PRELIMINARY 9/7/09

CHANGING COURSE:
TRENDS IN HEALTH INSURANCE COVERAGE 2000-2008

Karen Davis,
President, The Commonwealth Fund
One East 75th Street
New York, NY 10021
kd@cmwf.org
http://www.commonwealthfund.org

Invited Testimony

HEARING ON THE UNINSURED

Joint Economic Committee
September 10, 2009

This testimony draws on Commonwealth Fund work authored by Sara R. Collins, Michelle Doty, Cathy Schoen, and colleagues. The editorial assistance of Chris Hollander of The Commonwealth Fund is gratefully acknowledged. The views presented here are those of the author and not necessarily those of The Commonwealth Fund or its directors, officers, or staff.

CHANGING COURSE:

TRENDS IN HEALTH INSURANCE COVERAGE 2000-2008

Executive Summary

This morning the U.S. Bureau of the Census released the alarming news – the numbers of uninsured hit TK in 2008, up from 45.6 million in 2007. Over the last decade, insurance coverage has steadily eroded, rising from 38 million uninsured in 2000. Even before this severe recession, the number of uninsured was projected to grow to 61 million in 2020. We simply can not afford to continue on our current course.

The need for health reform is urgent and compelling:

- The number of uninsured Americans has jumped over 20 percent between 1999 and 2008.
- In 2006, 75 million people were uninsured for all or part of the year, representing 25 percent of the total population and 27 percent of those under age 65.
- Uninsured rates are particularly high among low-income individuals. Half of those with family income under $20,000 were uninsured at some point during 2007. But over the last decade, more and more middle-class families have joined the ranks of the uninsured. Two of five (41%) of those with moderate incomes ($20,000 to $39,999) were uninsured at some point during 2007, up from 28 percent in 2001.
- The rapid rise in unemployment endangers the health coverage of many more working Americans. A recent study found that for every percentage-point increase in the unemployment rate, the number of uninsured increases by approximately 1 million. If unemployment were to rise to 10 percent, 6 million more people would be uninsured than in 2007.
- According to a Commonwealth Fund study released yesterday, only 25 percent of those working for firms with fewer than 50 employees had coverage from their own employer in 2007, down from 35 percent in 2003. By contrast coverage through one's own employer increased from 70 percent to 74 percent for employees of firms with 50 or more employees over that period.

- The number of *underinsured*—people with inadequate coverage that ensures neither access to care nor financial protection—has jumped 60 percent between 2003 and 2007, from 16 million to 25 million.
- Analysis of the 2007 Commonwealth Fund Biennial Health Insurance Survey shows that 68 percent of the uninsured went without needed care due to cost. Uninsured and underinsured people with chronic conditions, for example, are less likely than the insured to report managing their conditions, more likely to report not filling prescriptions or skipping doses of drugs, and more likely to use emergency rooms and be hospitalized.

The health insurance system in this country is fundamentally broken. It does not accomplish what insurance is created to accomplish – ensure access to needed care and protect against the financial hardship of medical bills. The deterioration in health insurance coverage has reached the point that financial hardship is not the exception but the rule.

- Seventy-two million people report having problems paying medical bills or accumulated medical debt. To pay their bills, far too many people are unable to afford basic necessities, use up their savings, take on credit card debt, or even home loans.
- Three-fifths (61%) of those with problems paying medical bills or accrued medical debt were insured at the time the debt was incurred.
- A total of 116 million adults ages 19-64 – 65 percent of all non-elderly adults –are uninsured at some point during the year, or are underinsured, or struggle to obtain needed care and pay their medical bills.

As a nation, we pay a price for being the only major country without health insurance for all. Workers miss work from preventable illness, die from conditions amendable to medical care, or retire early from preventable disability. Children miss school or drop out of high school without graduating because of preventable health problems. The Council of Economic Advisers estimates that covering the uninsured would result in a net increase in economic well-being of $100 billion a year, or 2/3 of one percent of the Gross

Domestic Product. Coverage for all would increase the labor supply, and level the playing field between large and small businesses.

Recognizing the seriousness of our flawed health system, Congress took action early this year to cover more people at high risk. Reauthorization of the Children's Health Insurance Program (CHIP) will cover an estimated 4.1 million uninsured low-income children in addition to the 7 million covered in 2008. The CHIP program has been a major success – the trends in numbers of uninsured children – unlike those of uninsured adults have improved over the last decade.

