AFFORDABLE HEALTH CARE

The only way to avoid a mandate

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QUESTIONS AN AFFORDABILITY STUDY CAN ANSWER

As Utah moves forward on state health reform, policymakers need a better understanding of who is still priced out of the market and what the costs will be to bring them in. The first step is a comprehensive affordability study showing which strategies will benefit families at different points along the income scale. The study should address the following questions:

- What percentage of income is reasonable to expect people to pay at varying income levels?
- What is the income threshold at which subsidies are necessary?
- For low and moderate wage earning Utahns, does it make more sense to expand Medicaid or the Children's Health Insurance Program to cover them, or to provide them with subsidies or vouchers to get them covered in the private market?
- With respect to poverty-level parents *and* moderate income families who do not have an offer of coverage at the workplace, what *can* they reasonably afford? What is the cost threshold (including premiums and co-pays) at which families conclude "*Forget it, it's not worth it -- I'll go without coverage and just try to stay healthy*"?

- Finally, what are the costs of implementing various strategies to cover the currently uninsured? Would there be federal monies to help off-set those costs? Conversely, if Utah does nothing, what are the economic costs to the state in terms of charity care, lost work productivity due to health issues, and other economic impacts not currently quantified in the health reform debate?

Many states have conducted affordability studies in order to better understand and define standards for affordability. An analysis of six studies produced the following conclusions for Massachusetts:

1. Health care costs, premiums, co-pays and deductibles can consume 8.5% of income for families at or above 600% FPL.

Affordability Hits Home…

In Utah health care costs have been increasing at double digit rates over the past several years.

Families like the Jackmans in Washington County who own a small business know this firsthand. Their family of 4 was insured on the individual market. "*In December 2008, our monthly premiums rose by 25%, forcing us to choose between paying our mortgage or our health insurance,*" says Mr. Jackman. Because of the high cost, they dropped their insurance. Mr. and Mrs. Jackman are still uninsured, though their children are now enrolled on CHIP.

Employers, for their part, respond to rising costs by dropping coverage altogether or passing more of the costs onto their employees. "*The recession coupled with 15-20% premium increases each year have hit our business hard,*" says small businesses owner Warren Lloyd. If this continues, his local architecture firm might be forced to stop providing coverage altogether, ending a 40 year tradition of this family-run company.

And they are not alone… Affordability is the number one barrier to Utahns access coverage and care. It must be addressed in Utah wants to attempt comprehensive health reform without imposing mandate.

2. For people at 300% FPL and below a "lower-bound" of affordability should be set at 4% of income.
3. For people between 300% and 600% FPL a progressive sliding scale should be created between 4% and 8.5% of income. [i]

Yet, what is affordable in Utah will be different than what is affordable in other states. With a younger population, a proportionately higher population under the age of 18 and lower wage rates than Massachusetts, our state may need to approach the issue of affordability differently. However, unless we conduct a study, we will never know.

The study we are proposing as an amendment to HB294 will provide policymakers with valuable information regarding the overall direction of health reform efforts: the appropriate populations to benefit from public programs, the subsidies that individuals may need to participate in cost-effective care, what to expect in take-up rates during and after the reforms, and incentives that may be needed to encourage people to enter the private market of their own free will–without a mandate.

The study should include general parameters similar to those developed by Community Catalyst, *Affordable Health Care for All: What Does Affordable Really Mean*[ii]:

- Affordability should be defined as some percentage of income that a household can devote to health care while still having sufficient income to address other basic necessities.
- Premium costs are only one part of the cost of health care. Out of-pocket-costs, co-pays and deductibles must also be considered in the equation. If a family cannot afford the co-pay or deductible, then their insurance will not incentivize them to seek primary and preventive care.
- To encourage higher take-up rates of insurance, the affordability scale should be conservative. This will lend much-needed political legitimacy to the otherwise controversial concept of personal responsibility for obtaining insurance coverage. The public, even the so-called "young immortals" will be able to *voluntarily* respond to incentives to purchase insurance if coverage is truly affordable.
- Finally, the study should be conducted by or in conjunction with an independent actuary.

CONCLUSION

A uniquely Utah perspective and study on household income and family budgets, costs of living, and costs of insurance will provide a common framework for understanding to develop the best solutions for Utah families and businesses.

[i] Barber, Christine and Miller, Michael. *Affordable Health Care for All: What Does Affordable Really Mean?* Community Catalyst, April 2007.
[ii] Ibid.