



Defining Health Care Affordability in Oregon

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Senate Bill 329: Principles relating to enrollment and eligibility

- Shared responsibility
- Equity
 - Horizontal
 - Vertical
- Affordability



Defining Affordability

- Affordability is defined as **the percentage of income a household can devote to health care while still having sufficient income to address other necessities.**
- One of the lessons from the Massachusetts health care reform experience is that an affordability scale should be a conservative measure.



Research on Affordability

- **Oregon Medicaid Advisory Committee:**
 - What do general household budgets look like in Oregon?
 - What resources are available after necessities to spend on health care based on state level cost data?
- **Massachusetts, Jonathan Gruber, MIT Health Economist**
 - What are the actual expenditures on necessities at different income levels based on national expenditure data?
 - How many people at different income levels enroll for insurance relative to health care costs?
- **Urban Institute (Blumberg et al.)**
 - What is the actual spending on health care (premiums and out-of-pocket) as a percentage of income for group and non-group markets?



Oregon Medicaid Advisory Committee Household Budgets

Data

- Economic Policy Institute (www.epi.org)
 - 2004 family budget calculator
 - Methodology available: *Family Budget Technical Documentation* (Allegretto & Fungard) www.epi.org.
 - Adjusted by inflation rate of 6.83% to reflect 2006 amounts
 - US Dept. of Labor Statistics Consumer Price Index Inflation Calculator at <http://www.bls.gov/cpi>
- The United States Department of Health & Human Services 2006 HHS Poverty Guidelines
 - Issued yearly and used for determining financial eligibility for means-tested federal programs





Oregon Household Budgets

2006

Portland-Vancouver

Rural Oregon



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Calculations & Assumptions: Housing

- Housing: based on the Department of Housing and Urban Development's fair market rents (FMR):
 - representing rent + utilities for “privately owned, decent, structurally safe, and sanitary rental housing of a modest (non-luxury) nature with suitable amenities”.
- Assumptions:
 - Two bedroom apartments for families with 1 or 2 children.
 - Three bedroom apartments for families with 3 children.

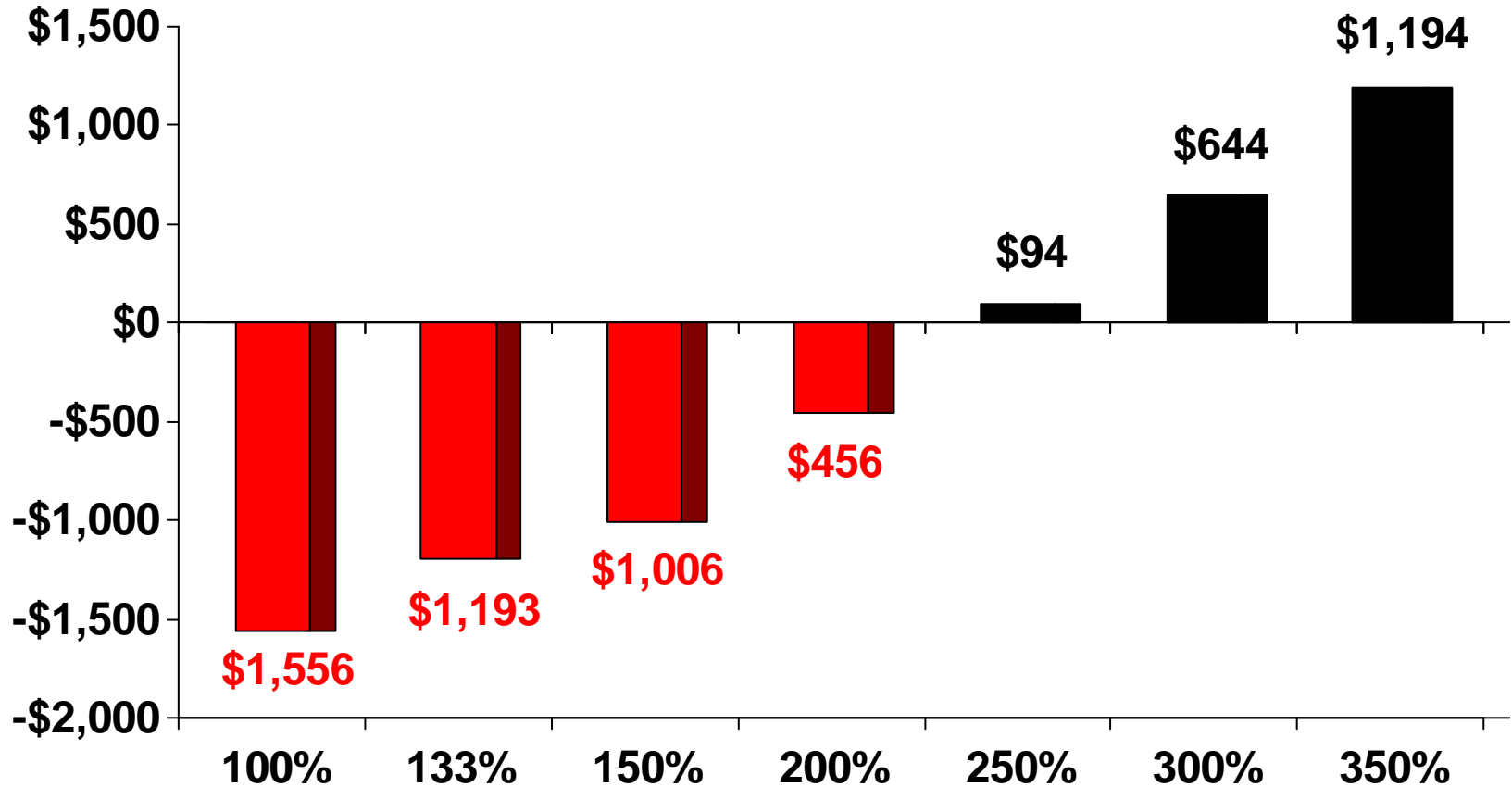


Calculations & Assumptions: Transportation

- Transportation costs per mile are from the IRS cost-per-mile rate, which includes the cost of gas, insurance, vehicle registration fees, maintenance, and depreciation.
 - Varies by urban or rural area, and number of parents in the family.
- Budget assumes only non-social trips (work, school, church, and errands for the 1st adult and only work trips for the 2nd adult).



