



# Health Care Affordability and COVID-19

## Policy Brief

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Michael Miller, *Director, Strategic Policy*  
Nina Oishi, *Policy Intern*

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Thanks to the Affordable Care Act (ACA), millions of people who were previously unable to afford health care insurance are now covered. Yet, despite this progress, millions of people in the United States are still unable to afford health coverage and care. The arrival of the COVID-19 crisis has only served to highlight this gap, demonstrating that people across the country, including many of the pandemic’s “essential workers,” deserve a more affordable solution.

## **Health coverage and care has been unaffordable for millions even before the COVID-19 pandemic.**

Even before the dramatic economic contraction the pandemic has brought about, only 55 percent of adults were adequately insured, according to the Commonwealth Fund.<sup>1</sup> The rate of underinsurance – people who are insured, but the costs of care (premiums and out-of-pocket costs) keep them from accessing services or lead to medical debt and financial insecurity – was rising. Prior to the pandemic’s impacts, 29 million people in the U.S. lacked health insurance coverage, including a disproportionate share of people of color who have long faced unjust and discriminatory barriers to health and economic security.<sup>2</sup>

Underinsurance is one barometer of affordability challenges for families, but the problem of affordability shows up in numerous other ways. First and foremost, people will forgo purchasing health insurance altogether if premiums are outside of their household budget. For example, in 2017, 45 percent of uninsured adults said that they remained uninsured because the cost of coverage was too high.<sup>3</sup> In addition, people facing high out-of-pocket costs will often avoid or delay care by not filling prescriptions and not pursuing recommended tests, treatments or follow-up care. For example, 25 percent of insured people skipped treatment and follow-up and 24 percent chose not to address a medical problem. Even when people get care, they often incur crippling debts that can undermine family financial stability.<sup>4</sup> Among those who have struggled with a household medical bill in the past year (including both the insured and uninsured) more than one in three report having been unable to pay for basic necessities like food, heat, or housing as a result.

Unaffordable coverage and care remain a widespread problem, continuing to disproportionately affect low-income people, especially people of color. Our country’s reliance on tax-subsidized employer-sponsored insurance and our history of race-based employment discrimination, mean these groups are particularly likely to lack affordable coverage or be exposed to crippling medical debt.

## **The existing affordability issue has only been exacerbated by COVID-19.**

The destabilizing effect of the coronavirus pandemic on the economy has meant that millions across the country now face the prospect of unemployment<sup>5</sup> and reduced or uncertain income.<sup>6</sup> A recent survey notes that 43 percent of adults in United States now say that they or someone in their household has lost a job or taken a cut in pay due to the outbreak. As a result, 53 percent of lower-income adults say they will have trouble paying some of their bills this month, as well as 26 percent of middle-income adults and

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11 percent of those in the upper-income tier.<sup>7</sup> This problem is particularly acute for people of color, who are being hit harder by the COVID-19 pandemic. They are more likely to be exposed to the virus<sup>8</sup>, more likely to receive bills for care they cannot afford, and more likely to lose their jobs<sup>9</sup> as a result of the economic crisis the pandemic has caused.

Given the problem with affordability that existed even after the passage of the ACA and before the pandemic, these COVID-19-related setbacks will no doubt seriously impact people's ability to afford essential health insurance. With many experts predicting the effects of the pandemic to linger for much longer,<sup>10</sup> and others warning of future outbreaks,<sup>11</sup> COVID-19 has highlighted the urgent need to make coverage more affordable.

### **The “essential workers” on the front lines of the pandemic particularly struggle with affordability.**

Much has been made of the “heroes” on the front lines of the pandemic – the essential workers putting themselves at risk, from long-term care workers to mail carriers to grocery store clerks. Yet, although the coronavirus pandemic has demonstrated that these workers are essential to our society's ongoing functioning, they are also among those in this country most likely to struggle with affording health care coverage and insurance.

For example, 58 percent of long-term-care workers (including aides, personal care and home health workers, nurses, doctors and therapists) make less than \$30,000 a year. Nineteen percent have insurance through Medicaid, and 12 percent are uninsured – meaning that over four in ten long-term-care workers lack employment-based coverage. Among home health workers, one in six is uninsured.<sup>12</sup>

Grocery store workers, another group performing essential labor during the pandemic, also face low wages and barriers to affordable coverage.<sup>13</sup> Grocery store workers, as well as other essential workers like fast food employees and retail workers, are likely to lack paid sick leave benefits.<sup>14</sup> They are also likely to make low wages, with the average food and beverage store cashier making \$24,990 a year.<sup>15</sup> Retail salespersons and cashiers, including grocery store workers, are among the occupations with the largest number of uninsured workers in the country.<sup>16</sup>