Provisions in the American Recovery and Reinvestment Act of 2009 (ARRA) have also helped prevent the loss of health insurance coverage as a result of the severe and sustained economic recession. It provided $86.6 billion over 27 months to help states maintain and expand Medicaid enrollment as more unemployed working families qualified for coverage. In addition, ARRA provided a 65 percent premium subsidy to help recently unemployed workers retain their employer-based coverage under COBRA. for up to nine months.

Measures in health reform bills currently under consideration in the Congress include:

- Creation of health insurance exchanges that expand insurance choices and competition and set market rules ensuring that coverage is available to all on comparable terms.
- Income-related premium assistance up to three or four times the federal poverty level.
- Expansion of Medicaid up to 133 to 150 percent of poverty.
- Requirement that plans include an essential benefit package and income-related assistance with cost sharing up to four times the federal poverty level.
- Shared employer responsibility in financing coverage for workers with assistance to small businesses.

The Congressional Budget Office estimates that if the House bill is enacted, the number of people uninsured would decline to 17 million people in 2019. Employer-sponsored insurance would remain the primary source of insurance for most families, covering 60 percent of the population or 166 million people. About 10 million people would become newly enrolled through Medicaid, with most previously uninsured.

Recognizing the plight of families facing an unraveling safety net of health insurance coverage, the President last night reiterated his call for bold change to address the crushing burdens of rising health care costs for both businesses and families.
Failing to act will lead to greater and greater numbers of Americans without adequate, affordable insurance -- unable to obtain the care they need, with families struggling under the weight of rising health insurance premiums and out-of-pocket costs of health care. Health insurance premiums have risen from 11 percent of family incomes in 1999 to 18 percent today. If we continue on our current course, they will reach 24 percent by 2020.

Health reform could provide substantial relief to families by slowing the growth in health insurance premiums, and share responsibility for premiums among households, employers, states, and the federal government. Estimates prepared for the Commonwealth Fund suggest that the average family would save $2300 in 2020 from comprehensive health reform embracing competition and choice.

The comprehensive reforms proposed by the President will help spark economic recovery, put the nation back on a path to fiscal responsibility, and ensure all families are able to get the care they need with financial security. The cost of inaction is high. The time has come to take bold steps to ensure the health and economic security of this and future generations. Health reform is an urgently needed investment in a better health system and a healthier and economically more productive America.

CHANGING COURSE:
TRENDS IN HEALTH INSURANCE COVERAGE 2000-2008
Karen Davis

Thank you, Mr. Chairman, for this invitation to testify on trends in health insurance coverage over the last decade. This morning the U.S. Bureau of the Census released the alarming news – the numbers of uninsured hit TK in 2008, up from 46 million in 2007.[1] Over the last decade, insurance coverage has steadily eroded, rising from 38 million uninsured in 2000.[2] Even before this severe recession, the number of uninsured was projected to grow to 61 million in 2020.[3] We simply can not afford to continue on our current course.

The Administration and Congress enacted important legislation earlier this year to stem the rising tide of uninsured with coverage of an additional 4.1 million low-income children under the Children's Health Insurance Program and important provisions to enhance federal matching for Medicaid and provide premium assistance to unemployed workers to continue their employer coverage under COBRA. Yet these measures are not sufficient to reverse the long-term trend. Enactment of health reform is urgently needed to ensure affordable health insurance for all Americans.

Gaps in Insurance Coverage a Serious and Growing Problem

The U.S. is the only major industrialized country that does not ensure health coverage for all. As we learned today, TK million Americans – TK percent of those under age 65 – went without the coverage essential to gaining access to health care. Millions more have unstable coverage and lose coverage for a period of time as a result of becoming ill, changing jobs, or other circumstances. In 2006, 75 million people were uninsured for all or part of the year, representing 25 percent of the total population and 27 percent of those under age 65.[4]

Uninsured rates are particularly high among low-income individuals. Half of those with family income under $20,000 were uninsured at some point during 2007.[5] But over the

last decade, more and more middle-class families have joined the ranks of the uninsured. Two of five (41%) of those with moderate incomes ($20,000 to $39,999) were uninsured at some point during 2007, up from 28 percent in 2001.

