Written Testimony to the National Hunger Commission

Addressing the Health Consequences of Food Insecurity

Craig Gundersen, University of Illinois

Introductory Remarks

I wish to thank the National Hunger Commission for all their work in helping to elucidate how we can best move forward to reducing food insecurity in the United States with a particular emphasis on reducing very low food security (VLFS). It goes without saying that this is a vitally important task insofar as food insecurity has become arguably the leading nutrition-related health care issue in the United States today.

Given the importance of this commission, I am honored to have the opportunity to address some comments to this committee. Before turning to those, I wish to give a bit of background on my qualifications with respect to the content of this written testimony. I am the Soybean Industry Endowed Professor in Agricultural Strategy in the Department of Agricultural and Consumer Economics at the University of Illinois and Executive Director of the National Soybean Research Laboratory. In addition, I am a member of the Technical Advisory Group of Feeding America and is the lead researcher on the Map the Meal Gap project. Previously, I was at the Economic Research Service of the USDA and at Iowa State University. My co-authors and I have published in top journals across several fields including economics, agricultural economics, statistics, nutrition, and medicine. This work has been supported by over $10 million in external funding from various government and non-government sources. (For more details regarding the quality of the journals and the sources of funding, please see the attached CV.)

In this report, I cover two, interrelated topics. First, I cover the multiple negative health outcomes associated with food insecurity and VLFS. These are probably well-known to the members of this committee. What may be less well-known is a recent study which quantifies the increased health care costs associated with food insecurity; I therefore review the central findings from this work. As has been well-established in the literature, SNAP is the central component of our efforts to reduce food insecurity and VLFS in the U.S. As a consequence, along with improving the well-being of tens of millions of Americans by reducing food insecurity and VLFS, SNAP is also associated with reductions in health care costs. The second topic I cover is the threat to SNAP posed by some who wish to impose further restrictions on what can be purchased with SNAP benefits. I discuss why this imposition would increase food insecurity and, as a result, increase health care costs.

Health Consequences of Food Insecurity

One may argue that food insecurity is a serious problem, in and of itself, even if there were no negative health consequences associated with food insecurity. Unfortunately, there are also a wide array of negative health consequences associated with food insecurity. For children, food insecurity is associated with higher risks of some birth defects, anemia, lower nutrient intakes, cognitive problems, aggression and anxiety, higher probabilities of being hospitalized, poorer

general health, asthma, behavioral problems, depression, suicide ideation, and worse oral health. For non-senior adults, food insecurity is associated with lower nutrient intakes, mental health problems and depression, diabetes, hypertension, hyperlipidemia, worse outcomes on health exams, being in poor or fair health, and poor sleep and for seniors it is associated with lower nutrient intakes and higher probabilities of being in poor or fair health, to be depressed, and having limitations in activities of daily living. (For more details about these findings and relevant citations see Gundersen and Ziliak, forthcoming.)

It is reasonable to assume that all of these health conditions associated with food insecurity would lead to higher health care costs. And, therefore, efforts to reduce food insecurity would, as a byproduct, lead to reductions in health care costs. Measuring the additional health care costs associated with food insecurity in the United States, however, is not feasible at this time for two central reasons. First, health care is not universally available. As a consequence, there are many health conditions that are not addressed through health care and, as such, the true costs of food insecurity are not portrayed. And, if food insecure households are less likely to obtain care, paradoxically, food insecurity may be associated with lower health care costs. This is the standard selection effect that is noted in many studies when entrance into a program is not universal or not random. Second, there is currently no nationally representative data set with information on health care expenditures that is merged with administrative data about health care costs. So, even if selection were not an issue, measuring the costs of food insecurity would not be possible.

While such a study is not possible in the U.S., it is in Canada and, in response, a study looking at food insecurity and health care costs was performed (Tarasuk et al., forthcoming). This study matched over 65,000 between the ages of 18 and 64 on the Canadian Community Health Survey (CCHS) were linked to administrative health care data. The respondents were all residents of the Province of Ontario from the survey years of 2005, 2007-08 or 2009-10. Because there is universal health care in Canada, the survey respondents – like all Canadians – have access to free health care. As a consequence, when measuring the health care expenditures of the survey respondents, we do not have to worry about the selection issues noted above.