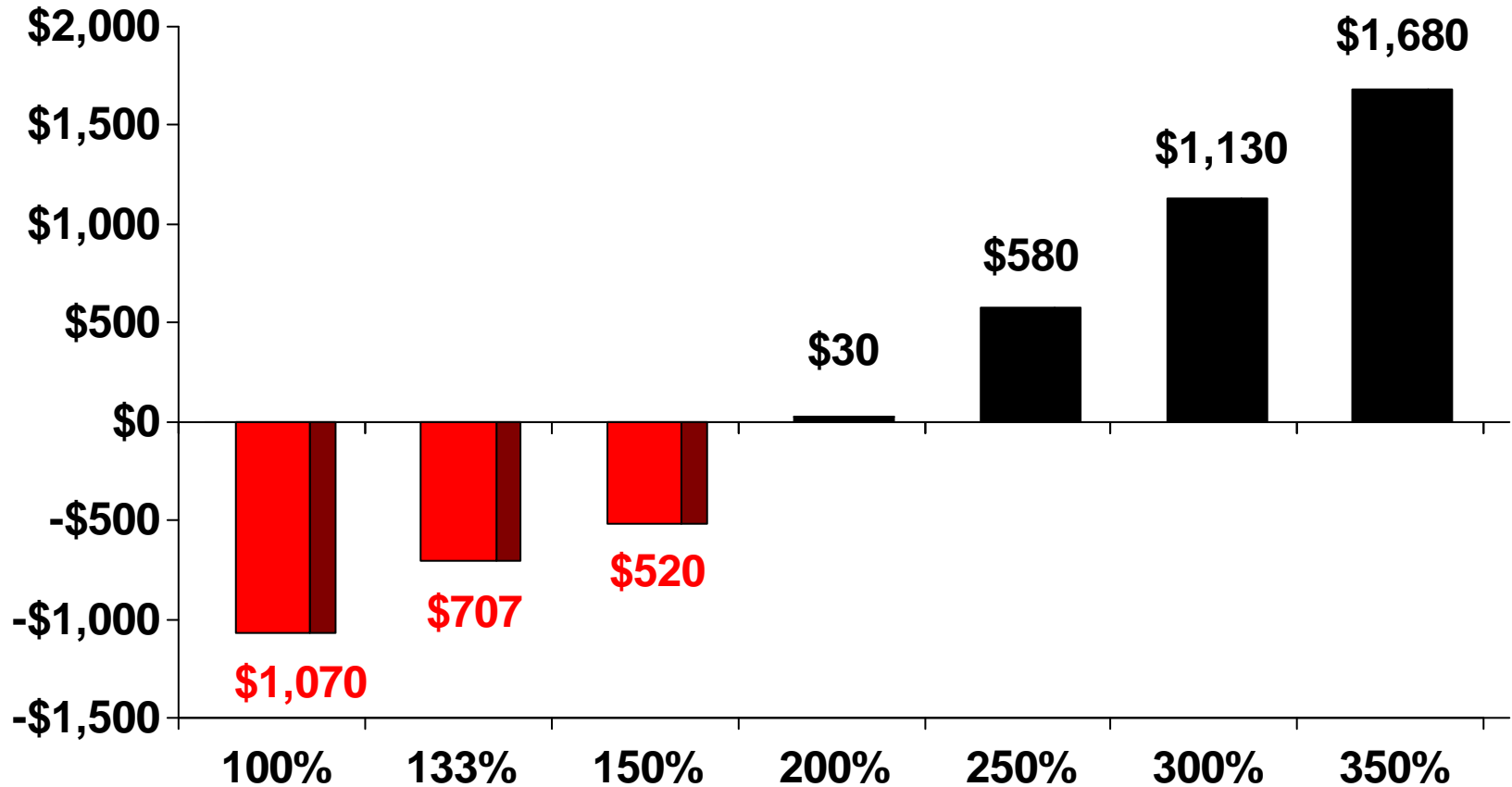
Discretionary Monthly Income after 250% Federal Poverty Level (FPL)



Portland-Vancouver (2006)

1 Parent + 1 Child

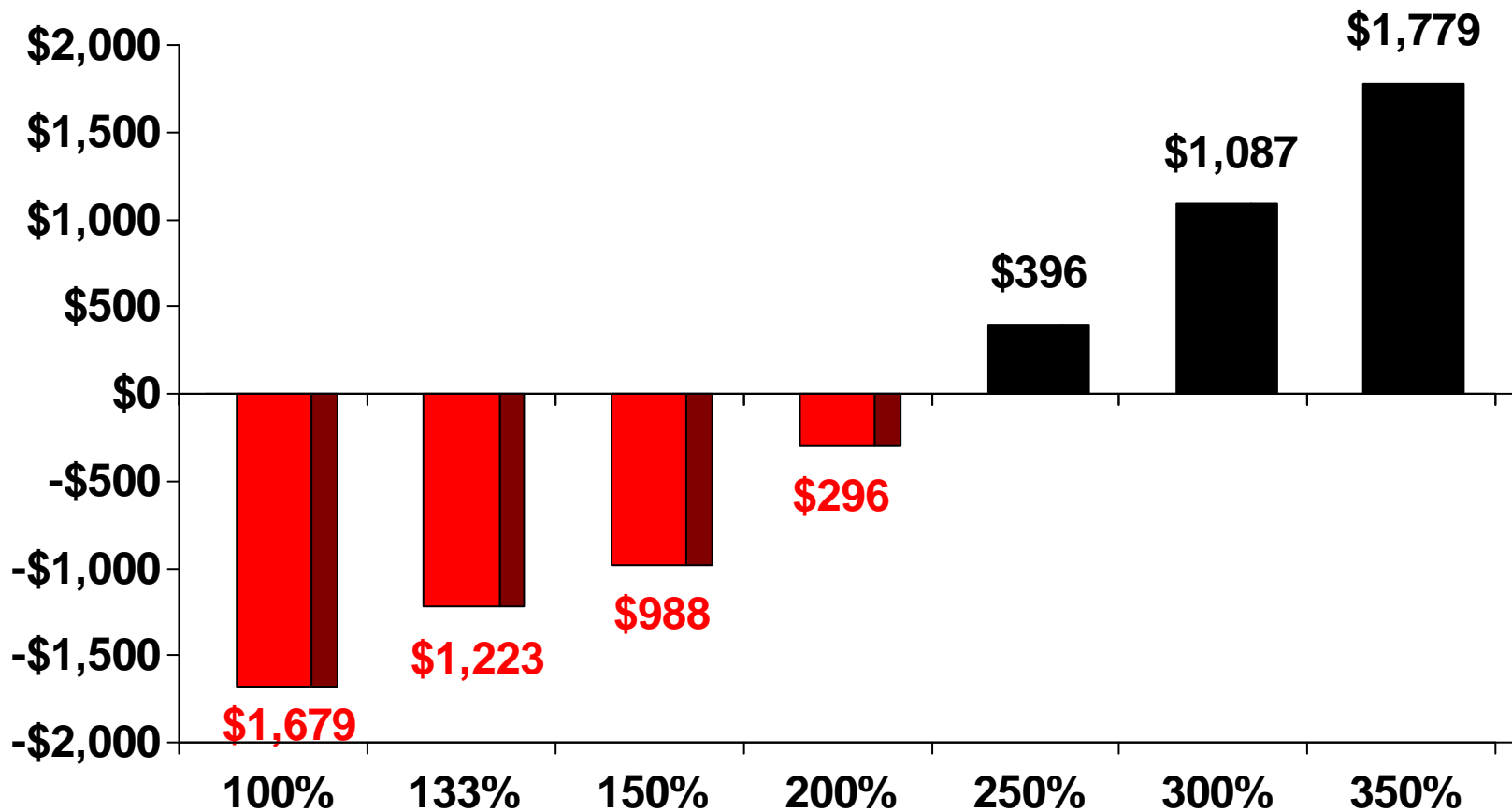
Discretionary Monthly Income after 200% Federal Poverty Level (FPL)