The rapid rise in unemployment endangers the health coverage of many more working Americans. Since employment-sponsored insurance is the major source of coverage for working families, loss of a job often means loss of insurance. A recent study found that for every percentage-point increase in the unemployment rate, the number of uninsured increases by approximately 1 million. If unemployment were to rise to 10 percent, 6 million more people would be uninsured than in 2007.[6]

Even those with jobs are at risk of losing coverage as rising premiums increasingly price small businesses and working families out of the health insurance market. The erosion of health insurance coverage over the last decade has been particularly stark among small businesses. According to a Commonwealth Fund study released yesterday, only 25 percent of those working for firms with fewer than 50 employees had coverage from their own employer in 2007, down from 35 percent in 2003.[7] By contrast coverage through one's own employer increased from 70 percent to 74 percent for employees of firms with 50 or more employees over that period. Low-wage workers earning less than $15 an hour are particularly at risk. Only 16 percent of low-wage workers in small firms with fewer than 50 employees had coverage from their own employer in 2007, compared with 32 percent of small firm workers earning $20 an hour or more. For high-wage workers in large firms, 83 percent had coverage from their own employer.

The White House Office of Health Reform notes that small business workers who are not offered coverage often end up uninsured.[8] Without employer assistance paying premiums, workers often go without coverage or buy very expensive policies with limited benefits on the individual insurance market. Over one-third (36%) of working adults in small firms were uninsured at some time during 2007.[9] Most of those who are adequately insured are those fortunate enough to be covered by a family member's employer – putting the entire family at risk of losing coverage if the covered worker loses his or her job. By contrast for

workers in firms with 50 or more employees, 15 percent are uninsured at some time during the year.

Rates of insurance coverage vary widely across the U.S. A few states, such as Massachusetts, have enacted comprehensive reform. Massachusetts now has the lowest rate of uninsured in the nation.[10] But the dominant trend has been a marked increase in rates of uninsured adults. While the rate of uninsured adults was 23 percent or higher in two states in 1999-2000, by 2006-2007 it exceeded that rate in nine states. The one bright spot is the reduction in rates of uninsured children in most states as a result of the Children's Health Insurance Program

Under the current health system, even those with coverage are often underinsured – with inadequate financial protection and access to care. Insured individuals are increasingly spending a high percent of their income on medical care despite having continuous coverage. Insured adults are defined as underinsured if they spent 10 percent or more of their income on out-of-pocket health care costs (or 5 percent if low income), or have deductibles of 5 percent or more of income.[11] As of 2007, there were an estimated 25 million underinsured adults in the United States, up 60 percent from 2003. While low-income individuals and families are hit the hardest, the problem has moved up the income ladder and now affects the middle class. Between 2003 and 2007, the underinsured rate nearly tripled among adults with incomes above 200 percent of the federal poverty level.

Employees of small firms are particularly at risk of being underinsured. They receive fewer benefits, pay higher premiums, and often face larger deductibles compared with those working for larger businesses. On average, small firms pay up to 18 percent more in premiums than large firms do for the same health insurance policy.[12] Smaller businesses also pick up a smaller share of premiums, further increasing costs to their workers. Deductibles have risen sharply in smaller firms (with three to 199 employees), with the mean deductible for single coverage rising from $210 in 2000 to $917 in 2008.[13] For larger firms, deductibles increased from $157 to $413 over this period. Employees of small firms are more likely to report having limits on covered benefits and are more likely to rate their coverage as fair or poor.

Consequences of Gaps in Coverage

The economic and health consequences of being uninsured or underinsured are stark. Analysis of the 2007 Commonwealth Fund Biennial Health Insurance Survey shows that 68 percent of the uninsured went without needed care due to cost.[14] Uninsured and underinsured people with chronic conditions, for example, are less likely than the insured to report managing their conditions, more likely to report not filling prescriptions or skipping doses of drugs, and more likely to use emergency rooms and be hospitalized.[15] The uninsured are also less likely than the insured to receive preventive care such as immunizations, Pap tests, mammograms, and colon cancer screening. People without insurance who have life-threatening conditions such as cancer are at very high risk for preventable deaths due to delays in detection plus lack of adequate treatment.[16]

With the rise in health care costs in the last decade, the inability to get needed care has risen across all income groups. While almost two-thirds (62%) of those with incomes below $20,000 reported not getting needed care because of costs, even for those with incomes above $60,000, almost one-third (29%) reported such problems in 2007 – double the rate in 2001.[17]

When they do obtain health care, the uninsured and underinsured often incur burdensome medical bills and accumulate unpaid medical debt. Half of the uninsured reported a medical bill problem or accumulated medical debt in 2007.[18]