The extent of food insecurity was measured using the standard CFSM set of questions that are also used in the U.S. The main difference between the U.S. and Canada is how the cutoffs for the various categories are constructed. The moderate food insecurity category (roughly similar to low food security in the U.S.) occurs when there are two-to-five affirmative responses to the adult questions or two-to-four affirmative responses to the child questions and the severe food insecurity category (roughly very low food security in the U.S.) occurs when there are 6 or more affirmative responses to the adult questions or 5 or more positive responses to the child questions. The marginal food insecurity category is the same in Canada as in the U.S. with one affirmative response to either the adult or child questions means a household is in this category. The health care costs were broken down for the following categories - inpatient hospitalization, emergency department visits, physician services, same-day surgeries, and homecare services. Prescription drugs are not generally covered in the Canadian system but low-income households do receive free prescription drugs so we also included this as a cost.

After adjusting for socio-demographic variables, we find that total costs were 23% higher for adults in marginally food-insecure households, 49% higher for those in moderately food-insecure households, and 121% higher for those in severely food-insecure households, compared with adults in food-secure households. Even when Ontario Drug Benefit program costs were excluded (i.e., costs that are mainly directed towards those who are most at-risk of food insecurity), these differences were 16%, 32%, and 76% respectively.

There are, of course, differences between the U.S. and Canada which make a direct connection between our findings there and here not possible. However, in my opinion, there is no reason to anticipate that this relationship would also not hold in the United States. And, if anything, with the implementation of the Affordable Care Act (ACA), which reaches many heretofore uninsured Americans including many low-income Americans, the findings from Canada are even more germane than before.

A Threat to SNAP and Its Ability to Reduce Health Care Costs

Tarasuk et al. (forthcoming) clearly demonstrates that health care costs are higher among the food insecure than the food secure. Moreover, there is a strong gradient there with increasing costs as the degree of food insecurity increases. Therefore, any large-scale effort to reduce health care costs in the United States should look to ways to reduce food insecurity. It is fortunate, then, that in the U.S. we have a program that is explicitly designed to reduce food insecurity – SNAP (USDA, 1999). And, even better, this program has proven to be a resounding success insofar as SNAP participants are at least 20% less likely to be food insecure than eligible non-participants. (See Kreider et al., 2012, and references therein for more on this research.) One can make the compelling argument that, at least with respect to meeting the stated goals of the program, there are few government programs as successful as SNAP. (For an overview

Despite the success of SNAP, there have some calls to change the fundamental structure of the program. (See Bartfeld et al., 2015 (forthcoming) for more on SNAP.) Perhaps the two biggest threats are to block-grant the program to the state level and to impose further restrictions on what can and cannot be purchased with SNAP benefits. In what follows, I consider the latter threat with the hope that other letter writers have addressed the former threat.

Since its inception almost 50 years ago, there have been periodic attempts to restrict what can be purchased with SNAP benefits. (The following discussion is an expanded version of a discussion of this topic found in Gundersen, 2014.) These attempts arise from desires to "improve the nutrient intake of recipients," prohibit recipients from purchasing "luxury items", or stigmatize certain food products. The most recent proposals have generally concentrated on restricting specific categories of foods deemed ''unhealthy'' or ''junk'' and sometimes specifically targeting sugar sweetened beverages (SSB).

The most highly publicized and discussed effort to restrict SNAP purchases was contained in a waiver request to USDA by the New York Department of Health and Mental Hygiene and Human Resources Administration (2010). This waiver request would have banned SNAP recipients from using SNAP benefits to purchase most any beverage with more than 10 calories per 8-ounce servings. This ban would have included things such as sports drinks (e.g., Gatorade

or Powerade), soda (e.g., Coca-Cola, Mountain Dew), vegetable drinks (e.g., V8), and iced tea drinks. Other products with more than 10 calories per 8-ounce serving would still have been allowed, though, including milk, milk substitutes, and 100% fruit juices. There have been other state-level efforts. In Maine, a proposal by Governor LePage (LD 1411) would not allow SNAP benefits to be used to purchase any product that is subject to the state sales tax (Stone, 2013). In Wisconsin, a proposal by Representative Dean Kaufert would not restrict the purchase of any individual items but would instead impose limits on the proportion of SNAP purchases that could be made (Clark, 2013). A SNAP recipient would have to use two-thirds of their SNAP benefits to purchase "healthy foods" where this list is taken from a list of foods approved for purchases with WIC benefits along with some other foods. The other one-third of SNAP benefits could then be used to purchase whatever foods a recipient chooses. This proposal differs from the other proposals covered above as eligible purchases would be defined by (a) a list of approved items and (b) what has already been purchased by a recipient. Governor Haley in South Carolina has also proposed making restrictions on what can be purchased but, as of this writing, her office has not put forward any specific legislation along these lines nor have they requested a waiver from the USDA (Holleman, 2013). These waiver requests and earlier waiver requests have all been denied by USDA in part because of the negative consequences for low-income Americans covered below (Holden, 2004).

