



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C. 20460

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J. Routt Reigart, MD  
Chair, Children's Health Protection  
Advisory Committee  
Medical University of South Carolina  
General Pediatrics  
165 Cannon Street  
Suite 503  
P.O. Box 250853  
Charleston, SC 29425

OFFICE OF  
THE ADMINISTRATOR

Dear Dr. Reigart:

Thank you for your recent letter submitted on behalf of the Children's Health Protection Advisory Committee (CHPAC) to Administrator Browner regarding the Agency's approach to children's health valuation. My office includes the Office of Economy and Environment, the economics center for the Agency. We are working very closely with Ramona Travato, the director of the Office of Children's Health Protection to implement the best ways to consider children's issues in our economic analysis. Given the recommendations in your letter deal with the economics of children's health, Carol Browner and Ramona Trovato have asked me to respond to you.

We were pleased that your FACA Committee has focused on the economics of children's health and forwarded some very specific and useful suggestions for the Agency. Your work has laid the foundation for how our economists can incorporate children's health issues into our regulatory process. I want to thank you and the CHPAC for this major contribution. Changing the way any agency works is difficult. The foundation you have laid has allowed my economists and the Office of Children's Health Protection to build new analytical guidelines for the Agency to follow.

The Agency views economics as an important tool. Economic analyses of rules and regulations are important inputs into the regulatory process. Economic analyses help inform policy makers by presenting the benefits and costs in easily comparable terms. In addition, economic analyses improve the transparency of policy decisions for the general public. Finally, our analyses can highlight the costs and benefits accruing to important subpopulations of concern -- motivated by underlying welfare and environmental justice ethics. Your letter and the work of your committee provide very useful suggestions on how EPA can institutionalize analyses of children's health consequences for all our major regulatory proposals. Only by institutionalizing these considerations, can we insure that children's health concerns will be incorporated into the set of information available to



decision makers. If we fail to reflect children's unique circumstances and vulnerabilities in our analyses, the policy outcomes will be worse.

To move toward this institutionalization, we are incorporating the findings and suggestions of the CHPAC into two documents. The first entails a major revision to our *Guidelines for Preparing Economic Analyses*. This document provides analysts a framework on which to base economic assessments, ensuring the use of a common approach to benefit-cost analyses conducted throughout the Agency. Recently, the Science Advisory Board's Environmental Economics Advisory Committee has reviewed the final draft version of the revised *Guidelines* and found it to be an "excellent" presentation of the "(economic) methods and practices that enjoy widespread acceptance in the environmental economics profession." The final version of the *Guidelines* should be issued in the coming month.

The work of your committee has shown that even these new *Guidelines* do not devote enough attention to children's issues. To remedy this situation, we are developing a second, less formal guidance, the *Children's Health Valuation Handbook*, intended to serve as a companion piece to the broader *Guidelines* mentioned above. The objective of this *Handbook* is to document how economic analysts should account for the value of relevant children's health benefits. The *Handbook* has benefitted substantially from the work of your Economics Workgroup. The deliberations and discussions of the Workgroup were extremely informative and helped provide direction for the *Handbook*. While it has not yet reached the same advanced stage of development enjoyed by the *Guidelines*, a draft of the *Handbook* is nearing completion and, once finished, will undergo formal internal and external review.

The substantive recommendations in your letter are all highly valuable. Indeed, the Agency has, in recent months, been grappling with some of the very issues discussed in your letter in the course of developing the two documents mentioned above. Given that my staff attended all of your meetings, it should come as no surprise that the *Guidelines* and the *Handbook* reflect your deliberations and findings. Specifically, the *Guidelines* outline procedures that should assist analysts in accomplishing the objectives you describe in substantive recommendations 1,2,6,9 and 10. The *Handbook* outlines procedures to address the remainder of your substantive recommendations -- 3,4,5,7 and 8. Once these documents are completed, I will forward them to you.

There are still some very difficult issues that remain and we continue to struggle with them. The dearth of research on these issues limits our ability to quantify the special benefits that accrue to children from our regulations. We will continue to work on these issues and hope that your committee, particularly the Economics Workgroup, continues to provide a forum and expertise for the Agency to grapple with these challenging frontiers. I know our economists look forward to that positive interaction with you.

Once a draft of the *Handbook* is available, the Agency will welcome comments from interested members of the CHPAC. The Agency will also welcome comments from

members on any forthcoming economic analyses of the regulations being re-evaluated on the basis of children's health effects.

Also, I want to recognize the value of your research recommendations. We agree that research in the areas identified by your letter has the potential to improve Agency benefit-cost analyses for policies affecting children. Your direct engagement of the Office of Research and Development helped the Office of Children's Health Protection convince EPA to announce a new extramural grants competition supporting research leading to improved values of reduced health risks to children. This solicitation reflects the Agency's two current priorities in this area -- estimating parental and societal willingness to pay for reductions in risks to children's health, and developing methods, to improve the transfer of benefits estimates from existing adult-oriented analyses to children.

The Agency is planning additional research programs in the near future, based on topics mentioned in your recommendations. For example, future topics include how willingness to pay for reducing specific environmental health risks to children varies with health status and with environmental and economic factors of the children and their families, and the appropriateness of discounting methods when undertaking economic valuations of children's health benefits. These relate to your fourth and sixth recommendations, respectively.

There are several other recent Agency developments that pertain to your research recommendations. First, the Agency is in the process of developing an overall economic research agenda that includes children's health valuation research. This agenda will help prioritize research needs within the Agency. Second, the Agency is actively seeking Science Advisory Board input on valid techniques for valuing reductions in fatal cancer risks. While these discussions are not targeted directly at children's health valuation, age is recognized as one of several important factors that may affect willingness to pay to reduce these risks.

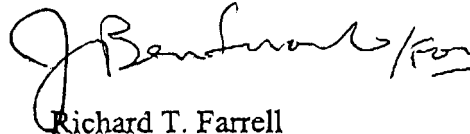
The Agency hopes to work more closely with economists interested in children's health. Aside from sponsoring and conducting individual studies, we hope to sponsor other activities that will leverage the academic community's interest in children's health issues. The Office of Children's Health Protection, together with my office, wants to sponsor a series of workshops that bring together risk assessors and economists to grapple with issues pertaining to children.

Through our *Guidelines, Handbook* and research solicitations and agendas, the Agency's economic analyses of policies that affect children's health should continue to improve. Our aim is for all policy analyses to adequately consider the effects on children. The development and use of documents such as the *Handbook* and the *Guidelines* is one way to achieve this goal. Increasing awareness of the importance of children's health issues within the academic economic community and increasing the availability of economic studies is another way. By encouraging research to fill these research gaps, the

Agency's ability to conduct economic analyses that accurately represent children will increase. Our progress in all these areas was possible because of the work of the CHPAC.

Again on behalf of the Agency, I thank you for your thoughtful letter and your important contribution. The Agency appreciates the time and effort that went into developing your insightful recommendations. We look forward to additional input from CHPAC members as we continue to develop and revise our analytic methods for use in benefit-cost analyses. It is our hope that better economic analysis will lead to more efficient environmental policy and ultimately to better protection of health and safety for children.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard T. Farrell". The signature is fluid and cursive, with a large initial "R" and "F".

**Richard T. Farrell**  
Associate Administrator  
Office of Policy and Reinvention