Building cleaners, janitors and groundskeepers similarly rank among the occupations with the highest number of uninsured in the country.<sup>17</sup> And like many other essential workers, they too face the prospect of low wages that make health care unaffordable, with the average building, grounds cleaning and maintenance worker earning an average annual salary of \$31,250.<sup>18</sup>

This Pandemic has shown us that even our most essential workers, those putting their health at risk to protect the rest of us, face structural barriers to affording health coverage and care. Essential workers, disproportionately women, people of color<sup>19</sup> and immigrants, are less likely to have health insurance, have less access to care, and are more likely to be unable to afford medical bills.<sup>20</sup> If we want to thank our heroes, we should find solutions to the issue of affordability.

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## **Better affordability tax credits for people without employer-sponsored insurance is a good first step.**

More than 36 million unemployment claims have been filed in the last two months as a result of the pandemic,<sup>21</sup> highlighting the importance of improving affordability for those who lack employer-sponsored insurance (ESI). Better affordability tax credits for people without ESI is a good first step. Such proposals have won widespread support; a coalition made up of the U.S. Chamber of Commerce, hospital groups, device makers and others recently sent a letter to Congress urging immediate action on such steps.<sup>22</sup> The coalition's proposals also include covering the cost of coverage through COBRA, expanding the use of health savings accounts (HSAs), and increasing eligibility for federal subsidies in the health insurance marketplaces.

Unfortunately, the latest House-passed coronavirus emergency relief bill, the HEROES Act, does not include provisions for Advanced Premium Tax Credits (APTCs).<sup>23</sup> This omission means that under this proposal, the increasing number of people without ESI will still struggle to afford coverage and care during the pandemic and beyond. While a previously proposed House bill, the Take Responsibility for Workers and Families Act (H.R. 6379), did include such provisions, it could have gone even further in making coverage and care more affordable.<sup>24</sup>

## **The House Democrats' proposed affordability schedule is a good step, but does not go far enough.**

Democrats in the House have taken a step in the right direction with the proposed affordability schedule in the previously proposed coronavirus relief bill, H.R. 6379, including offering premium assistance for people with incomes above 400 percent of the federal poverty line (FPL). Yet this proposal still doesn't manage to overcome all of the affordability problems found within the ACA, including disincentives to earn additional income and "cliffs" where costs increase substantially while income increases only minimally. And while premiums are lower under the new House bill than under the ACA, by charging premiums for those under 200 percent FPL, health care coverage will still be out of the reach of many across the country if they are to also afford the minimal other essentials necessary to live.

*For example, in Des Moines, Iowa, the estimated cost of living is close to the median across the country.<sup>25</sup> For a single adult, using an average estimate from two calculators from the Economic Policy Institute and MIT, a single adult would need an income of \$25,689 annually to achieve an adequate standard of living, not including health care costs – an income at 213 percent FPL. Two adults and one child would need a combined \$53,286 annually, not including health care costs – an income at 261 percent FPL.<sup>26</sup> In other words, under the House bill, an individual or family living in an area with the median cost of living in America would still be charged premiums even though their annual income would not be enough to provide for an adequate standard of living, even before health care costs.*

*In metropolitan areas that have been hit hard by COVID-19, the affordability issue is even starker. A single adult in New York City needs \$38,918 (323 percent FPL) to afford an adequate standard of living before health care costs, while two adults and one child need \$71,860 (352 percent FPL). In Seattle, a single adult needs \$34,995 (290 percent FPL) while a family of three needs \$67,177 (329 percent FPL).<sup>27</sup> While the House bill is a step in the right direction, to truly make coverage and care affordable for the average person in this country, we will need to go further.*

## Recommendations

To make health care coverage affordable, Congress should take three important steps.

- 1) **Congress should eliminate premiums for all with income below 200 percent FPL.** The numbers suggested by cost-of-living analyses suggest that national policy-makers seeking to improve health care affordability should eliminate premiums at least for those with income below 200 percent FPL, though a somewhat higher level could also be justified and high-cost states might want to consider going beyond this level if they are developing their own standards and premium assistance programs. (We consider 230-240 percent FPL a reasonable level below which no premiums should be charged. In addition, fully subsidizing premiums for households with incomes below 230 percent FPL would represent a very substantial increase beyond current norms.)
- 2) **Congress should cap premiums at a percentage of income (we recommend 8.5 percent), setting a maximum percentage of income that anyone would have to pay.** Rather than creating an arbitrary cutoff point at the top of the subsidy scale, we recommend that assistance be extended to anyone who would have to pay an excessive portion of their income in premiums. Such a cap would avoid large “cliffs” in the marginal rate and levels the playing field, since people with ESI get a subsidy through the tax code regardless of income.
- 3) **Congress should adopt a gradual sliding scale for affordability that avoids economic disincentives for low-income households and large “cliffs.”** We propose an effective marginal rate of 10 percent at the bottom of the proposed affordability scale gradually rising to 20 percent at the top, slightly lower than the applicable rates in the income tax code. This progressive sliding scale would better align premiums with ability to pay, avoid undue hardship for individuals and families with lower incomes and create a standard that does not create a disincentive for people to earn additional income.