National-level proposals have surfaced as well. Two from Senator Coburn, "Coburn Amendment number 421" and "Coburn Amendment number 1000", proposed that no junk foods be allowed for purchase with SNAP benefits. A further amendment by Senator Coburn, this time in conjunction with Senator Harkin (IA), "Coburn/Harkin Amendment number 1152" took a different approach and instead required two states to conduct a pilot study to evaluate restrictions on SNAP benefits. None of these amendments were called for a vote.

Proponents of restrictions on SNAP purchases, upon seeing that they are unlikely to become law, have often chosen to instead propose "pilot projects" which would, in theory, enable research regarding what would happen if SNAP purchases were restricted. To date, these research approaches are poorly designed but, if a competent "pilot project" ever was proposed, the appropriate research questions must be posed along with those in the "pilot project". Among other questions: What happens to food insecurity rates due to the implementation?; What happens to SNAP participation rates immediately and after several years?; What happens to overall SSB consumption among both SNAP participants and non-participants (after all, the composition of these will change due to the restrictions)?; How many food outlets choose not to accept SNAP benefits?; How large is the increase in prices due to these restrictions?; How is the increase in price divided between various causes?; What happens to employment in the retail food sector?; What services does FNS no longer provide due to restrictions?; etc. At least anecdotally, these are not the questions being posed by some. Instead, the question being posed is simple comparisons of what happens to SSB consumption among SNAP recipients after restrictions are imposed. This is not an uninteresting question (although the methods being proposed are not appropriate) but it is only one of many that questions that need to be posed.

As noted above, none of the proposals for restrictions on SNAP benefits have been approved. This is primarily based on the correct perspective from USDA that imposing these restrictions would harm the well-being of low-income Americans and, in particular, cause there to be an

increase in food insecurity. While not necessarily the logic underlying the perspective of the USDA, what follows in a consideration of the damages that would occur if further restrictions were placed on SNAP purchases. These include the costs to the government, consumers, storeowners, and, of most importance for this committee, low-income Americans.

Increased government expenditures

The administrative costs to FNS of implementing restrictions on SNAP would be very large. These costs emerge from five main directions. (Portions of this discussion are based on USDA, Food and Nutrition Service (2007).

First, the USDA would have to make decisions about whether or not each food product not now restricted would be eligible. There are over 300,000 individual food products that would need to be reviewed and there is no USDA list determining what products or ingredients or combination of ingredients should or should not be acceptable for health purposes. Creating that list would entail decisions on a range of factors – sugar content, fat content, salt content, processed content and so on, plus any implications for any combinations of one of more – that would make the process very costly, not to mention arbitrary and prone to influence from special interest actors.

Second, about 15,000 new food products enter the market each year and thousands of food products are changed slightly in their composition. On a recurring basis, the USDA would have to make judgments about each of these.

Third, the USDA would have to expand out enforcement mechanisms to ensure stores do not illegally allow SNAP recipients to purchase restricted products. Given the breadth and size of likely restrictions, the need for additional people to enforce SNAP rules, pursue prosecutions against stores, and prosecute individuals who use SNAP benefits to purchase banned items could be quite large.

Fourth, the USDA also would face many legal challenges to these restrictions by food and beverage manufacturers and other groups supportive of maintaining SNAP purchasing choice (e.g., anti-hunger advocates; groups in support of poor persons). This would require a non-trivial increase in the number of lawyers and support staff at USDA.

Fifth, restrictions on SNAP purchase will lead to an increase in health care costs. As discussed above, there is now evidence persons in food insecure households have higher medical care costs than those in food secure households. For reasons discussed below, SNAP participation will decline if restrictions are imposed – this will then lead to increase in food insecurity with accordant increases in negative health outcomes and, subsequently, health care costs.