Rising health insurance premiums have fueled erosion in insurance benefits and shifted financial risk onto individuals and families.[19] In part as a result of an infatuation with high deductible health plans based on the untested theory that having patients pay more for their own care would lead patients to economize on care and help control rising costs, employers have shifted more costs to employees in the form of higher deductibles and greater cost-sharing. This has not been an effective solution to rising costs, but instead has resulted in many of the insured experiencing problems accessing care and paying medical bills. Fifty-three percent of those who are underinsured reported one of four instances of going without needed care due to costs: not filling a prescription; skipping a

recommended medical test, treatment, or follow-up; having a medical problem but not visiting a doctor; or not getting needed specialist care because of costs. Forty-five percent of the underinsured reported one of three medical debt or bill problems: having problems paying medical bills; changing their way of life to pay medical bills; or being contacted by a collection agency for inability to pay medical bills.

The deterioration in health insurance coverage has reached the point that it is not the exception but the rule. Seventy-two million people report having problems paying medical bills or accumulated medical debt.[20] To pay their bills, far too many people are unable to afford basic necessities, use up their savings, take on credit card debt, or even home loans. This is not just a reflection of being uninsured. Three-fifths (61%) of those with problems paying medical bills or accrued medical debt were insured at the time the debt was incurred.

The health insurance system in this country is fundamentally broken. It does not accomplish what insurance is created to accomplish – ensure access to needed care and protect against the financial hardship of medical bills. A total of 116 million adults ages 19-64 – 65 percent of all non-elderly adults – are uninsured at some point during the year, or are underinsured, or struggle to obtain needed care and pay their medical bills.[21]

As a nation, we pay a price for being the only major country without health insurance for all.[22] Workers miss work from preventable illness, die from conditions amenable to medical care, or retire early from preventable disability. Children miss school or drop out of high school without graduating because of preventable health problems. The Council of Economic Advisers estimates that covering the uninsured would result in a net increase in economic well-being of $100 billion a year, or 2/3 of one percent of the Gross Domestic Product. Coverage for all would increase the labor supply, and level the playing field between large and small businesses. We can not lose sight of the cost of inaction in either economic or human terms.

Steps Congress Has Taken

Recognizing the seriousness of our flawed health system, Congress took action early this year to cover more people at high risk. Reauthorization of the Children's Health Insurance Program (CHIP) will cover an estimated 4.1 million uninsured low-income children in addition to the 7 million covered in 2008.[23] This expansion of coverage is not yet reflected in the uninsured numbers released today.

The CHIP program has been a major success – enrolling millions of children under state-run programs subject to federal guidelines. As a result of CHIP, the trends in numbers of uninsured children – unlike those of uninsured adults have improved over the last decade. In 1999-2000 nine states had 16 percent or more children uninsured. By 2005-2006, that number had dropped to five. As a result of CHIP, millions of children have received preventive and primary care essential to health and healthy development.[24]

Provisions in the American Recovery and Reinvestment Act of 2009 (ARRA) have also helped prevent the loss of health insurance coverage as a result of the severe and sustained economic recession. It provided $86.6 billion over 27 months to help states maintain and expand Medicaid enrollment as more unemployed working families qualified for coverage. The federal matching rate was increased by 6.2 percent for all states, and more for states with marked increases in unemployment. The condition of funding was the maintenance of Medicaid eligibility.

In addition, ARRA provided subsidies to help recently unemployed workers retain their employer-based coverage under COBRA.[25] Under the leadership of the late Senator Edward M. Kennedy, the 1985 Consolidated Omnibus Budget Reconciliation Act (COBRA) permits workers in firms of 20 or more employees to retain their health insurance coverage for 18 months by paying the full premium plus a 2 percent additional administrative fee. ARRA built on this legislation by providing a 65 percent subsidy for COBRA continuation premiums for laid-off workers and their families for up to nine months. Eligible workers pay 35 percent of the premium to their former employers. To qualify, a worker must have been involuntarily separated between Sept. 1, 2008, and Dec. 31, 2009. This subsidy phases out for individuals whose modified adjusted gross income exceeds $125,000, or $250,000 for those filing joint returns.

