PICO National Network | *Unlocking the Power of People®*

COMMUNITY CATALYST

Voices from the Field
The Case for a Commonsense Affordability Standard

As Congress tackles national health reform, the number one concern for most Americans is: Will reform make health care more affordable for my family? But what "affordability" means from the perspective of families is too often drowned out by the politics, entrenched interests, and fast-moving nature of the health reform debate. To get a pulse on how ordinary Americans are affected by health care costs, Community Catalyst's and PICO's state partners spoke with over 1600 real families in 26 states and Washington D.C.

The reality: Families report that health care costs compete with many other essential expenses in already-tight family budgets, and these costs are a major barrier to getting the health care they need. Specifically, families feel the impacts of health care costs in two main ways:

- **Too often, families cannot afford premiums for health insurance.** Among those living in poverty (earning less than $18,310 for a family of 3), over 80 percent did not have enough money each month to cover their basic necessities like housing, food, transportation, and child-care. And even among those earning up to twice the federal poverty level (FPL) ($36,620 for a family of 3), at least half went into debt just to pay for those essential items. These families clearly do not earn enough to contribute to health insurance premiums. While families earning above this income may be able to meet their basic needs, most still cannot afford the full cost of premiums.

- **Gaps in coverage and unaffordable cost-sharing often prevent families *with* insurance from getting the care they need.** In fact, among those whose families were insured, 28 percent of individuals reported delaying care because of costs. This problem affected even middle-income families: Among those earning four times the poverty level ($73,240 for a family of 3), nearly 20 percent reported not getting the care they need because of costs.

> *"My daughter who is in college only has catastrophic medical coverage. She put off having a lump in her breast checked because she couldn't afford to pay the doctor/hospital."*
> -A 58-year-old woman from Missouri

The solution: To be sure people at all income levels can afford both the insurance and the health care they need, Congress must establish a commonsense Affordability Standard as part of national health reform. It would **guarantee assistance** to those who cannot afford comprehensive insurance and cost-sharing on their own. And if health reform includes a requirement that all individuals purchase insurance, it would **exempt those who cannot find comprehensive affordable coverage**.

Community Catalyst and PICO propose seven key principles for an Affordability Standard that would address American families' concerns:

Key Principles of an Affordability Standard

1. An affordability scale should take into account all out-of-pocket costs, including premiums, deductibles, coinsurance, and copayments.

"I have a huge deductible, and when I got sick this winter, when my asthma kicked up, I did not go to the doctor. […] That was over two months ago. I am still sick, trying to get better."

-A 56-year-old insured man from Illinois

Affordability should be defined as the percentage of income a household can devote to health care while still having sufficient income to address other necessities. Since plans with high cost-sharing can still leave people financially vulnerable and prevent them from getting the care they need when they need it, a true measure of affordability must include *all* out-of-pocket costs.

2. An Affordability Standard should be a progressive sliding scale relative to income.

Lower-income people have a harder time affording basic daily necessities and should not be forced to live in substandard housing or rely on unlicensed child-care in order to pay their health insurance premiums. A progressive Affordability Standard is needed to ensure fairness and protect low- and moderate-income people.

3. Although everyone has to contribute, there is an income threshold at which lower-income families should not be expected to pay premiums.

• *Families earning up to 200 percent FPL ($44,100 for a family of four) should be exempted from premiums* – Most families at this income level are exempt from Medicaid premiums and often rely on fuel assistance, food stamps and EITC assistance to meet their basic needs. Any other cost-sharing for this group should be very limited.

• *Families earning between 200 percent ($44,100) and 300 percent FPL ($66,150) can be expected to make only modest contributions towards their premiums* – Families in this income bracket often go into debt just to pay their basic necessities; those in high cost-of-living areas are especially financially vulnerable. Families in this income range will need significant subsidies and protection against high out-of-pocket costs.

4. No family should face unlimited health care costs.

Given the high cost of health coverage, Congress should provide subsidies on a sliding scale to families earning up to 400 percent FPL. Although families above that level may not receive subsidies, Congress should still protect these families by setting an upper limit on family health care spending that includes premiums and out-of-pocket costs. This cap would protect families with chronic conditions and others who are vulnerable to high premiums and unlimited cost-sharing. The upper limit should reflect what middle-income families typically pay for health care, with a lower ceiling for lower-income households.

Such progressivity is an important component of fairness, especially in the context of an individual mandate.

5. An Affordability Standard should be accompanied by a guarantee of standard comprehensive benefits.

Health reform legislation should clearly define a benchmark for a comprehensive benefit package that limits out-of-pocket costs. To ensure families can actually get the care they need, it is essential that the design of the benefit package be considered when developing an Affordability Standard. Benefit packages that exclude health care services that people need (such as limits on mental health coverage, policies that don't cover prescriptions, or policies with low lifetime benefit limits) have the same result as packages that impose high premiums or other out-of-pocket costs, leaving people at risk financially when they need coverage the most. Therefore, a comprehensive set of benefits, as well as limits on premiums and cost-sharing, is necessary to ensure affordability.

"I had to cancel COBRA insurance because the premiums were too high. The replacement insurance I bought […] provides only minimal coverage. I am waiting until I can find fulltime employment before I get treatment. I just put up with the pain."
-A 53-year-old woman from Tennessee

6. If an individual mandate is considered, there must be no requirement to purchase insurance unless there is an option that meets an Affordability Standard and provides adequate benefits.

If there is an individual mandate to purchase health insurance, people should be exempt from this mandate unless they are able to obtain health coverage that:

- Meets an Affordability Standard based on total out-of-pocket costs
- Meets a benefit benchmark that provides comprehensive services

7. An Affordability Standard should be clear and easy to calculate and administer.

The Affordability Standard should not include an asset test. In addition, families should have easily available tools to determine premium subsidies and affordability limits based on their income.

For further information, please contact Michael Miller at Community Catalyst (617-275-2924), or Gordon Whitman at PICO (202-481-6691).