All of these higher costs would be imposed at a time when budgets at most all agencies within the federal government are being curtailed. It is unlikely that more money will be accorded by policymakers to pay for these substantially higher administrative costs. Therefore, other programs associated with SNAP (e.g., SNAP-Ed) and administrative efforts that were previously spent on other issues (e.g., reducing error rates; making a more efficient application process) would have to be curtailed to allow for the extra SNAP restriction administrative costs.

Increased costs to consumers:

Restrictions on SNAP benefits would have implications for all consumers, starting with higher food prices. Products brought to checkout at food retailers are recognized as being eligible or not eligible for SNAP by sight, a relatively simple matter now because the categories of ineligible items are distinct, clear and few. With the widespread use of check-out scanners and electronic EBT cards (or other credit cards) for payment, it would seem at first glance like it would be inexpensive and relatively easy to make changes in retailers' systems to flag SNAP ineligible products (e.g., V8). But, this is not the case.

Most products sold in food retailers have a UPC which contains a great deal of information but it does not contain the relevant information to establish whether or not the food item would be eligible for SNAP. In other words, the UPC code does not have, for example, such information as: what products or ingredients or combination of ingredients are on a USDA list as acceptable, as such a list does not exist. Without this information on a UPC, food retailers would have to take each product being sold and code each separately within their system as to whether or not it is SNAP eligible. This would be a time-intensive process requiring each food item to be matched with a list provided by USDA indicating whether or not an item is SNAP-eligible.

The associated cost to retailers would enormous, given the large number of food items noted above. Food stores would need to make decision about which of these products would be on their shelves, with the average food store having about 40,000 products with associated UPCs. And the costs would repeat themselves, as they would be incurred when the restrictions are first imposed, every time a new product is introduced, every time a product switches a UPC code for other reasons, every time the cutoffs for restrictions are changes, and so on.

In addition to matching the UPC code to a list of approved food items, stores would have to make a decision about how best to label whether or not foods are eligible for SNAP. It seems that there are three main paths that could be pursued. First, akin to what is currently done in many stores for some of the products eligible for purchase with WIC coupons, SNAP-eligible items could be labeled as such. It would be both expensive and time-consuming for stores to provide this information, especially since these labels would have to be updated frequently throughout the store. Second, products ineligible for SNAP could be labeled. While expensive, this would be less expensive than the first option. Stores may be reluctant to do this, however, since it would require implicitly labeling some items as unhealthy. Since many of the products that would be restricted are often thought to improve health (e.g., Gatorade and Powerade both advertise themselves as being beneficial to athletes), stores may be reluctant to discourage those purchases. Third, stores could choose not to label anything. This would mean the costs to labeling would be lowered but it would produce problems for SNAP recipient who would not be sure whether or not a particular product was eligible for SNAP, and leaving that determination to the checkout counter.

The above costs are those that would directly increase food prices. There would also be indirect costs, including longer checkout lines. The amount of time that it takes a customer to go through a line depends on many factors. One of these is ease of payment. SNAP recipients do use both

SNAP and cash for some transactions, but the number of such transactions would increase markedly once more items are excluded, creating more logjams for all customers. Moreover, SNAP recipients may often not be expecting to have to use non-SNAP benefits, further increasing the time spent in line for all customers, especially if these items have to be returned to the shelves if SNAP recipients do not have enough cash. Longer lines would increase costs to stores and create disincentives for other customers.

The extent to which these costs are passed onto consumers is not immediately clear but at least some would be, resulting in higher food prices. This is an obvious burden for all consumers. And that burden would be especially high for those struggling the most. As shown in Gregory and Coleman-Jensen (2013), higher food prices lead to higher rates of food insecurity, meaning that one of the consequences of restrictions on SNAP purchases would be thousands more Americans who will experience food insecurity. This increase includes both households eligible for SNAP and those ineligible for SNAP. And along with higher food insecurity rates would come the increased health care and other associated costs discussed above.

Increased costs to businesses

Along with imposing higher costs on consumers, these restrictions on SNAP would also impose higher costs on businesses. This occurs because while some of the increased costs discussed above can be passed along to consumers, businesses will also have to bear some of these costs. This is especially true in a sector that is as competitive as the food retail sector.