Rural Oregon (2006)

1 Parent + 1 Child

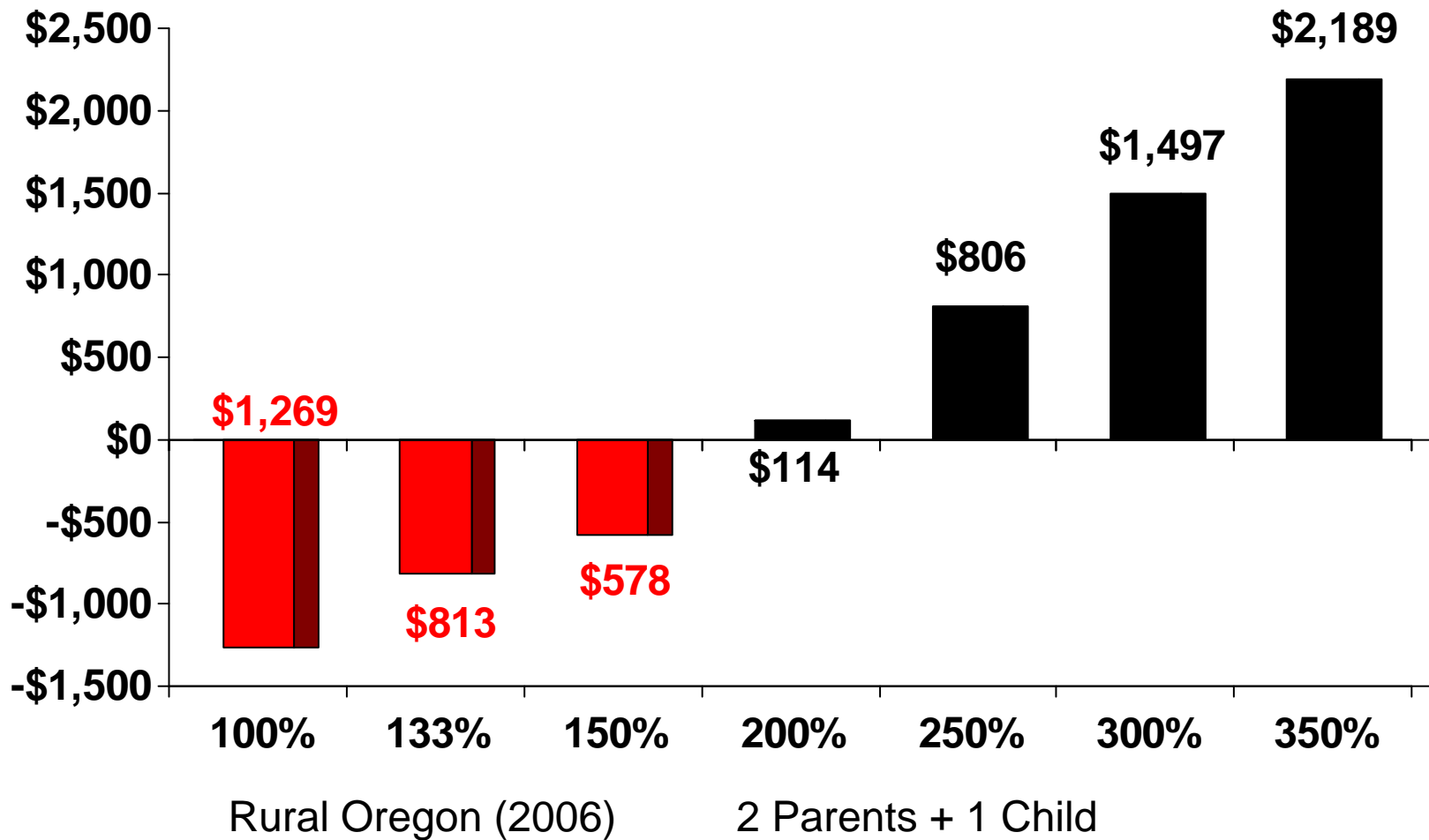
Discretionary Monthly Income after 250% of Poverty Level



