SUPPORTING STATEMENT
Estimating the Benefits of Reduced Risks to Health
Focus Groups
May 2016

(1) Title of the Information Collection

Estimating the Benefits of Reduced Risks of Adverse Birth and Early Life Stage Outcomes

(2) Short Characterization/Abstract

EPA is required, by statute and/or executive order, to perform benefit-cost analysis of rulemakings. For impacts on human health, a key challenge is to estimate the expected health benefits in dollar terms, largely because willingness to pay (WTP) or cost-of-illness estimates are not always available for the health effects associated with different rules. In order to provide a more comprehensive assessment of the benefits associated with rules that reduce health risks, analysts need WTP estimates for different health endpoints affected by rules. For many health endpoints, stated preference (SP) methods are a valuable method to elicit the WTP estimates needed for more complete benefits analysis.

While the literature contains many valuation estimates associated with occupational fatalities, there are fewer estimates available for a number of potentially important health endpoints affected by environmental policy. These include risk of fatal and non-fatal cancer of many types, cardiovascular outcomes such as stroke and hypertension, and cognitive effects (e.g., Alzheimer's). A key set of health effects with limited valuation data are birth and early life stage outcomes, which are associated with a wide array of environmental contaminants including lead, arsenic, mercury, and many other chemicals. The goal of the current project is to fill this gap by developing a stated preference survey instrument to elicit individuals' willingness to pay (WTP) for reduced risks of outcomes that result from exposures in utero and during early life stages, such as birthweight, preterm birth, and neurodevelopmental effects.

This Supporting Statement provides background material for a request to conduct 8 focus groups and 20 one-on-one interviews as part of the survey development process. The results from these activities will inform the design of a survey instrument. This exercise will <u>not</u> produce results that can be statistically analyzed to estimate willingness to pay for any outcome for any group or set of individuals. It will produce, based on the results of these focus groups and interviews, a survey instrument for a full-scale stated preference survey. However, implementing such a survey is beyond the scope of this ICR; any request for implementing a full-scale survey will be made in a separate ICR.

(3) Need for the Collection

The goal of this project is to improve EPA's ability to monetize the health benefits associated with EPA rules by directly providing estimates of the value of reductions in risk to specific health endpoints for which little to no information currently exists. While there are well-established estimates of benefits associated with some environmental contaminants (e.g., criteria air pollutants), for many other contaminants there are fewer estimates to evaluate the benefits of health risk reductions. In order to provide a comprehensive analysis of the health benefits

associated with many environmental rules, EPA needs estimates of the value of reducing risks associated with more health endpoints. Cost-of-illness (COI) measures are at times used as a proxy for willingness to pay estimates, but they are often thought to provide a lower bound on the full value of a risk reduction because such estimates typically do not include the value of any avoided pain, suffering and dread. For other health outcomes, neither WTP nor COI estimates are available, in which case the value of the risk reductions are not included in a given policy analysis.

The results of this project in conjunction with several initiatives to improve risk assessment methods will increase EPA's ability to provide a comprehensive assessment of the benefits associated with different environmental policies. It is critical that EPA invest in developing estimates for reductions in risks that are heretofore assigned a zero value in order to provide the most accurate and up-to-date information required to make sound decisions in regulating contaminants. This survey development effort will fill an important gap in the valuation of certain health endpoints.

The focus groups and one-on-one interviews that are the subject of this ICR are an important step in determining how to frame questions and design a survey instrument that can capture the value of reduced risk of birth and neurodevelopmental outcomes for use in benefit-cost analysis. Specifically, the focus groups and interviews proposed under the generic ICR will help establish a viable survey instrument, which will later be used (under a separate ICR) to elicit and estimate the values individuals place on these reduced risks in ways that are consistent with micro-economic theory and benefit-cost analysis. The number and types of outcomes ultimately included in the survey instrument will be dependent on focus group results obtained through this effort. Key considerations for determining these specific outcomes include how salient they are to respondents, how effectively the risks can be communicated, and the acceptance of delivery mechanisms for reducing these risks.

Some questions and issues that may be addressed in focus groups are:

- Which birth and neurodevelopmental outcomes are of most concern?
- How are the dimensions of these outcomes (e.g., physical and neurological impacts) best communicated, and over what time frame?
- How are valuation estimates of reduced risk affected by uncertainty about risk or causality?
- Are there specific contaminants that generate particular concern?

(4) Non-duplication

The selection of birth and neurodevelopmental outcomes as a set of health endpoints for this effort was informed by discussions and consultations with EPA program offices. EPA's National Center for Environmental Economics (NCEE) met with economists and policy analysts from the Offices of Air and Radiation, Water, Chemical Safety and Pollution Prevention, and Land and Emergency Management to gather information on specific health endpoints and contaminants for which EPA routinely lacks values and/or are likely to be the subject of future rulemaking efforts. Based on the results of these discussions it became apparent that birth and neurodevelopmental outcomes (1) often lack WTP estimates for valuation, (2) are associated with many contaminants of concern across program offices, and (3) are likely to be encountered in one or more future rulemakings.

