Making Health Care Reform More Affordable for Families: Priorities for Merging the Senate 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 Senate Finance Committee (SFC) and Health, Education, Labor and Pensions (HELP) health reform bills.

1. Adopt the majority of the HELP subsidy schedule and cap premiums at 10 percent of income.

The HELP bill requires lower premiums than the SFC bill. HELP follows current federal policies in exempting the lowest income families, up to 150 percent of the federal poverty level (FPL), from premiums altogether. Families at 400 percent FPL should have their premiums capped at 10 percent of their income.

Table 1
Comparison of premium contributions for a family of three in HELP and SFC bills*

Income		Senate HELP bill		SFC bill	
% FPL	$ amount (for a family of three)	$ amount	% income	$ amount	% income
133%	$24,352	0**	0**	$901	3.7%
150%	$27,465	$275	1%	$1,236	4.5%
200%	$36,620	$1,208	3.3%	$2,563	7.0%
250%	$45,775	$2,563	5.6%	$4,349	9.5%
300%	$54,930	$4,339	7.9%	$6,592	12.0%
350%	$64,085	$6,537	10.2%	$7,690	12.0%
400%	$73,240	$9,155	12.5%	$8,789	12.0%

* Assumes premium contributions increase at a constant rate across the income scale. Actual scale would be set by regulation.
** The Senate HELP expands Medicaid to 150% FPL, so people at 133% FPL will qualify for Medicaid and will not pay premiums.

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

The current proposals from both HELP and SFC have schedules for caps on out-of-pocket spending that are uneven and regressive, and still leave many families at 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 HELP and SFC bill

Income		Senate HELP bill		SFC bill		Standard That Would Protect Consumers From Underinsurance**	
% FPL	$ amount (for a family of three)	$ amount	% income	$ amount	% income	$ amount	% income
133%	$24,352	n/a*	n/a*	$3,867	16%	$1,218	5%
150%	$27,465	$2,320	8%	$3,867	14%	$1,373	5%
200%	$36,620	$2,320	6%	$5,800	16%	$3,662	10%
250%	$45,775	$5,800	13%	$5,800	13%	$4,578	10%
300%	$54,930	$5,800	11%	$7,733	14%	$5,493	10%
350%	$64,085	$11,600	18%	$7,733	12%	$6,409	10%
400%	$73,240	$11,600	16%	$7,733	11%	$7,324	10%

*The Senate HELP expands Medicaid to 150% FPL, so people at 133% FPL will qualify for Medicaid.
** 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.

3. Increase the value of plans offered to families to match the HELP approach.

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.

Table 3
Comparison of the "actuarial value" of benefits under HELP and SFC bills

Income		Senate HELP bill	SFC bill
% FPL	$ amount (for a family of three)	Actuarial Value	Actuarial Value
133%	$24,352	n/a*	90%
150%	$27,465	93%	80%
200%	$36,620	93%	70%
250%	$45,775	84%	70%
300%	$54,930	84%	70%
350%	$64,085	76%	70%
400%	$73,240	76%	70%

*The Senate HELP expands Medicaid to 150% FPL, so people at 133% FPL will qualify for Medicaid.

4. Reduce the age rating to 2:1.

The SFC bill allows insurers to charge older adults four times as much as younger adults, while HELP limits the difference to twice as much.

Table 4
Comparison of annual premiums for a single 64-year-old, under HELP and SFC bills

	Senate HELP bill	SFC bill
	Annual premium	Annual premium
64-year-old living in a medium-cost area who does not qualify for subsidies	$6,084	$8,614

Source: Kaiser Family Foundation *Health Reform Subsidy Calculator*, available here: http://healthreform.kff.org/Subsidycalculator.aspx?utm_source=kff&utm_medium=homepage_nn&utm_campaign=subsidyCalculator

5. **Protect low-income workers who are offered unaffordable employer-sponsored insurance.**

   The merged bill should include the SFC provision that permits workers who would have to pay more than 10 percent of their income for employer-based insurance to instead obtain subsidies to enroll in coverage through the Exchange.

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

6. **Adopt SFC language that exempts people from the individual mandate if they earn too much to qualify for subsidies but cannot find affordable coverage.**

   Protections need to be put in place for people who may not qualify for subsidies but still cannot find affordable coverage. The HELP language proposes setting exemption levels during the regulatory process, the SFC bill exempts people whose premiums exceed eight percent of their income. While this provision does not help us achieve the goal of universal coverage, it does protect families from medical bankruptcy.

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