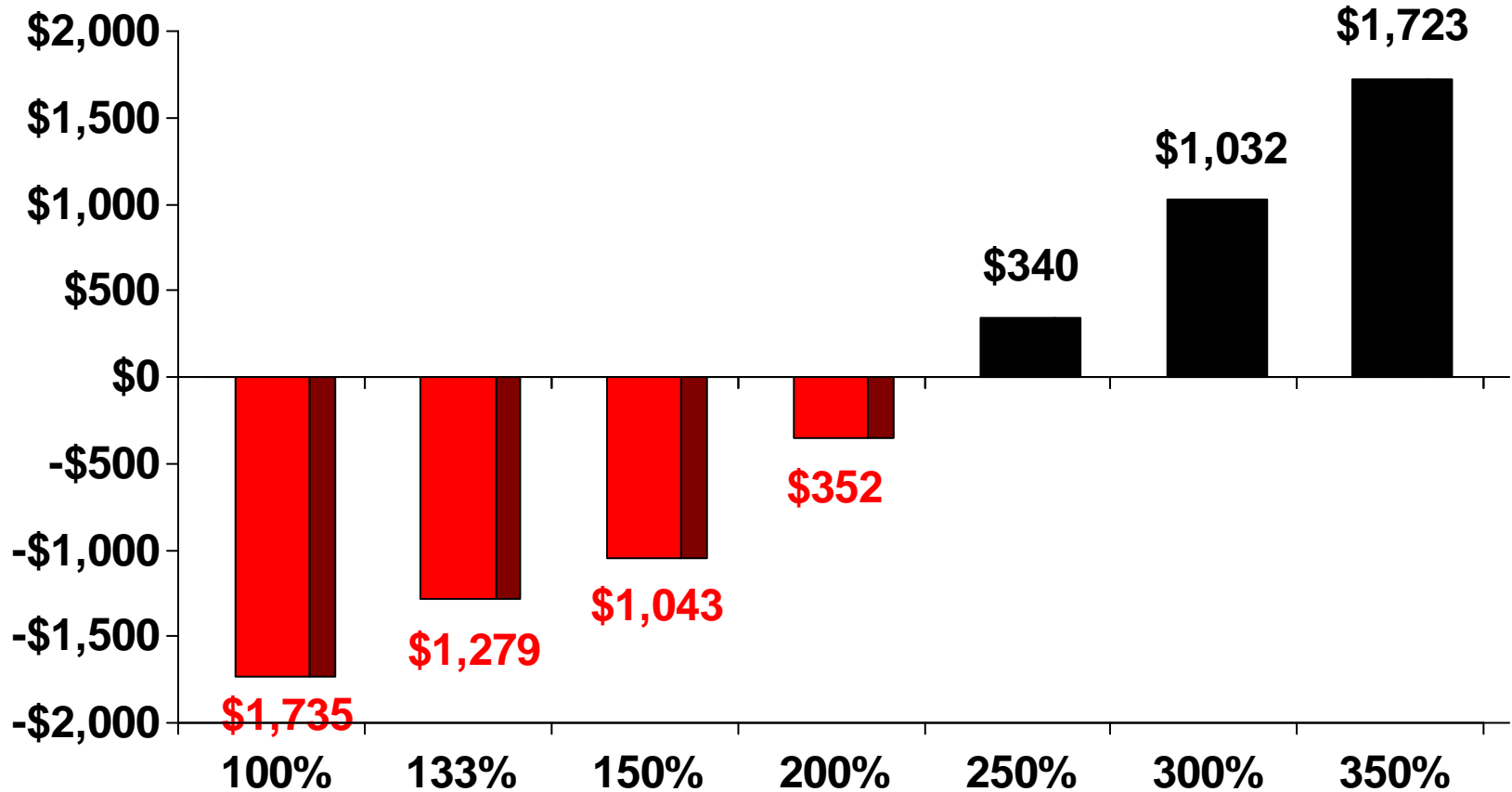
Portland Area (2006)

2 Parents + 1 Child

Discretionary Monthly Income after 200% of Poverty Level



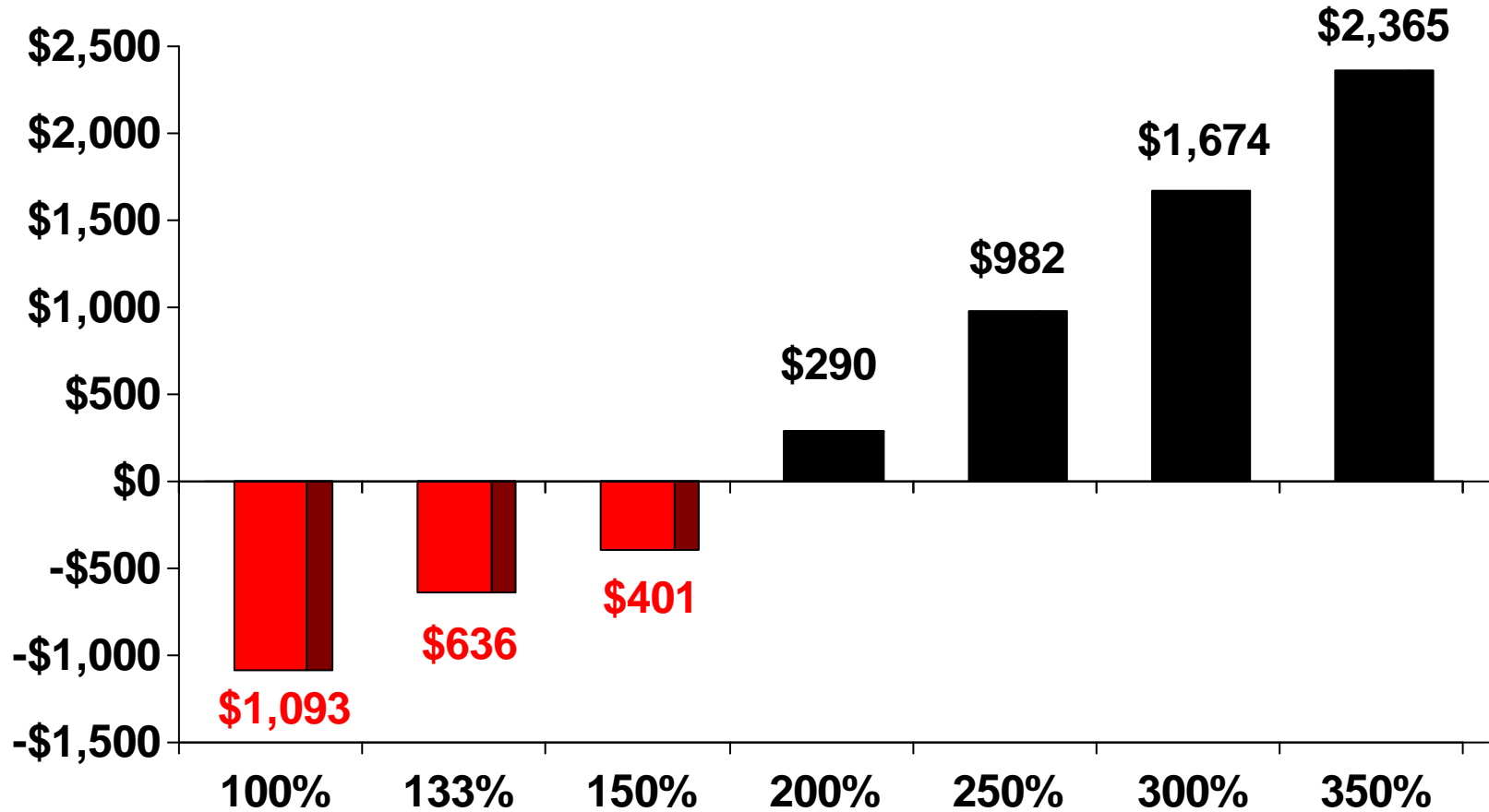
Discretionary Monthly Income after 250% FPL



