Response to Spending on Government Anti-Poverty Efforts: Healthcare Expenditures Vastly Outstrip Income Transfers SPENDING ON GOVERNMENT

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The question of how to measure government spending for welfare or anti-poverty programs is a complex one, and the report by Poverty Solutions, University of Michigan does a responsible and effective job at wrestling with those issues.

In my 2012 study, I designated as an anti-poverty program those programs that were either means-tested or that were described in the legislative language as being designed to relieve poverty. In doing so, I excluded, for example, the portion of Medicaid devoted to long-term care for the elderly and disabled. I also excluded social welfare programs that had an anti-poverty component, but that are more broad-based or are not specifically targeted to the poor, such as Social Security and Medicare.

As the PS/UM report points out, and as I acknowledge in my paper, one difficulty with my approach is that many means-tested or anti-poverty programs are poorly targeted. That is, they often provide benefits to individuals above – in some cases well above – the poverty line. While this certainly changes the amount of spending that could should be allocated on a "per poor person" basis, I don't believe it changes the amount spend fighting poverty. The programs may be poorly designed or targeted, but the money is still appropriated with the intention of reducing poverty.

The second area where PS/UM disagrees with my study is my inclusion of means tested health care programs. These programs provide something of value to those who receive them (debates about the effectiveness of programs such as Medicaid aside). In the absence of those programs, poor families would have to pay for private insurance, or go without needed care.

Indeed, the entire logic of expanding government health programs, whether ACA's Medicaid expansion or calls for Medicare-for-All, is that those with incomes too high to qualify for current means-tested health care programs incur costs they cant afford. True, the benefits are not directly designed to lift people out of poverty, but the same is true of all non-cash benefits. Health care programs provide the poor with health care in the same way that, say, food stamps provide the poor with food. I see no logical reason for including one, but not the other.

Of course, it could be argued that the excessive cost of U.S. health care distorts the spending total. One way to deal with that would be to cap the per person value of health care spending at the equivalent amount needed to purchase

each recipient with a private insurance policy, since that would reflect the amount that they would have to spend in the absence of the program. I use this approach in my 2013 paper, *The Work vs Welfare Trade-Off*. However, excluding means-tested health care programs completely, seems arbitrary.

In the absence of a single, unified budget measure, any calculation of anti-poverty spending will involve trade-offs and choices of what to include or exclude. I may disagree with some of the choices made by PS/UM, but those choices are reasonable and responsible.

I applaud their effort.