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CURRENT PROJECTS

Natural gas prices by customer class since deregulation: As various utility regulatory and legislative bodies around the country debate the merits (and demerits) of restructuring the electric utility industry, much reference is made to the total price reductions generated for consumers by deregulation of the natural gas industry in the mid-1980s. Indeed, many proponents of electric restructuring cite the impacts of deregulation on natural gas rates for the proposition that, on average, rates will decline for retail consumers after competition is introduced.

FSC's report *Natural Gas Prices by Customer Class Pre- and Post-Deregulation: A State-by-State Briefing Guide* states that "in the natural gas industry, it is simply not true to conclude that competition resulted in price decreases for the `vast majority of consumers.' The error of this observation can be seen from. . .graphs presenting state-by-state price movements. . ."

Amongst the FSC findings were: (1) that in 29 states, the 1996 residential natural gas price was higher than the 1985 natural gas. In three states, the 1996 industrial natural gas price exceeded the 1985 natural gas price; (2) in many states, to the extent residential natural gas prices fell at all, the decline was short-lived. In nine states, residential natural gas prices exceeded 1985 levels by the year 1987. In 19 states, residential natural gas prices exceeded their 1985 levels by the year 1991; and (3) an increased reliance on market-based pricing resulted in an increased disparity between prices for large and small users from 1985 to 1996. In 36 states, the ratio of residential-to-industrial prices increased by more then 30 percent after 1985 decisions deregulating much of natural gas pricing. In 21 states, the ratio increased by more than 100 percent. In 11 states, the ratio increased by more than 150 percent.

The natural gas pricing report can be obtained by sendng a request by e-mail to publications@fsconline.com.

RECENT PUBLICATIONS

Rates and service in a hospital merger environment: Recent research concluding that "consumers benefit from cost savings when prices are also reduced" through horizontal hospital mergers was challenged this fall in an FSC article published in *Health Affairs*, the policy journal of the health sphere. FSC took issue with a study concluding that: "horizontal hospital mergers during 1986 - 1994 were generally financially beneficial to consumers, providing average price reductions of approximately seven percent. . .Overall, these results suggest that horizontal consolidations of hospital markets can be beneficial."

According to FSC, the challenged analysis "is substantially incomplete" and, therefore, presents "policy conclusions [that] are wrong." Instead, FSC offered the "alternative conclusion that the

`benefit' of reduced prices flowing from merger-induced cost reductions must be balanced against the `harm' of reduced service flowing from those same reductions to determine whether the *total* impact on consumers, including reductions in the service provided to consumers, is neutral or positive, irrespective of the effect on prices.
According to FSC, "frequently, mergers `sold' under the claim of reduced costs coupled with constant service quality really involve situations where prices decline *and* service declines, but the impact on consumers is neutral because overall consumer satisfaction remains at an acceptable level. This situation does not represent an improvement in efficiency, but instead represents a roll-back of service that is economically justified when the costs that are avoided exceed the reduction in prices."

The "service" provided to consumers includes a variety of sub-components, both substantive and procedural, according to FSC. One substantive service component might involve the promptness of care. Substantial concern exists that consolidation and cost reductions will lead to delays in the provision of care. One analyst has noted that cutbacks in physicians and support staff would result in, among other things, "longer waiting lines in the clinics and pharmacy. . ." Another notes that staff reductions would result in "greatly delayed care or none at all." The fact that health care service has a time element inherent within it is evident from court holdings that significant delays in care do not represent "substantial equivalence" for Medicaid purposes.

Finally, FSC said, some public health facilities, in particular, are noted for providing additional non-health-care services that would be threatened by merger. Public hospitals "have tried hard to provide culturally sensitive care to socially and economically underprivileged persons through multifaceted programs that include (among other things) social services, translators, security, transportation, and child protection." Community health centers "provide transportation, translation, case management, and other services to help people gain access to health care." Community health facilities also provide supplemental services involving home visits and patient education programs.

In sum, FSC said, the "service" of a hospital can be affected in a variety of ways by merger-induced cost reductions. Cutbacks in customer service activities are possible. Increased delays, as well as decreased supportive services (such as help in finding financial assistance), are possible. These service reductions should be weighed against price changes to determine whether hospital mergers "benefit" consumers, even in light of forecast or confirmed price decreases.

In assessing whether consumers benefit from hospital mergers when prices are also reduced, or whether reduced prices mean that horizontal consolidations of hospitals are beneficial, merger-induced price reductions must be balanced against the impacts of those reduced prices on the service provided. If this balancing finds a net negative impact on consumers that is not specifically mitigated, the merger should be judged not in the public interest and not approved.

The FSC analysis can be found in the journal *Health Affairs* (Vol. 17, No. 5).

Bank fingerprinting of non-account-holders:
The increasing practice of banks to require non-account holders to be fingerprinted before cashing a check "is replete with potential risks for low-income consumers. Because of their poverty, low-income persons will be treated with suspicion and subject to procedures that their more wealthy counterparts are not."

The fingerprinting procedure, advocates say, is inherently prejudicial to low-income persons for at least two reasons. First, research abounds showing that poor households are substantially less likely to have checking and savings accounts. Not only do low-income consumers have fewer discretionary dollars to keep in bank accounts, but the monthly fees imposed upon small accounts do not make them financially feasible. According to the National Consumer Law Center, "race and chronically low household income. . .account for the major difference in the use of financial services markets by consumers.