Portland-Vancouver (2006)
Children

1 Parent + 2

Discretionary Monthly Income after 200% FPL *



Rural Oregon (2006)

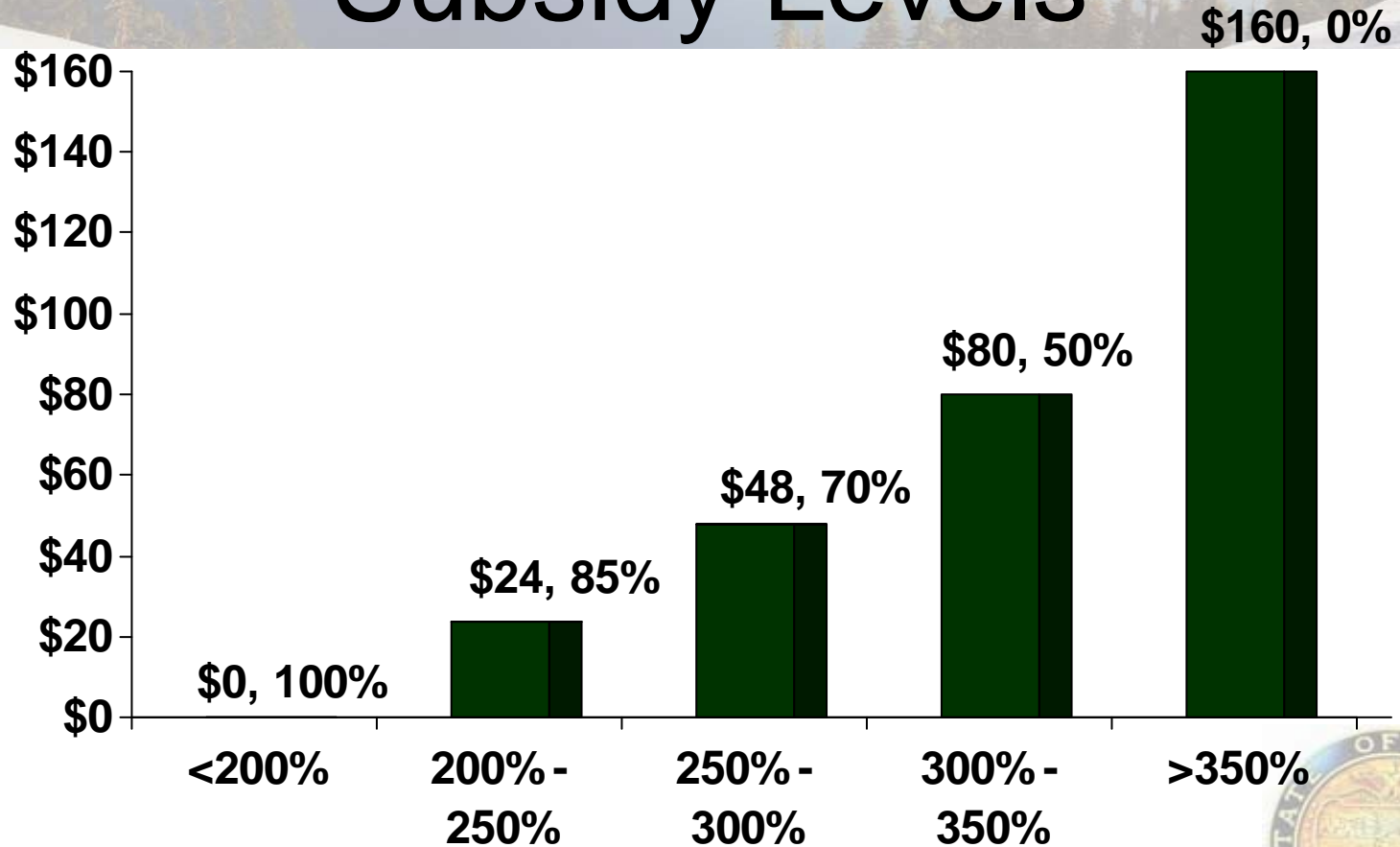
1 Parent + 2 Children

Conservative Decisions

- Budgets do not include debt, or higher than normal interest rates that might affect families with less than perfect credit.
- Estimates are conservative (particularly regarding child care, housing, and food)
- Other factors, beyond health care, compete for discretionary income as income goes up. Assumed standard of housing stays the same.
- Budget does not include recommended savings or catastrophic expenses.



