

Getting Affordability Right

In the health reform debate affordability has been mostly discussed in Washington at the *macro*-level – what can the government, taxpayers or the nation as a whole afford to spend on health care. But the debate has not largely focused on what affordability means at the *micro*-level – to the low and moderate income Americans with no insurance or inadequate coverage (the underinsured) who will be mandated to purchase health insurance under a reformed system. Getting affordability right for these people is critical to the success of health reform.

Why is Getting Affordability Right So Critical to the Success of Reform?

Affordability is imperative to:

- 1. Reaching our nation's goal of providing quality coverage to all Americans.** The number one reason millions of Americans lack health insurance is they cannot afford coverage. Unless health reform directly addresses the issue of affordability for low- and middle-income families, health insurance will continue to remain out-of-reach for too many Americans.

Ashanti George-Paulin is a single mother from New Orleans who, despite working in the health care field, cannot afford the skyrocketing cost of insurance. In 2006, Ashanti had a medical emergency that left her \$28,000 in debt. With interest, this amount is now close to \$30,000, and hovers over her as she finishes undergraduate studies and prepares to enter medical school.

- 2. Providing security to those who have insurance.** Under-insured families struggle to keep up with premiums, deductibles, copays, and other out-of-pocket expenses that are increasing many times faster than wages. These costs prevent individuals from getting the care they need and undermine the financial security of American families.

Maryann and David Jandris of Leehigh Acres, Fla., have private health insurance. In 2007, their daughter Kery, who has ulcerative colitis, required 10 hospitalizations and four surgeries, including one to remove her entire large intestine. Kery's treatments totaled over \$1.3 million, and although the insurance covered a significant portion of those costs, the \$30-\$50 co-payments for prescription drugs and 20 percent co-insurance left the Jandris family swimming in debt. As a result of their plan's cost-sharing requirements, this once-solidly middle-class family has recently lost its home to foreclosure and has drained its retirement plan.

- 3. Securing the public support for health reform.** Polls overwhelmingly show voters continue to focus on affordability as their top health care concern. In order to support health reform, Americans must have confidence that it will make their health care more secure.

Affordability becomes even more critical in the context of the proposed requirement that all individuals obtain coverage. Polls show support for an individual mandate swings dramatically based on whether people believe there will be adequate affordability protections. Families are willing to take responsibility and pay for a portion of their health care costs, but it is unrealistic and unfair to expect struggling families to pay without regard to what they can actually afford.

What Does it Take to Make Health Insurance and Health Care Affordable?

Congress needs to ensure the following elements are in place to make health reform work:

- 1. Guarantee a benefit package similar in value to the package offered to Members of Congress and federal employees.** This package, while less generous than typical employer-sponsored insurance, at least sets a decent minimum standard and provides coverage for a broad array of health care services such as office visits, preventive care, prescription drugs, and behavioral health services.
- 2. Protect the lowest-income households in the Health Care Exchange from premiums, consistent with current Medicaid rules.** While states are permitted to charge premiums to some Medicaid beneficiaries, those with income below 150% FPL (\$27,465 for a family of three) are exempt. Families with incomes this low are often struggling to pay for daily necessities like food and shelter and are too vulnerable to be subject to additional mandated costs.
- 3. Provide subsidies on a sliding scale to families earning up to 400% of the Federal Poverty Line.** To protect middle-income families from burdensome health care costs, health reform should limit premiums to no more than 11% of income for those at 400% FPL, like the House Tri-Committee bill as released July 14th, with lower caps for individuals at lower incomes.
- 4. Cap out-of-pocket costs at an amount that protects subsidized families from being underinsured.** People who are underinsured have financial and health care problems that are very similar to the uninsured. The non-profit Commonwealth Fund found that low-income people (incomes below 200% FPL) become underinsured when their out-of-pocket spending exceeds 5% of their income and higher income households become underinsured when their out-of-pocket spending exceeds 10% of their income.
- 5. Limit premium rate differences based on age so that premiums for older individuals are no more than twice the premium amount for younger individuals.** Older adults are more likely than younger people to have serious or chronic illnesses. Allowing rates to vary significantly based on age is just a “back door” way of allowing the insurance industry to keep charging sick people higher premiums.
- 6. As a last resort, exempt families who can't access affordable coverage from penalties under the individual mandate.** Since federal resources are inevitably limited, some people will still not have an affordable option even with the protections outlined above. Penalizing them for failure to purchase insurance that is unaffordable will only make their difficult situation worse.