This provision is extremely valuable to unemployed workers who have little options for affordable coverage without this assistance. The individual insurance market has more costly premiums than employer coverage, more limited benefits, and often is unavailable at any premium for those with health conditions.[26]

It should be recognized, however, that the COBRA premium assistance will not reach all of the unemployed. Most importantly, only 38 percent of workers with incomes below twice the poverty income level are eligible for COBRA. They either work for small firms not subject to COBRA requirements or for a firm that does not provide them with health insurance even when employed.[27]

Further, many unemployed individuals and families will still find coverage unaffordable even with this assistance.[28] The average COBRA family premium is $12,680. The worker's 35 percent share of this premium is $4, 438 – a hefty sum for unemployed families adjusting to loss of a job and a paycheck.

Implications of Health Reform for Affordability and Adequacy of Health Insurance Coverage

The health reform provisions currently under consideration in the Congress would go a long way toward fixing our broken health insurance system. The most important provisions improving insurance coverage include:

- **Insurance Exchange with market rules**
    - **Both the House bill and the Senate HELP bill** call for the creation of a health insurance exchange with expanded choices and competition. Market rules would prohibit discrimination against those with health conditions requiring insurance to be available to all with premiums that are the same for everyone at the same age and family structure, regardless of health status.
- **Sliding scale premium subsidies**
    - **The House bill** would cap family or individual premium payments purchased through an insurance exchange at no more than 1.5 percent of

income for those earning 133 percent of poverty or $28,200 for a family of four and rising to no more than 12 percent of income for those with incomes at 400 percent of poverty, or about $84,182 for a family of four.

- **The Senate HELP bill** would provide premium assistance on a sliding scale up to 400% of poverty for insurance purchased through an insurance exchange such that premiums are no more than 1 percent of income for people with incomes of 150 percent of poverty or less and no more than 12.5 percent of income for those with incomes at 400 percent of poverty.

- **New Medicaid income eligibility level**
  - **The House bill** expands eligibility for Medicaid up to 133 percent of poverty or $28, 200 for a family of four.
  - **The Senate HELP bill** expands eligibility for Medicaid to 150 percent of poverty or $31,804 for a family of four.
- **Benefits**
  - **The House bill** would instruct the insurance exchange to define an essential benefit package. The exchange would offer four benefit tiers, though only the level of cost-sharing would be allowed to vary across the three lowest tiers. All health plans including employers must provide at least the "basic" essential benefit package inside and outside the exchange.
  - **The Senate HELP bill** would instruct the Secretary of HHS to define an essential health benefits package that would be equal in scope to typical employer plans. The Secretary would be required to establish at least three cost-sharing tiers for the essential benefits package.
- **Cost-sharing assistance for low-income families**
  - **The House bill** would reduce cost sharing in the basic plan such that the share of costs covered by the basic plan would rise from 70 percent to 97 percent for those earning 133-150 percent of poverty, 93 percent for those earning 150 – 200 percent of poverty and down to 72 percent of costs covered for those earning 350 percent of poverty.
- **Shared employer responsibility**

- **The House bill** as reported out of the Energy and Commerce Committee would require employers to offer coverage to their employees and contribute at least 72.5% of the premium cost for single coverage and 65% of the premium cost for family coverage of the lowest cost plan that meets the bill's "essential" benefits package requirements or pay 8% of payroll into the Health Insurance Exchange Trust Fund. The House bill exempts small businesses with payrolls of less than $500,000 from the bill's 8% payroll tax for employers that do not offer health insurance and phases in employer shared financial responsibility beginning with a 2 percent payroll tax for firms with annual payrolls between $500,000 and $585,000, and rising to 8% for firms with payrolls above $750,000. The House bill as reported out of the Energy and Commerce Committee provides a tax credit equal to 50% of the amount paid by a small employer. The tax credit is phased out for employers with 10 to 25 employees, and is also phased out for employers with average wages of $20,000 to $40,000 per year.
- **The Senate HELP bill** requires employers to offer health coverage to their employees that meets the federal standard of "minimum qualifying coverage" and to contribute at least 60 percent of the premium cost. Employers who do not "play" would pay $750 annually for each full-time employee who is not offered coverage, and $375 for each uncovered part time worker. The bill also requires employers to include dependents up to age 26. The Senate HELP bill exempts small businesses with fewer than 25 employees from the mandate. In addition, the first 25 employees of any firm are not subject to the $750 per worker payment if the firm decides not to offer coverage. The Senate HELP bill provides tax credits for up to three years for firms of 50 workers or less with an average wage of $50,000 or less who offer coverage and pay 60% or more of their employees' premiums. The credit is equal to $1,000 for each employee with single coverage and $2,000 for family coverage. Bonus payments are available for each additional 10 percentage point increase in premium contributions.