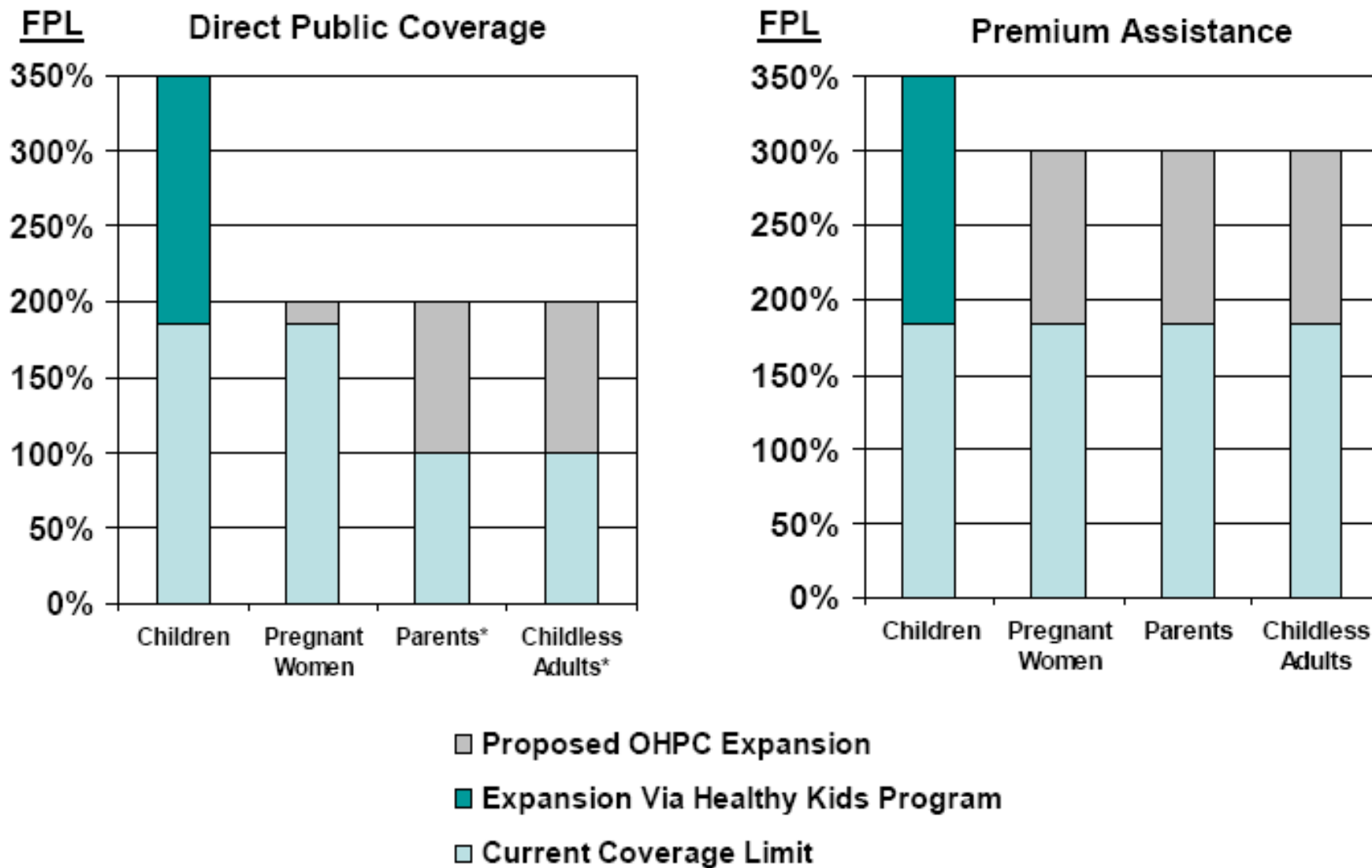
Healthy Kids Premium Subsidy Levels



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Overview of OHPC Proposed Expansion of Publicly-funded Coverage Options



*Note: Funding for OHP Standard currently limits enrollment to approximately 24,000 individuals.

Jonathan Gruber on Affordability and Enrollment

- Are the subsidy levels set by the Massachusetts Commonwealth Care Connector affordable?
- What income level do people decide to enroll in employer-sponsored insurance?

Data

- Consumer Expenditure Survey (CEX), the nation's leading data source for consumption information.



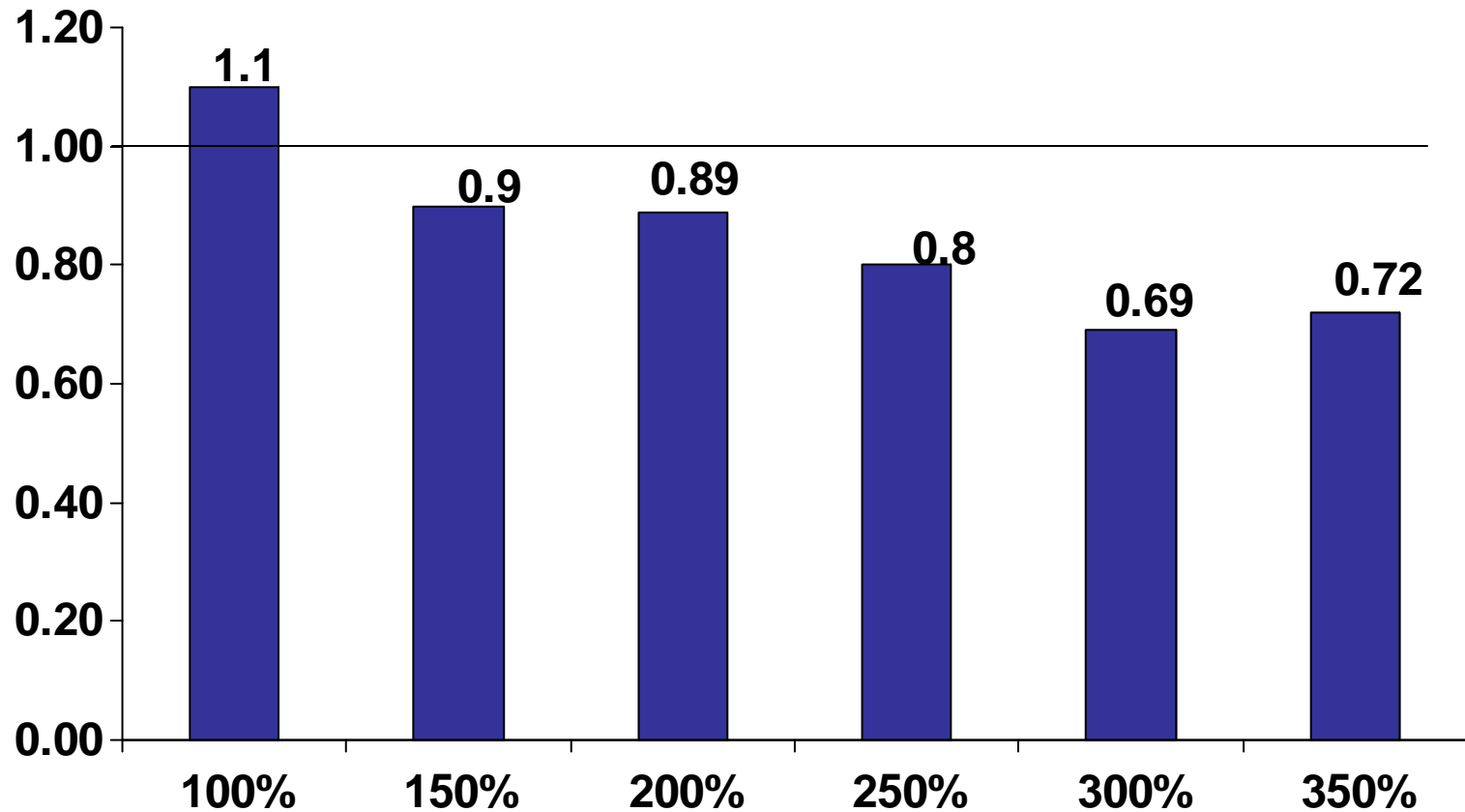
Jonathan Gruber on Affordability and Enrollment

Results

- Low income individuals have resources remaining after paying for necessities to pay for the Massachusetts subsidy program.
- Even the lowest income individuals enroll in employer insurance when it is offered, at costs (\$60/month for singles and \$250/month for families) that exceed, on average, what is paid by those below 200% of poverty.
- The majority of workers continue to enroll in employer-provided insurance even when it gets very expensive, not just overall but also in firms with a concentration of low income workers.