Blacks, Hispanics and other minorities (regardless of income and age) and low-income households are much less likely to use checking accounts, the principal financial service used by the majority of Americans." Indeed, when race and income are combined, NCLC says, the lack of access is magnified, with the percentage of low-income minority families not having checking accounts reaching 80 percent and increasing.

Second, there is a concern about whether banks will "really" require all non-account-holders to provide fingerprints. The federal Office of the Comptroller of the Currency (OCC) warns that "any bank that implements this type of [fingerprinting] plan should exercise care to ensure that it is not applied on a selective basis." Low-income and civil rights advocates express skepticism of the banking industry's ability to heed this warning. This concern is based on years of "selective" requests for identification from persons of color and low socio-economic status, evident in every industry from banking to apartment rentals.

Of equal concern, however, is the institutionally approved "selective enforcement" that was perhaps not envisioned by the OCC. Consider Ed Cohen, who owns a small business in Longwood (FL). Even though his business had banked at Great Western for nearly a decade, the bank would not cash his employee's checks without a fingerprint.

Ocean County (NJ) county employees don't have that same problem. The difference? In April 1997, Ocean County (NJ) freeholders objected when First Union Bank refused to cash paychecks for county employees who wouldn't provide fingerprints. When Ocean County threatened to stop doing business with First Union, moving to withdraw its $60 million annual payroll account from the bank, First Union excused county government employees from the fingerprinting requirement. The bank continued its policy for other non-account-holders. Union County (NJ) soon followed suit by threatening to move its $13.5 million in investment funds to alternative banks to protest First Union's fingerprinting policies. Poverty advocates question who can or will stand-up for the less politically powerful.

Persons without bank accounts, who are offended by the process of fingerprinting and thus refuse to submit to it, always have the option of cashing their paychecks at "check cashing stores" instead of banks. Exercising such a "choice," however, imposes considerable expense. One study in Oakland found that check-cashing fees range around five percent. One typical customer pays about $50 a month in fees. "Viewed over a year in which the family's income was $17,436, the [customer] spends $600 on check cashing fees. In that time, the `friendly' check casher has taken almost 3.5 percent of the family's total annual income."

FSC's analysis of the impacts that bank fingerprinting practices have on low-income consumers and persons of color can be found in the Fall 1998 issue of *Media Alert*, the quarterly publication of the National Black Media Coalition.

Weatherization of group homes for the disabled: Group assisted housing has become an important source of housing for the disabled, mentally retarded, and others in recent years. These supportive housing facilities are considered "a middle ground between institutionalization and homelessness" for the affected populations. A recent government report found that these homes tend to be "single-family, detached houses located in residential neighborhoods where the estimated household incomes approached the national median level."

In an effort to gain more understanding of the energy needs of individuals living in supportive housing, a variety of group assisted living facilities (of all types) were recently contacted in Washington State. Facilities for victims of domestic abuse, the homeless, refugees and developmentally disabled provide an important source of supportive housing in Washington State. 63 facilities provided responses to the request for information.

Assisted housing facilities generally view their energy bills as serious threats to their financial viability. Most reported their energy bills to be moderately burdensome to severely burdensome. Just as telling of the energy burdens as the data itself are the comments that were provided in response to an open-ended invitation to comment on the energy burdens placed upon the respective group living facilities. Noting that "last year, snow was on the ground for five full months, with an average temperature of 28 degrees," one shelter stated, "(we) can feed people, or keep them warm."

The energy *in*efficiency of group assisted housing contributes to their energy affordability problems, FSC reported. Amongst its findings were: (1) group assisted housing tends to use older buildings, with older furnaces and water heaters; (2) from an energy perspective, the age of the appliances is as much of a problem as the age of the building; and (3) while most facilities reported having rudimentary weatherization measures in their physical structures, few had received weatherization services through either local government or local utility programs.

Moreover, FSC found, group assisted housing facilities are likely to face the same market barriers to implementing energy efficiency as low-income consumers face. These consumers, FSC said, do not have free access to information on capital/operating tradeoffs. There is an implicit cost in time and effort to obtain this information. Particularly if human resources are stretched thin, time may not exist to determine the advantages of energy efficiency investments. Second, the ability to invest in energy efficiency measures often depends on having access to credit. However, consumer credit is often limited by financial institutions that disregard the value of conservation investments. Third, even in the event that a measure is cost-justified in the long-term, if the initial capital cost exceeds the ability of a customer to finance, the measures will not be implemented.

Ultimately, FSC concluded that given their residential nature, their need for energy efficiency improvements identified above, and their otherwise limited budgets to pay for home energy, supportive housing facilities for the disabled should seek to participate fully in low-income residential energy efficiency programs funded through state electric restructuring decisions. In addition, agencies responsible for administering such energy efficiency programs should ensure the eligibility of assisted housing facilities if the residents of such facilities are otherwise eligible.

The full text of FSC's analysis can be read in the American Bar Association's *Journal of Affordable Housing and Community Development* (Vol. 7, No. 4).

Fisher, Sheehan & Colton
Public Finance and General Economics
34 Warwick Road, Belmont, MA 02478-2841
617-484-0597 *** 617-484-0594 (fax)
editor@fsconline.com (e-mail)
http://www.fsconline.com

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