The Congressional Budget Office estimates that if the House bill is enacted, the number of people uninsured would decline to 17 million people in 2019. Employer-sponsored insurance would remain the primary source of insurance for most families, covering 60 percent of the population or 166 million people. About 10 million people would become newly enrolled through Medicaid, with most previously uninsured.

The Ways and Means Committee has prepared charts illustrating premium and out-of-pocket cost maximums for families and children. The first chart below shows how much in premiums families of four pay today and the maximum each family would pay under the House bill.

AMERICA'S AFFORDABLE HEALTH CHOICES ACT WILL REDUCE PREMIUMS

Under HR 3200*, premiums will decrease and coverage will increase relative to today's coverage in the non-group market. HR 3200 will make health insurance affordable, particularly for those with modest incomes. Monthly premiums would be limited to no more than a certain percentage of a family's income.

INCOME LEVEL		WHAT YOU PAY TODAY Premiums for a Typical High Deductible Plan		MAXIMUM PREMIUMS YOU WOULD PAY UNDER HR 3200 IN THE EXCHANGE		MAXIMUM PREMIUMS YOU WOULD PAY IN THE EXCHANGE UNDER ENERGY AND COMMERCE AS REPORTED	
Federal Poverty Level	2009 Annual Income	% of Income	Monthly Premium	% of Income	Monthly Premium	% of Income	Monthly Premium
133 % FPL	$29,327	34%	$827	1.5%	$37	1.5%	$37
150% FPL	$33,075	30%	$827	3%	$83	3%	$83
200% FPL	$44,100	23%	$827	5%	$184	5.5%	$202
250% FPL	$55,125	18%	$827	7%	$322	8%	$368
300% FPL	$66,150	15%	$827	9%	$496	10%	$551
350% FPL	$77,175	13%	$827	10%	$643	11%	$707
400% FPL	$88,200	11%	$827	11%	$809	12%	$882

*As introduced and reported by the House Ways and Means, Education and Labor, and Energy and Commerce Committees.

Prepared by the Committee on Ways and Means *July 31, 2009*

The second chart shows examples of how much in deductibles and co-insurance people could end up paying, and how those would compare with a typical high deductible plan and with the typical health insurance plan for federal employees.

SEEING YOUR DOCTOR WILL BE MORE AFFORDABLE WITH COST SHARING ASSISTANCE IN THE EXCHANGE

Under HR 3200, affordability credits will limit out-of-pocket costs for families with low or modest incomes by limiting cost sharing for doctor visits, hospital stays and other services and creating an overall cap on out-of-pocket expenses. In addition, HR 3200 eliminates annual and lifetime caps that insurance companies sometimes use to limit covered care. This means people will pay less and get the care they need without fear of bankruptcy due to medical costs. Below are *examples* of cost sharing under America's Affordable Health Choices Act compared to cost sharing under the Federal Employees Health Benefit Plan (FEHBP) or a high deductible health plan in the non-group or individual market.

Illustrative Plan Options*

Coverage in the Exchange Federal Poverty Level	2009 Annual Income	Deductible	Co-Insurance**	Out-Of Pocket Cap
133% - 150% FPL	$29,327 - $33,075	$100	10%	$900
150% - 200% FPL	$33,075 - $44,100	$200	15%	$1,450
200% - 250% FPL	$44,100 - $55, 125	$500	15%	$4,400
250% - 300% FPL	$55,125 - $66,150	$1,000	20%	$7,450
300% - 350% FPL	$66,150 - $77,175	$2,400	20%	$8,520
Above 350% FPL	$77,175+	$3,000	15%	$10,000
Typical High Deductible Plan ALL INCOMES		$2,200	20-25%	$10,000
FEHBP (Insurance Coverage for federal employees and Members of Congress) ALL INCOMES		$600	15-30%	$9,934

* These examples show possible cost sharing for insurance coverage for a family of four; the Administration would establish the actual levels based on the value described in the legislation (e.g., for those with incomes between 133-150 FPL the actuarial value equals 97 percent, which means the family pays 3 percent of the cost sharing for the plan; between 150- 200% FPL the value is 93; between 200- 250% FPL the value is 85; between 250- 300% FPL the value is 78; between 300- 350% FPL, the value is 72; for those above 350% FPL, the value is 70). ** Percent consumer pays of the cost of the service received.