Along with hurting the owners of those businesses through reductions in revenues, employees will also be hurt. First, due to the fall in demand for food due to increased food prices, stores will need fewer hours of employment. This will results in layoffs of workers, reductions in hours worked, or both. Second, wages of remaining workers will also fall due to the decline in demand for their services. Given the declining availability of jobs in the retail sector and the relatively low wages of those in this sector, this can have serious consequences for these employees.

The costs to businesses was one of the central reasons for the USDA cited in rejecting the request by New York City to impose restrictions on SNAP purchases. In particular, the letter noted that "The proposal offers little evidence that the city's retailer community is well-positioned to implement the proposed restrictions. (Shahin, 2011)" It further noted that "[the proposal] lacks …clear evidence that small businesses would not be disproportionately affected by the prohibition. (Shahin, 2011)"

Costs for low-income Americans

Restrictions on SNAP benefits would increase the stigma associated with SNAP, as participants would feel singled out as being irresponsible and incapable of making well-informed food purchases. It is worth noting that no one is proposing that those receiving benefits through other government programs, tax preferences or federal subsidies would face restrictions on the use of those benefits. Participants also would be worried when making purchases that some of what they have purchased is not eligible for SNAP. This information, which can be stigmatizing, would then be revealed to others in the check-out line either through a request by the cashier to

provide cash or other funds to make the purchase of those items or by having to make a request of the cashier to remove the items from the purchase. SNAP restrictions also send a negative message about the program in general, by implicitly assuming that SNAP recipients have worse diets and are more likely to be obese when, in fact, per the significant evidence cited above. (For a discussion of SNAP and obesity see Gundersen, 2015 (forthcoming).) The bottom line is a false presumption that SNAP recipients are somehow inferior to those not receiving SNAP.

The increase in stigma was one of the central reasons the USDA cited in turning down an earlier request by Minnesota to impose these restrictions. To use their words, "…such a program change could add confusion and embarrassment at the point of sale when program recipients attempt to purchase food items once allowable but now deemed ineligible. Moreover, implementation of this waiver would perpetuate the myth that FSP participants do not make wise food purchasing decisions. (Holden, 2004)"

Along with the amount of stigma that may be experienced, potential SNAP participants need to consider the transactions costs associated with the program. Restrictions on SNAP purchases would further increase these transaction costs over two main dimensions.

First, SNAP recipients will need to spend more time figuring out which food items are eligible for purchase with SNAP benefits and which are not. In stores where "SNAP eligible" or "SNAP ineligible" is clearly and correctly displayed, ascertaining which are eligible would be straightforward upon arriving at the food retailer. But in stores without such displays, SNAP recipients would need to ascertain this information on their own (i.e., the opportunity cost of shopping with SNAP is higher).

Second, the number of stores accepting SNAP benefits would be likely to decline if restrictions were put into place. This is due to the higher costs discussed above – many stores would simply choose not to accept SNAP benefits rather than incur those higher costs. And, with the food retail sector enormously competitive, more stores would choose not to accept SNAP benefits in order to compete with other stores being able to have lower prices due to not accepting SNAP benefits. This would raise the transaction costs to SNAP recipients because they would have to travel further to use their SNAP benefits.

Concluding Remarks

In this letter, I reviewed the well-documented health problems associated with food insecurity and some recent, concrete evidence that health care costs are higher among food insecure households. Given the emphasis of this commission on reducing VLFS, it is worth emphasizing that these costs are event higher among VLFS households. In light of these costs, any comprehensive evaluation of programs that lead to reductions in food insecurity and VLFS should include the reduction in health care costs associated with reducing food insecurity. This is especially relevant for considerations of the benefits associated with SNAP participation insofar as the proven, substantial reduction in food insecurity due to SNAP receipt.

Given the importance of SNAP in reducing food insecurity in the United States, we should be looking for ways to improve this program and, in the process, among multiple other benefits,

reduce health care costs. In contrast, we should avoid changes to SNAP that would result in increases in food insecurity and, in particular, VLFS and, hence, increases in health care costs. As a consequence, I strongly urge this committee to speak out forcibly against any proposals that seek to restrict the use of SNAP benefits insofar as these restrictions, for reasons outlined above, would lead to increases in food insecurity and VLFS.

To conclude, I thank this committee again for the opportunity to present this written testimony.

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