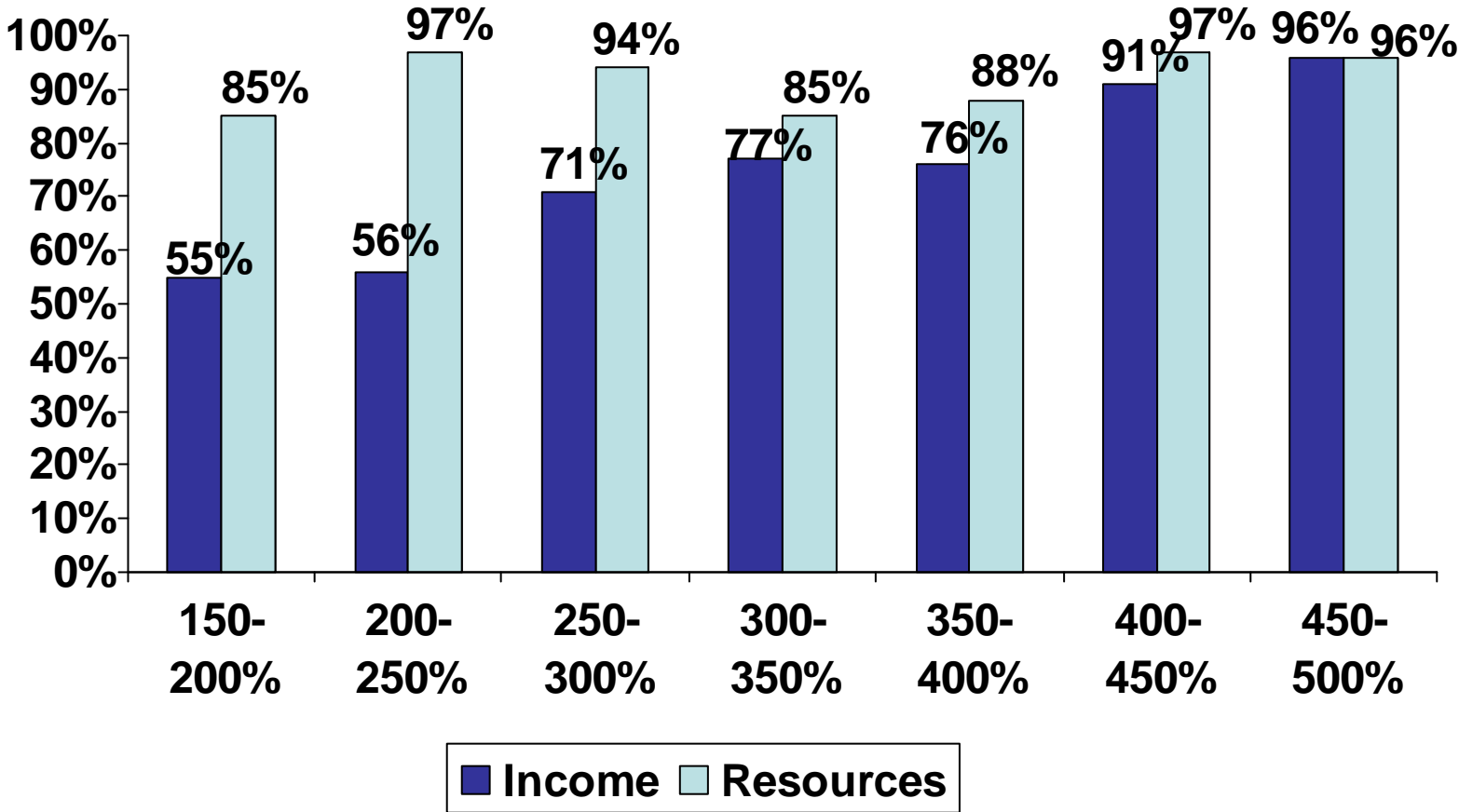


Necessities / Income, Ratio of necessary dollars to income



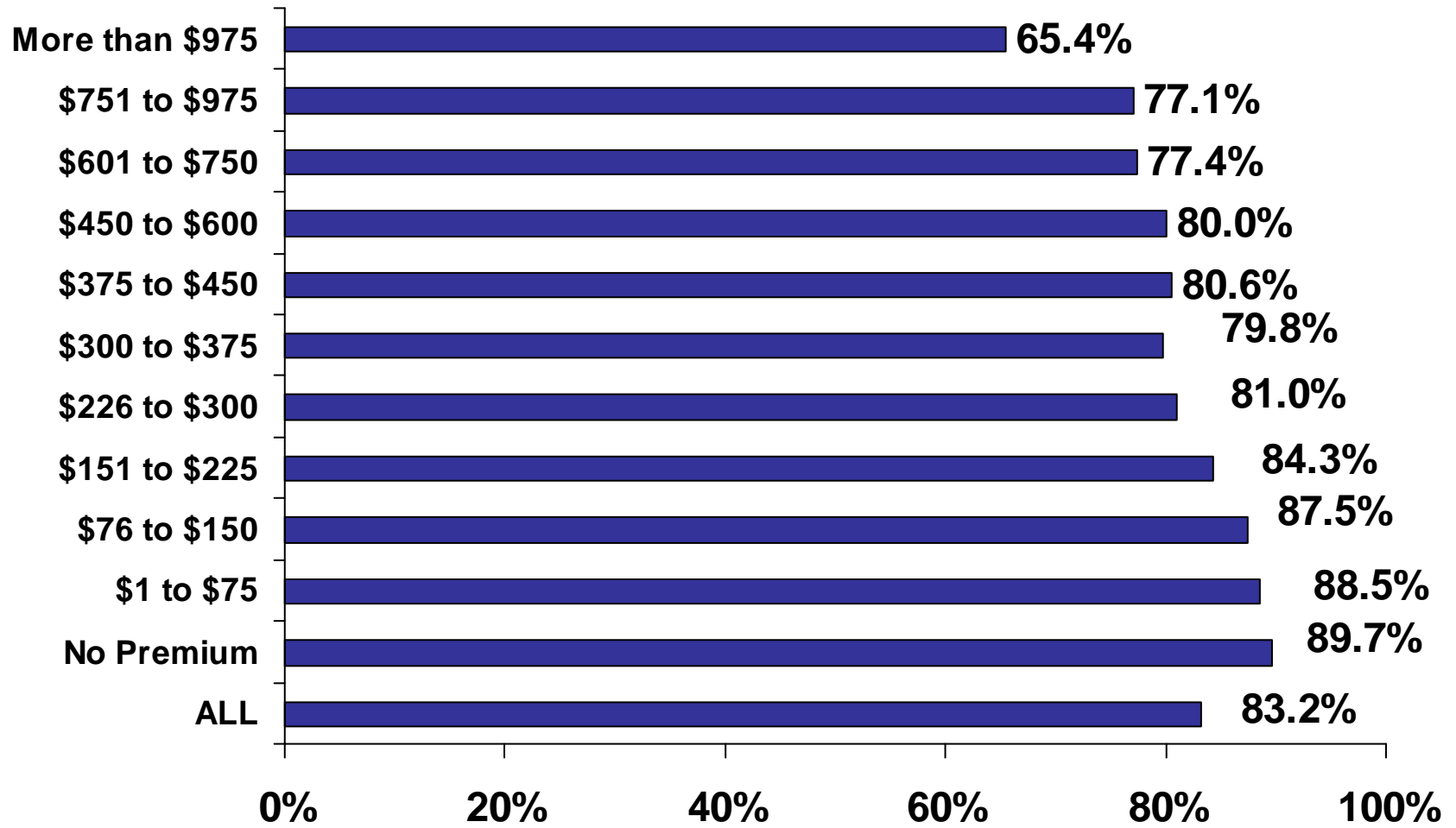
(Gruber, 2007)