Prepared by the Committee on Ways and Means *July 31, 2009*

Urgent Need for Comprehensive Reform to Ensure Affordable Coverage for All

Recognizing the plight of families facing an unraveling safety net of health insurance coverage, the President last night reiterated his call for bold change to address the crushing burdens of rising health care costs for both businesses and families. Building on the action of Congress earlier this year, he has called for moving forward to secure insurance coverage for all and change the health system through competition and choice.

Failing to act will lead to greater and greater numbers of Americans without adequate, affordable insurance -- unable to obtain the care they need, with families struggling under the weight of rising health insurance premiums and out-of-pocket costs of health care. Health insurance premiums have risen from 11 percent of family incomes in 1999 to 18 percent today. If we continue on our current course, they will reach 24 percent by 2020.[29]

The average American family simply can not afford to spend one-fourth of their income on health insurance.

Health reform could provide substantial relief to families by slowing the growth in health insurance premiums. Estimates prepared for the Commonwealth Fund suggest that the average family would save $2300 in 2020 from comprehensive health reform embracing competition and choice.[30] This includes an insurance exchange with a public health insurance plan that fosters competition and choice in the market for health insurance, and reforms in provider payment methods that reward value rather than volume of services. System reforms to reach attainable benchmark performance on patient outcomes and prudent use of resources, use of modern information technology, investment in population health, and rewards for providers willing to be accountable for ensuring that patients achieve the best possible outcomes would both save lives and slow spending from 6.5 percent a year to 5.2 percent a year over the next decade.

Although politically difficult, there is an urgent need to move in a new direction. The comprehensive reforms proposed by the President will help spark economic recovery, put the nation back on a path to fiscal responsibility, and ensure all families are able to get the care they need with financial security. The cost of inaction is high. With both a historic political opportunity and a clear path toward a high performance health system, the time has come to take bold steps to ensure the health and economic security of this and future generations. Health reform is an urgently needed investment in a better health system and a healthier and economically more productive America.

[1] TK, *Income, Poverty, and Health Insurance Coverage in the United States: 2008*, (Washington, D.C.: U.S. Census Bureau, forthcoming September 2009).

[2] C. DeNavas-Walt et al., *Income, Poverty, and Health Insurance Coverage in the United States: 2007*, (Washington, D.C.: U.S. Census Bureau, August 2008); U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement, 2001 and 2006; Projections to 2020 based on estimates by The Lewin Group.

[3] The Commonwealth Fund Commission on a High Performance Health System, *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way*, The Commonwealth Fund, February 2009

[4] Analysis of the 2006 of the Medical Expenditure Panel Survey by B. Mahato of Columbia University for The Commonwealth Fund.

[5] S. R. Collins, J. L. Kriss, M. M. Doty, and S. D. Rustgi, *Losing Ground: How the Loss of Adequate Health Insurance Is Burdening Working Families: Findings from the Commonwealth Fund Biennial Health Insurance Surveys, 2001–2007* (New York: The Commonwealth Fund, August 2008).

[6] J. Holahan and A. B. Garrett, *Rising Unemployment, Medicaid, and the Uninsured*, Publication No. 7850 (Washington, D.C.: Kaiser Commission on Medicaid and the Uninsured, Jan. 2009).

[7] M. M. Doty, S.R. Collins, S.D. Rustgi, and J.L. Nicholson, *Out of Options: Why So Many Workers in Small Businesses Lack Affordable Health Insurance and How Health Care Reform Can Help: Findings from the Commonwealth Fund Biennial Health Insurance Survey, 2007*, (New York: The Commonwealth Fund, September 9, 2009).

[8] White House Office of Health Reform, *Helping the Bottom Line: Health Reform and Small Business*, (Washington, D.C.: Executive Office of the President, April 2009).

[9] S. R. Collins, C. White, and J. L. Kriss, *Whither Employer-Based Health Insurance? The Current and Future Role of U.S. Companies in the Provision and Financing of Health Insurance* (New York: The Commonwealth Fund, Sept. 2007).

[10] The Commonwealth Fund Commission on a High Performance Health System, *Why Not the Best? Results from the National Scorecard on U.S. Health System Performance, 2008*, The Commonwealth Fund, July 2008.

[11] C. Schoen, S. R. Collins, J. L. Kriss, and M. M. Doty, June 10, 2008.

[12] J. Gabel. R. McDevitt, L. Gandolfo et al., "Generosity and Adjusted Premiums in Job-Based Insurance: Hawaii Is Up, Wyoming Is Down," *Health Affairs*, May/June 2006 25(3):832–43.

