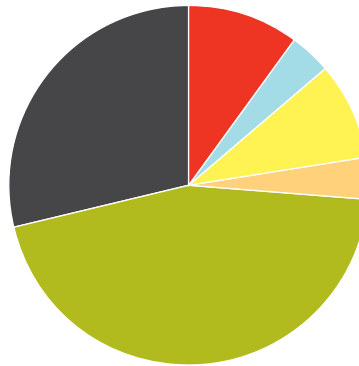
Even with free meals for Maria at work and for the children at school, food bills are still high. Although she is eligible for food stamps and other assistance she says, “I did not come to this country to do that.” Maria prefers volunteer work at a privately-run food bank that provides her free canned goods.

#### ■ Health Care \$33 (3%)

Maria’s youngest daughter has severe vision problems that require her to visit a doctor regularly. Even with a discount, she is still paying off a \$400 charge.

#### ■ Entertainment and Gifts \$80 (7%)

“I don’t have a lot of home expenses because we are not much at home.” Maria’s daughters are occasionally invited to join their cousins on vacations.



#### ■ Transportation \$90 (8%)

Maria spends \$70 a month for gas and \$20 for public transportation. She paid \$2,000 cash for her 1986 Bonneville and it runs fine. However, she still can’t afford the \$500 yearly insurance.

#### ■ Other \$30 (3%)

**Work:** Since separating from her husband three years ago, things have gotten tough. “We had a nice apartment. We had everything.” Business is down at the restaurant where she has waitressed the past four years, meaning fewer hours and less tips. Money from selling Avon products and from her daughter’s babysitting adds another \$300 a month on average to the \$1,000 she makes at the restaurant. If the family’s finances got really bad, she would send her daughters to live with her two better-off brothers. College-educated in Mexico, Maria knows she must improve her English to find a higher-paying job. She takes English classes three days a week, with the eventual goal of enrolling in college.

**Health Care:** After the divorce, Maria and her daughters lost the health insurance they had through her husband’s job. They initially went on Medicaid but then lost it because Maria’s income was too high. Maria now gets free care from the local Planned Parenthood Clinic. “They do a general yearly check up. If I need medicine or anything they give it to me because they know I don’t make a lot of money.” Other free clinics are available, but are not a realistic option because of the long waits. If she misses a whole day of work she doesn’t get paid. Maria still takes her children to the same pediatrician, who sees them every two years for free, but she worries about the lack of coverage for her children.

**Her Children’s Future:** Maria carefully manages her money. “I am stingy. I know how much I have and I never spend more than what I have.” Still, saving is difficult. She has always tried to save away a little for unexpected expenses. Her main goal is to save enough so that her daughters can attend college.

# APPENDIX

## Family Budget Questionnaire

Instructions:

1. This questionnaire asks you about your family budget for the last month. Before you start filling it out, please collect bills and receipts for your expenses and income last month. If you are completing the questionnaire in February, please collect income and expense information from January. If you are filling it out in March, please collect income and expense information from February.
2. Please fill out the questionnaire as accurately as you can. Use your receipts and bills to figure out amounts or estimate how much you spent if you do not have bills and receipts.
3. Please bring the completed questionnaire and your collected receipts and bills with you to the meeting.

Thank You!

Name: \_\_\_\_\_ Age \_\_\_\_\_

Address: \_\_\_\_\_

Employment: \_\_\_\_\_

Family members (include all who you support with your family budget):

Name \_\_\_\_\_ Age \_\_\_\_\_ Relationship to you: \_\_\_\_\_

Name \_\_\_\_\_ Age \_\_\_\_\_ Relationship to you: \_\_\_\_\_

Name \_\_\_\_\_ Age \_\_\_\_\_ Relationship to you: \_\_\_\_\_

Name \_\_\_\_\_ Age \_\_\_\_\_ Relationship to you: \_\_\_\_\_

Name \_\_\_\_\_ Age \_\_\_\_\_ Relationship to you: \_\_\_\_\_

Name \_\_\_\_\_ Age \_\_\_\_\_ Relationship to you: \_\_\_\_\_

(If you have additional family members, please continue on backside of page)

## EXPENSES FROM LAST MONTH

Item	Amount (in dollars)
<b>1. Housing</b>	
Rent/Mortgage	_____
Utilities and telephone	_____
Repairs/Maintenance	_____
Total for Housing	_____

*(continued on next page)*

**EXPENSES FROM LAST MONTH** *(continued from previous page)*

<b>Item</b>	<b>Amount (in dollars)</b>
<b>2. Transportation</b> Include car payment, gas, repairs, taxes, public transport	_____
<b>3. Food</b>	_____
<b>4. Clothing</b>	_____
<b>5. Health Care</b> Health Insurance	_____
Doctor or hospital fees	_____
Drugs	_____
Total for Health Care	_____
<b>6. Other Insurance</b> Include life insurance, house insurance, car insurance	_____
<b>7. Entertainment and Gifts</b> Include cable TV, movies, going out, eating out, vacation, cigarettes and alcohol, gifts	_____
<b>8. Other Household Items</b> Include furniture, home care items, school-related expenses, books and magazines	_____
<b>9. Child Care</b>	_____
<b>10. Debt Payments</b>	_____
<b>11. Other</b> Describe:	_____
<b><i>Total Expenses for Last Month</i></b> Add up all household expense items in 1–11 above	_____

Please also list major one-time expenses in the last year (which you did not have to pay last month) such as medical bills, home insurance or taxes. List item, month and amount. Please continue on back of the page if necessary.

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

**INCOME FROM LAST MONTH** *(continued from previous page)*

<b>Item</b>	<b>Amount (in dollars)</b>
<b>1. Employment</b> Include wages, tips, payments for informal work	_____
<b>2. Public Assistance</b> Include cash assistance, food stamps, energy support, disability payments, housing support	_____
<b>3. Retirement Income</b> Include pension, other retirement funds and social security	_____
<b>4. Other Income</b> Include child support, gifts, investment or rental income, profits from business Describe:	_____

***Total Income for Last Month*** \_\_\_\_\_

Add up all household income items in 1–4 above

Please also list one-time income payments you had in the last year (which you did not receive last month) such as tax refunds, bonuses or gifts. List item, month and amount. Please continue on back of the page if necessary.

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_



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