talking about Health Care Reform

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Health Care Must Be Affordable for All Families, Regardless of Income

As Congress considers options for health care reform and expanding coverage, it is important that these options ensure that everyone has access to *affordable* coverage, particularly low- and moderate-income consumers. Coverage is meaningless if people cannot afford to purchase it, or if they cannot afford to get health care services once they are covered. It is therefore imperative that health reform protects consumers from unaffordable out-of-pocket costs in Medicaid and in the private health insurance market.

Even relatively low out-of-pocket costs pose serious barriers for low-income people

- Low-income families spend a high proportion of their household earnings on necessities such as housing, transportation, utilities, and food, leaving little money for health care costs.
- A study of seven states that had increased the cost-sharing in their Medicaid and CHIP programs found significant enrollment losses among people who had to pay higher premiums, with the steepest losses coming from those with the lowest incomes.[1]
- Analyses of data from Hawaii, Minnesota, and Washington found that only 57 percent of the uninsured would participate in public health insurance programs when premiums were set at 1 percent of income. If premiums were set as high as 5 percent of income, only 18 percent would participate.[2]

Unaffordable cost-sharing discourages people from seeking timely, necessary care

- Evidence shows that when low-income people are required to pay more for health services, they may delay care or forgo care altogether.[3] For example, in Minnesota's Medicaid program, charging prescription drug copayments of between $1 and $3 caused more than half of the affected individuals to go without needed medicines.[4]
- The RAND Health Insurance Experiment found that low-income adults who were subject to cost-sharing were only 59 percent as likely to seek timely and effective health care for themselves and 65 percent as likely to seek care for their children as those who were not subject to cost-sharing. [5]

Medicaid's cost-sharing protections are essential for low-income people and should be maintained in any federal Medicaid expansion

- Medicaid limits how much and who can be required to pay out-of-pocket costs. For example, states cannot impose any cost-sharing on the lowest-income children, on any children's preventive care, or on emergency care for anyone in Medicaid.[6] Medicaid also limits enrollees' overall out-of-pocket costs, and cost-sharing is typically very low—if it is required at all.[7]

- Children who are enrolled in Medicaid are more likely to receive preventive health care—which does not require copayments—than children with private insurance.[8]
- Studies show that low-income people experience better health outcomes when they are in plans without cost-sharing than those in plans with cost-sharing. For example, high-risk populations (including people with high blood pressure, high cholesterol levels, and those who smoke) in plans without cost-sharing had a 10 percent reduction in the risk of premature death, experienced improvements in high blood pressure, and were more likely to receive eye exams than those in plans with cost-sharing.[9]

Affordability protections will also be critical to helping people with moderate incomes purchase health coverage and afford care

- Health coverage offered through the individual private market is typically very expensive, with out-of-pocket costs that make it unaffordable for low- and moderate-income individuals. For example, in 2006-2007, median copayments for plans purchased in the individual market ranged from $28 to $35, and the median deductible for such plans was $1,747. These out-of-pocket costs are far, far too expensive for low-income individuals.[10]
- Low- and moderate-income people who are ineligible for Medicaid will need robust protections to help them purchase quality coverage and to limit out-of-pocket costs. Proposals to expand coverage that do not contain these safeguards will be meaningless for millions of people who are currently uninsured.
- Subsidies should be greatest for those with the lowest incomes.

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[1] Samantha Artiga and Molly O'Malley, *Increasing Premiums and Cost Sharing in Medicaid and SCHIP: Recent State Experiences* (Washington: Kaiser Commission on Medicaid and the Uninsured, May 2005).

[2] Leighton Ku and Teresa Coughlin, *The Use of Sliding Scale Premiums in Subsidized Insurance Programs* (Washington: The Urban Institute, March 1997).

[3] Leighton Ku, *The Effect of Increased Cost-Sharing in Medicaid: A Summary of Research Findings* (Washington: Center on Budget and Policy Priorities, May 2005).

[4] Robyn Tamblyn, et al. "Adverse Events Associated with Prescription Drug Cost-Sharing among Poor and Elderly Persons," *JAMA* 285, no. 4 (January 2001): 421-429.

[5] Key Findings of the RAND Health Insurance Experiment Study are described in Geri Dallek, *A Guide to Cost-Sharing and Low-Income People* (Washington: Families USA, October 1997).

[6] Center for Children and Families, *Cost Sharing for Children and Families in Medicaid and SCHIP* (Washington: Center for Children and Families, Georgetown University Health Policy Institute, December 2008).

[7] January Angeles, *Improving Medicaid as Part of Building on the Current System to Achieve Universal Coverage* (Washington: Center on Budget and Policy Priorities, February 2009).

[8] Lisa Dubay and Genevieve M. Kenney, "Health Care Access and Use among Low-Income Children: Who Fares Best?" *Health Affairs* 20, no. 1 (January/February 2001): 112-121.

[9] Julie Hudman and Molly O'Malley, *Health Insurance Premiums and Cost-Sharing: Findings from the Research on Low-Income Populations* (Washington: Kaiser Commission on Medicaid and the Uninsured, April 2003).

[10] America's Health Insurance Plans, *Individual Health Insurance 2006-2007: A Comprehensive Survey of Premiums, Availability, and Benefits* (Washington: AHIP, December 2007), available online at http://www.ahipresearch.org/pdfs/Individual_Market_Survey_December_2007.pdf.

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