Some valuation estimates for birth and neurodevelopmental outcomes are available for use in EPA benefit-cost analysis, most notably for changes in IQ and the resulting impact on lifetime earnings (e.g., USEPA 2015). While not an estimate of WTP, this effect on earnings is robust and well-established and allows for avoided IQ impacts to be included in EPA regulatory analyses. For most other outcomes (e.g., low birthweight, pre-term birth) there are some studies that estimate cost-of-illness but very few studies that estimate WTP for risk reduction.[1]

Several studies are underway in Europe on WTP for birth and neurodevelopmental outcomes as part of an initiative by the European Chemicals Agency (ECHA). Specific birth outcomes being addressed include: IQ loss (Atherton, et al.) infertility, birth defects, and very low birthweight (Scasny and Zverinova).[2] It is unlikely that the values estimated in European countries would be directly applicable for US regulatory impact analysis, however the methods may be informative for the survey instrument being developed under this ICR.

Given the paucity of existing WTP estimates for birth and neurodevelopmental outcomes in the US, and that the results of the study under this ICR are designed to be unique, this study will not be duplicative other efforts.

(5) Consultations

This is a new focus group request (not a renewal of an ongoing collection effort) so no periodic consultations with persons outside of the Agency have been conducted related to this effort.

This collection, or perhaps more likely, a potential survey instrument based on the results from these focus groups, may be of interest to other Federal, State, and Local Agencies that affect human health risk, as well as to the Office of Management and Budget. EPA will make a concerted effort to keep interested parties informed of progress as the survey instrument is developed, and will ensure that these parties are informed of any survey implementation.

1 One exception is von Stackelberg and Hammitt (2009) which uses contingent valuation to estimate WTP for changes in IQ and reading comprehension.

2 Recent presentations that provide more details on these and other studies sponsored by ECHA can be found at http://echa.europa.eu/news-and-events/events/event-details/-/journal_content/56_INSTANCE_DR2i/title/expert-workshop-on-valuing-the-health-impacts-of-chemicals (accessed 3/14/16).

(6) Peer Review Plans

Interim products such as focus group scripts and draft survey questions developed during this project will be subject to routine internal review by the EPA staff. The final product from these focus group efforts is a survey instrument to elicit individuals' willingness-to-pay for reductions in health risks – the precise nature of which will be informed in part by the focus groups. A report summarizing the main findings from the focus groups and one-on-one interviews will accompany the survey draft. External peer review is beyond the scope of this initial effort, but both the survey instrument and focus group report will be externally reviewed prior to any full-scale study.

(7) Confidentiality

The survey instrument will fully conform to federal regulations – specifically the Privacy Act of 1974 (5 U.S.C. 552a), the Hawkins-Stafford Amendments of 1988 (P.L 100-297), and the Computer Security Act of 1987. Each prospective respondent will be informed that their participation in the exercise is voluntary. The identities of the individuals will be kept confidential by the investigators and not associated with their responses in any report.

(8) Sensitive Questions

There are no questions included in the survey materials on sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private or sensitive in materials.

(9) Respondents

Respondents will be members of the general public who volunteer to participate in focus groups and interviews. Participants will be recruited by the focus group facility so as to provide adequate representation of the target population. See section 11 for more information on areas of focus.

(10) Collection Schedule

The project timeline depends on the results of the focus groups, as well as external constraints. The expected timeline for the data collection is as follows. Please note that these tasks may partially overlap; in particular, we allow for the possibility of some one-on-one interviews to be conducted prior to the completion of all the focus groups. Initial focus groups will likely be used to scope participants' understanding of concepts, explore the use of different risk communication tools, and to gauge the relative importance of certain health outcomes. While results from the initial focus groups will serve as inputs to the survey drafting process, later focus group participants will help gauge the effectiveness of draft materials.

Task:	Expected Completion Date:
Contact potential respondents	Start 2 Weeks from ICR approval (on a rolling basis)
Conduct Focus Groups	15-20 Weeks from ICR approval

One on one interviews with draft survey instrument	15 to 19 Weeks from ICR approval

(11) Respondent Burden

Participants for focus groups and individual interviews will consist of residents in several metropolitan areas across the U.S. Respondents may also be recruited from more rural areas surrounding these locations. We plan to conduct a maximum of 8 two-hour voluntary focus groups of approximately 10 individuals each. The respondent burden for focus groups is 160 hours. We also plan to conduct 20 two-hour one-on-one interviews to test draft survey instruments. The respondent burden for interviews is 40 hours. The total burden under this ICR is therefore 200 hours.

In summary, the total burden for voluntary respondents consists of:
Focus groups: 8 groups * 10 people/group * 2 hrs per person = 160 hours.
One-one interviews: 20 people * 2 hours per person = 40 hours.

For a total burden of 200 hours.

	Respondents	Time per response	Total Hours
Focus Groups	80	2 hours	160
Interviews	20	2 hours	40
Total	**100**	**2 hours**	**200**

References

Atherton J, Atkinson G, Georgiou S, Mourato S. 2016. The Value of Reducing Children's Exposure to Lead (Pb), A stated preference approach. Presentation at ECHA Workshop on Valuing the Health Impacts of Chemicals, Helsinki.

Scasny M, Zverinova I. 2016. The ECHA Study on Fertility, Birth Defects, and Developmental Toxicity: How Much are Improving Fertility and Reducing Risk of Birth Defects Worth. Presentation at ECHA Workshop on Valuing the Health Impacts of Chemicals, Helsinki.

US EPA. 2015. *Benefit and Cost Analysis for the Effluent Limitations Guidelines and Standards for the Steam Electric Power Generating Point Source Category*. EPA-821-R-15-005.

Von Stackelberg K, Hammitt J. 2009. Use of Contingent Valuation to Elicit Willingness-to-Pay for the Benefits of Developmental Health Risk Reductions. *Environmental and Resource Economics* 43:45-61.