[13] The Kaiser Family Foundation/Health Research and Educational Trust, *Employer Health Benefits*, 2000 and 2008 Annual Surveys.

[14] C. Schoen, S. R. Collins, J. L. Kriss, and M. M. Doty, "How Many Are Underinsured? Trends Among U.S. Adults," 2003 and 2007, *Health Affairs* Web Exclusive, June 10, 2008:w298–w309.

[15] S. R. Collins, J. L. Kriss, M. M. Doty, and S. D. Rustgi, Aug. 2008.

[16] C. J. Bradley et al., *Differences in Breast Cancer Diagnosis and Treatment: Experiences of Insured and Uninsured Patients in a Safety Net Setting*, NBER Working Paper No. 13875, March 2008; C. J. Bradley, D. Neumark, L. M. Shickle et al., "Differences in Breast Cancer Diagnosis and Treatment: Experiences of Insured and Uninsured Women in a Safety-Net Setting," *Inquiry*, Fall 2008 45(3):323–39.

[17] S. R. Collins, J. L. Kriss, M. M. Doty, and S. D. Rustgi, *Losing Ground: How the Loss of Adequate Health Insurance Is Burdening Working Families: Findings from the Commonwealth Fund Biennial Health Insurance Surveys, 2001–2007* (New York: The Commonwealth Fund, August 2008).

[18] C. Schoen, S. Collins, J. Kriss, M. Doty, How Many are Underinsured? Trends Among U.S. Adults, 2003 and 2007, *Health Affairs* Web Exclusive, June 10, 2008. Data: 2007 Commonwealth Fund Biennial Health Insurance Survey.

[19] K. Davis, *Shifting Health Care Financial Risk to Families Is Not a Sound Strategy: The Changes Needed to Ensure Americans' Health Security*, Invited Testimony, House Committee on Ways and Means,

Subcommittee on Health, Hearing on "Health of the Private Health Insurance Market" (New York: The Commonwealth Fund, Sept. 2008).

[20] S. R. Collins, J. L. Kriss, M. M. Doty, and S. D. Rustgi, *Losing Ground: How the Loss of Adequate Health Insurance Is Burdening Working Families: Findings from the Commonwealth Fund Biennial Health Insurance Surveys, 2001–2007* (New York: The Commonwealth Fund, August 2008).

[21] S. R. Collins, J. L. Kriss, M. M. Doty, and S. D. Rustgi, *Losing Ground: How the Loss of Adequate Health Insurance Is Burdening Working Families: Findings from the Commonwealth Fund Biennial Health Insurance Surveys, 2001–2007* (New York: The Commonwealth Fund, August 2008).

[22] White House Council of Economic Advisers, *The Economic Case for Health Care Reform*, June 2009.

[23] Congressional Budget Office, *CBO's Preliminary Estimate of Changes in SCHIP and Medicaid Enrollment in Fiscal Year 2013 of Children Under the Children's Health Insurance Program Reauthorization Act of 2009* (Washington, D.C.: Congressional Budget Office, Jan. 2009).

[24] J. M. Lambrew, *The State Children's Health Insurance Program: Past, Present, and Future*, The Commonwealth Fund, February 2007.

[25] Federal subsidies are offered as long as nine months for workers who were involuntarily terminated from 09/01/2008–12/31/2009 and whose incomes do not exceed $125,000 for individuals and $250,000 for families. Public Law 111-5, American Recovery and Reinvestment Act of 2009, Feb. 17, 2009.

[26] M. M. Doty, S. R. Collins, J. L. Nicholson, and S. D. Rustgi, *Failure to Protect: Why the Individual Insurance Market Is Not a Viable Option for Most U.S. Families*, The Commonwealth Fund, July 2009.

[27] M. M. Doty, S. D. Rustgi, C. Schoen, and S. R. Collins, *Maintaining Health Insurance During a Recession: Likely COBRA Eligibility* (New York: The Commonwealth Fund, Jan. 2009).

[28] M. Broaddus et al., *Measures in House Recovery Package—But Not Senate Package—Would Help Unemployed Parents Receive Health Coverage* (Washington, D.C.: Center on Budget and Policy Priorities, Feb. 2009).

[29] K. Davis, *Why Health Reform Must Counter the Rising Costs of Health Insurance Premiums*, The Commonwealth Fund, August 2009.

[30] The Commonwealth Fund Commission on a High Performance Health System, *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way*, The Commonwealth Fund, February 2009.