Comparison Table of Affordability Schedules in the ACA, House Bill,<sup>28</sup> and Community Catalyst Proposal<sup>29</sup>

Income FPL%	ACA		ACA % of new income	House		House % new income	CC Proposed		CC Proposed New Income %
	% total Income	\$ Amount		% total Income	\$ Amount		% total Income	\$ Amount	
138% \$ 17,236	200% \$ 24,980	3.09% \$ 533	6.49% \$ 1,621	14.06%	0.00% \$ -	3.00% \$ 749	9.68%	0% \$ -	0% \$ -
200% \$ 24,980	250% \$ 31,225	6.49% \$ 1,621	8.29% \$ 2,589	15.49%	3.00% \$ 749	4.00% \$ 1,249	8.00%	0.0% \$ -	2.0% \$ 625
250% \$ 31,225	300% \$ 37,470	8.29% \$ 2,589	9.78% \$ 3,665	17.23%	4.00% \$ 1,249	6.00% \$ 2,248	16.00%	2.0% \$ 625	3.3% \$ 1,249
300% \$ 37,470	350% \$ 43,715	9.78% \$ 3,665	9.78% \$ 4,275	9.78%	6.00% \$ 2,248	7.25% \$ 3,169	16.00%	3.3% \$ 1,249	5.0% \$ 2,186
350% \$ 43,715	400% \$ 49,960	9.78% \$ 4,275	9.78% \$ 4,886	9.78%	7.25% \$ 3,169	8.50% \$ 4,247	12.88%	5.0% \$ 2,186	6.3% \$ 3,123
400% \$ 49,960	450% \$ 56,205	NA	NA		8.50% \$ 4,247	8.50% \$ 4,777	8.50%	6.3% \$ 3,123	7.8% \$ 4,372
450% \$ 56,205		NA	NA		8.50% \$ 4,777				

2019 Poverty Guideline: 12,490

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## Conclusion

The coronavirus pandemic has highlighted one of the most longstanding and pressing issues for many people across the United States – the unaffordability and inequitable availability of health coverage and care. Our current system, under which our most essential workers can't afford the health coverage and care they need is not acceptable. Ensuring better tax affordability credits for those without ESI, eliminating premiums for all with income under 200 percent FPL, capping premiums at a defined percentage of income, and adopting a sliding-scale affordability schedule are important steps to protect people's ability to afford health care and coverage – both during a pandemic and long after the pandemic is over.

## Endnotes

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- <sup>25</sup> According to the Economic Policy Institute’s (EPI) Family Budget Calculator, the median cost of living across all counties in the country is that of Cedar County, IA for a single adult (\$34,978 including health care costs) and Randolph County, IL for two adults and one child (\$63,363 including health care costs). For the sake of this analysis, we have selected Des Moines, IA, whose EPI-estimated cost of living is similar to the medians found by EPI (\$33,709 for a single adult including health care costs and \$65,726 for two adults and one child including health care costs). However, note that for this brief, we are using an average of the costs of living from both the EPI calculator and the MIT Living Wage Calculator, since the MIT Living Wage calculator tends to result in somewhat lower estimates than EPI’s calculator. We are also using the 2017 FPL calculations, since both the EPI and MIT calculators are working with 2017 data. “Family Budget Calculator,” Economic Policy Institute, accessed May 3, 2020, <https://www.epi.org/resources/budget>; “Living Wage Calculator,” MIT, accessed May 3, 2020, <https://livingwage.mit.edu>.
- <sup>26</sup> “Family Budget Calculator”; “Living Wage Calculator.”
- <sup>27</sup> “Family Budget Calculator”; “Living Wage Calculator.”
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- <sup>29</sup> For this table, we are using 2019 FPL calculations. Please note that the previous FPL calculations in the discussion of cost of living used 2017 FPL calculations to reflect the methodology and data in the EPI and MIT calculators. However, despite the difference in 2017 and 2019 FPL, our main point still stands: affordability schedules that eliminate premiums only for those under 200 percent FPL leave many people across this country still unable to afford basic coverage and care.