

## Making Health Care More Affordable for Families: Priorities for Merging the Three House Bills

(Revised October 13, 2009)

Getting the details of affordability right is essential to making the individual mandate and health reform work successfully. Requiring families to buy insurance that costs too much and covers too little would undermine the goal of guaranteeing all families access to affordable coverage and could undercut the public support needed to pass and sustain reform. Below are six key priorities for merging the three House Committee health reform bills (Energy and Commerce, Education and Labor, and Ways and Means).

**1. Adopt the subsidy schedule passed by both the Education and Labor Committee and the Ways and Means Committee and cap premiums at 10 percent of income.**

The bills that passed out of the Education and Labor and the Ways and Means Committees offer coverage that is more affordable for moderate-income families than the Energy and Commerce proposal. The merged bill should follow current federal policies in exempting the lowest income families, up to 150 percent of the federal poverty level (FPL), from premiums altogether. Premium contributions should be capped for the highest income levels at 10 percent of income.

**Table 1**

Comparison of premium contributions for a family of three receiving subsidies in: 1) the bills passed by the Education and Labor and the Ways and Means Committees, and 2) the Energy and Commerce Committee.

Income		Bill passed by the Education and Labor and the Ways and Means Committees		Bill passed by the Energy and Commerce Committee	
		\$ amount (for a family of three)	% income	\$ amount (for a family of three)	% income
133%	\$24,352	\$365	1.5%	\$365	1.5%
150%	\$27,465	\$824	3%	\$824	3%
200%	\$36,620	\$1,831	5%	\$2,014	5.5%
250%	\$45,775	\$3,204	7%	\$3,662	8%
300%	\$54,930	\$4,944	9%	\$5,493	10%
350%	\$64,085	\$6,409	10%	\$7,049	11%
400%	\$73,240	\$8,056	11%	\$8,789	12%

## 2. Set out-of-pocket caps along a sliding scale that protects families from being underinsured.

The three Committee proposals limit annual out-of-pocket costs to \$5,000 for an individual or \$10,000 for a family, and also specify that low- and moderate-income families in the Exchange should face lower out-of-pocket caps. The Committees do not specify what those out-of-pocket limits will be, but estimates from the House Ways and Means Committee suggest low- and moderate-income families will still be at substantial financial risk. A simple, reasonable guideline should set out-of-pocket caps at a level that does not leave families underinsured if they face serious or chronic illness.

**Table 2**

Comparison of out-of-pocket maximums for a family of three in: 1) the bills passed by the three House Committees, and 2) the highest out-of-pocket caps that would still protect consumers from underinsurance.

Income		Bills passed by the three House Committees		Standard That Would Protect Consumers From Underinsurance**	
% FPL	\$ amount (for a family of three)	\$ amount*	% income	\$ amount	% income
133%	\$24,352	\$900	4%	\$1,218	5%
150%	\$27,465	\$1,450	5%***	\$1,373	5%***
200%	\$36,620	\$4,400	12%	\$3,662	10%
250%	\$45,775	\$7,450	16%	\$4,578	10%
300%	\$54,930	\$8,520	16%	\$5,493	10%
350%	\$64,085	\$8,520	13%	\$6,409	10%
400%	\$73,240	\$10,000	14%	\$7,324	10%

\* As estimated by House Ways and Means, July 31, 2009, available at

<http://www.kaiserhealthnews.org/Stories/2009/September/04/House-Bill-Premiums.aspx>

\*\* Standard for underinsurance based on How Many Underinsured? Trends Among U.S. Adults 2003 and 2007. Schoen, Cathy, Sara R. Collins, Jennifer L. Kriss and Michelle M. Doty, Health Affairs, 2008, 27:w298-w309.

\*\*\* Although the bills passed by the three House Committees have a higher out-of-pocket cap for this income bracket than the cap that would protect consumers from underinsurance, both caps work out to be 5% of income because of rounding differences.

### 3. Protect the value of plans offered in all three House bills.

The value of plans can be measured by their “actuarial value.” This number represents the percentage of the costs of covered services that the plan will assume for the typical enrollee. Therefore higher “actuarial values” translate to lower out-of-pocket costs for families. The House should resist scaling back these values to reduce the cost of the bill.

**Table 3**

The “actuarial value” of benefits under the House Tri-Committee Bill (July 14, 2009).

Income		Bill passed by the Three Committees
% FPL	\$ amount (for a family of three)	Actuarial Value
133%	\$24,352	97%
150%	\$27,465	93%
200%	\$36,620	85%
250%	\$45,775	78%
300%	\$54,930	72%
350%	\$64,085	70%
400%	\$73,240	70%

### 4. Protect age-rating at 2:1.

Health reform efforts would result in the overhaul of the individual and group health insurance markets to ensure that insurance companies cannot charge individuals dramatically higher rates because of their age. The House bills constrain these differences based on age to a 2:1 ratio; this means that premiums for older individuals can be no more than twice the premium amount for younger individuals. This provision should be kept in the final House bill.

### 5. Adopt Education and Labor’s standard that allows low-income individuals to qualify for subsidies if their employer-sponsored insurance is unaffordable.

Under the Ways and Means Committee bill and the Energy and Commerce Committee bill, individuals who are offered employer-sponsored coverage do not qualify for subsidies unless their premiums cost more than 11 percent or 12 percent of their income, respectively. These standards would burden some very low-income workers by requiring them to either pay for relatively expensive premiums or remain uninsured and pay a substantial penalty.

The Education and Labor Committee adopted a standard that more adequately protects low-income workers from having to purchase unaffordable coverage – it allows individuals who are offered employer-sponsored coverage to qualify for subsidies if their premiums *and* out-of-pocket costs exceed 11 percent of their income.

Additionally, individuals should be exempt from the mandate if they do not qualify for subsidies but their employer-sponsored coverage costs more than the amount someone at the same income level without employer-sponsored coverage is expected to pay. While this solution wouldn't help these individuals obtain insurance, it would at least address the issue of fairness and avoid subjecting individuals to the costly penalty if they cannot afford coverage through their employer.

**6. Exempt people from the individual mandate if they earn too much for subsidies but cannot find affordable coverage.**

Under the current structure, individuals above 400 percent FPL would be required to buy coverage no matter how high the cost, unless they are eligible for a “hardship waiver.” An “affordability standard,” defined as a sliding-scale percentage of income, should be included to exempt people who cannot find comprehensive affordable coverage. People who earn above 400 percent FPL should be exempt from the mandate if they cannot find coverage for less than 10 percent of their income.

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