

# Health Care Affordability

*What does affordability really mean for New York's working families?*

**“The deductibles are so high that I can’t afford to use my insurance. Every year we have a \$2,000 deductible. On paper, we have insurance. But in reality, I don’t have access to it.”**

*-Rodney, a 45 year-old screenwriter, Brooklyn, NY.*

## What is Affordability?

Affordability in health care is measured by the amount of money a household can spend on health costs, while still having enough left over to pay for other necessities. This includes both monthly health insurance premiums and any out-of-pocket costs.

## Why is Affordability Important?

Research has found that the amount charged for health care can be a determining factor for whether or not individuals seek necessary health care services.<sup>1</sup> With health care costs at an all-time high, more families are finding that health care no longer fits in their budgets.

- The percent of families with problems paying medical bills increased from 15% in 2003 to 19% in 2007.<sup>2</sup>
- Studies find that medical debt contributes to nearly 50% of all US home foreclosures<sup>3</sup> and 62% of all bankruptcies.<sup>4</sup>

## How Does Affordability Factor into Health Reform?

In the context of health reform, there is a trade-off between the cost to individuals and the cost to government. Controlling government costs is important, but individual affordability is vital. In New York, insurance premiums have risen by 81% between 2000 and 2007, compared to only an 11% increase in worker earnings.<sup>5</sup>

Critics say that the Massachusetts health reform program was designed to accommodate the government’s budget rather than individual affordability for families.

- In Massachusetts, 20% (or 60,000) working families were “exempted” from the health program and remain uninsured for lack of affordable coverage.<sup>6</sup>
- Estimates indicate that if New York adopted the Massachusetts plan, somewhere between 380,000 and 515,000 working New Yorkers would be unable to afford coverage.<sup>7</sup>

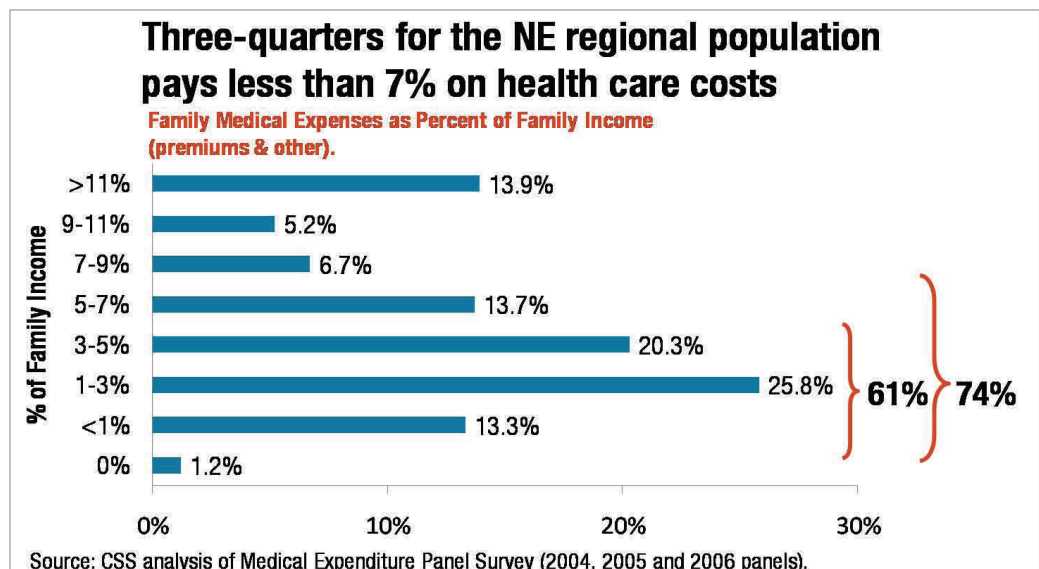
## What is Affordable for New Yorkers?

One way to determine affordability is a behavioral model. This means observing what people are currently paying (or refusing to pay) for health care or health insurance, as well as their opinions about what cost levels they would consider affordable or unaffordable, and how much leeway they have in their budgets.

### • What New Yorkers are Paying

A reasonable means of establishing a range of affordability is to look at the current spending on out-of-pocket and premium costs for those New Yorkers who receive health insurance through their employer. Currently, the majority (61%) of families living in the Northeast Census Region who hold employer-sponsored insurance spend less than 5% of their household income on their total family expenditures (premiums plus out-of-pocket costs), and three-quarters pay less than 7%, pictured below.<sup>8</sup>

**Figure 1—Health Care Spending as a Percent of Family Income for the Northeast Region**



## • New Yorkers on Affordability

A recent statewide survey by the Community Service Society (CSS) and Lake Research Partners found that a majority (57%) of New Yorkers thought that paying 5% of total income before taxes for their family's healthcare costs was "about right;" 27% of New Yorkers thought 5% was "too much;" and only 9% of New Yorkers thought it was too little. Respondents with children were much more cost-sensitive: 36% of parents said spending 5% of their pre-tax income was "too much."<sup>9</sup>

CSS also asked New Yorkers about how much was affordable, or what they would pay, for health insurance on a sliding-scale. New Yorkers were asked whether they favored or opposed asking: families earning around \$34,000 annually to pay \$45 per month for insurance coverage; families earning around \$52,000 annually to pay \$125 per month; and families earning around \$69,000 annually to pay \$350 per month.

A majority of respondents at each income level—low-income (<200% FPL), moderate-income (200% - 400% FPL) and at higher income (>400% FPL)—supported these affordability thresholds. However, higher income families showed more resistance to these thresholds.

## • The Unaffordable Reality

The average yearly cost for insurance on the direct-pay market \$12,000 for an individual or \$24,000 for a family. These prices constitute 130% of a poor New York family's income.

An alternative for some people and small businesses is the State's Healthy NY program, but even this program can take up between 15% and 45% of an individual or family's income.

Even the most affordable option available for most New Yorkers, employer-sponsored coverage can take up as much as 17% of a poor family's income.

## What is the Bottom Line?

Too many working families no longer have the means within their budgets to absorb the rising cost of health care. Affordability is central to the success of any health reform program. With state and national efforts moving forward, it is imperative that any reform effort not bring further financial harm upon working families.

*Health Care For All New York believes health reform should be affordable and guarantee access to quality health care for all.*

**Figure 2—Percent of Pre-Tax Income Consumed by Different Health Insurance Options**

Federal Poverty Level	2009 Income	Single Adult		
		ESI	Direct Pay	HNY
100%	\$10,830	9%	79%	31%
200%	\$21,660	5%	40%	15%
300%	\$32,490	3%	26%	10%
400%	\$43,320	2%	20%	8%
500%	\$54,150	2%	16%	6%
600%	\$64,980	2%	13%	5%
Federal Poverty Level	2009 Income	Family of Four		
		ESI	Direct Pay	HNY
100%	\$22,050	17%	131%	45%
200%	\$44,100	8%	65%	22%
300%	\$66,150	6%	44%	15%
400%	\$88,200	4%	33%	11%
500%	\$110,250	3%	26%	9%
600%	\$132,300	3%	22%	7%

Source: CSS analysis of ESI Data from MEPS/IC (2006); Direct Pay data calculated based on NYSDOI Premium Rates Index (April 2008); HNY data derived from NYSDOI - 2007 Annual Report on Healthy New York. All costs adjusted to 2009 dollars based on observed premium cost growth in each program (ESI, Direct Pay and Healthy NY).

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- In November 2007, working with Lake Research Partners, CSS interviewed 1,619 New York State residents in four regions of the state: New York City, Long Island, Rural Upstate, and Urban Upstate communities

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