

Affordable Coverage: What is at Stake for Families and Communities in the Merger of the House and Senate Health Reform Bills

- 1. Getting affordability right is the key to the success of health reform.** Premiums and out-of-pocket costs must be affordable if we are to:
 - **Reach our nation's goal of providing quality coverage to all Americans.** The number one reason millions of Americans lack health insurance is they cannot afford it. Unless reform makes it affordable for low- and moderate-income families, coverage will continue to remain out-of-reach for too many Americans.
 - **Provide security to those who have insurance.** Even families *with* insurance struggle to keep up with monthly premiums, deductibles, co-pays, and other out-of-pocket expenses that are increasing faster than wages. These costs prevent the 'underinsured' from getting the care they need and undermine the financial security of families.
 - **Secure the public's support for health reform.** Polls overwhelmingly show voters' top concern is whether health care will be affordable for their families. Affordability is even more critical in the context of the proposed requirement that all individuals obtain coverage, since support for this requirement swings dramatically based on whether people believe there will be adequate affordability protections.

- 2. Both the House bill and the Senate bill would make coverage more affordable than it is today.** Both bills provide:
 - **Premium assistance for low- and moderate-income families.** Both bills help families purchase and maintain coverage by providing premium subsidies to those earning up to 400 percent of the Federal Poverty Level (\$73,240 for a family of three.)
 - **Limits on out-of-pocket costs for all families.** Both bills protect families from medical bankruptcy by requiring insurers to place annual caps on what families have to pay out-of-pocket for their care (these caps include deductibles, co-pays and co-insurance, but not premiums.) Both bills set lower caps for those earning up to \$73,240 for a family of three or 400 percent of the Federal Poverty Level (FPL).

3. We need the best parts of both bills to ensure all families can afford health care – the House bill provides stronger affordability protections for low-income families, and the Senate bill is better for moderate-income households.

This is true for both premiums and out-of-pocket costs.

- **Premiums.** A family of three earning \$27,465 would pay 50 percent more for premiums under the Senate bill than under the House bill. On the other hand, a family of three earning \$73,240 would pay almost 20 percent less under the Senate bill than under the House. See Tables 1 and 2 for more information.
- **Out-of-Pocket Costs.** Although most families will never hit their out-of-pocket caps, they provide an important protection for families with chronic illnesses or who require medical care for a catastrophic accident or illness.

A family of three earning \$27,465 would not spend more than \$1,000 (or 4 percent of their income) on out-of-pocket costs in the House bill, compared to \$3,867 (or 14 percent of their income) the Senate bill. On the other hand, a family of three earning \$73,240 could spend up to \$10,000 (or 14 percent of their income) on out-of-pocket costs in the House bill, compared with only \$7,733 (or 11 percent of their income) in the Senate bill. See Tables 1 and 2 for more information.

Table 1 – Health care costs for a family of three earning 150 percent FPL (\$27,465) under both the House and the Senate bill

For a family of three earning \$27,465	House	Senate
Premium	\$824	\$1,263
Out-of-pocket cap	\$1,000	\$3,867
Maximum total health care costs	\$1,824	\$5,130
Maximum total health care costs (as a percent of income)	7%	19%

Table 2 – Health care costs for a family of three earning 400 percent FPL (\$73,240) under both the House and the Senate bill

For a family of three earning \$73,240	House	Senate
Premium	\$8,789	\$7,178
Out-of-pocket cap	\$10,000	\$7,733
Maximum total health care costs	\$18,789	\$14,911
Maximum total health care costs (as a percent of income)	26%	20%

Conclusion: The bill that passed the House does a much better job at setting premiums and out-of-pocket costs at levels that lower-income families can afford. These families are the least able to bear the brunt of a federal mandate to purchase insurance, and they could end up paying several thousand dollars more in health care costs under the Senate approach. In contrast, the Senate bill does a better job at making coverage more affordable for middle-income families. A combination of the two would best serve families. This means making sure that there is adequate overall funding for subsidies in the final legislation to make coverage affordable for all families.