Share of Group for Which Health Costs are “Affordable” for Premiums \$350/Month



(Gruber, 2007)

Employer-provided insurance rates are responsive to price, yet over 60% of families enroll when the cost are more than \$975 per month



(Gruber, 2007)

Blumberg, Holahan, Hadley & Nordahl (2007)

- What portion of income do low and moderate income families spend on health care?
- Does the proportion of income spent on health care costs differ for employer-based or non-group coverage?

Data

- Blumber et al. use national data on averages from the Medical Expenditure Panel Survey (MEPS, a survey of consumer health utilization and spending) for premiums and for out-of-pocket costs for families from 2001 to 2003



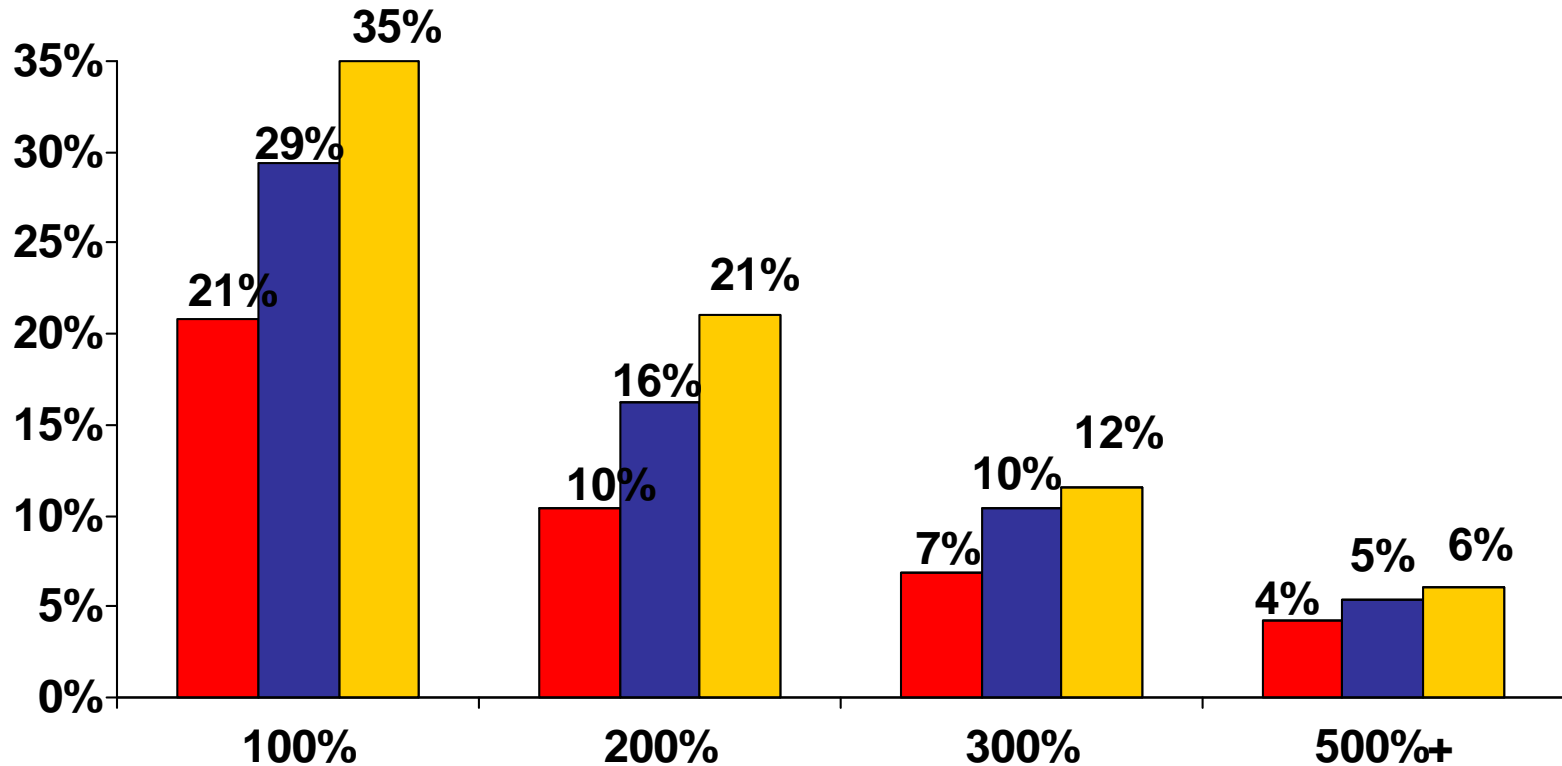
Blumberg, Holahan, Hadley & Nordahl (2007)

Results

- Out-of-pocket costs and premiums can be very high as a percentage of income for those below 300% poverty, particularly for those with high medical needs.
- Spending patterns in alternative types of insurance (group, non-group) lead to different affordability standards.
- Individual and employer-sponsored insurance are very similar if adjusted for lost wages



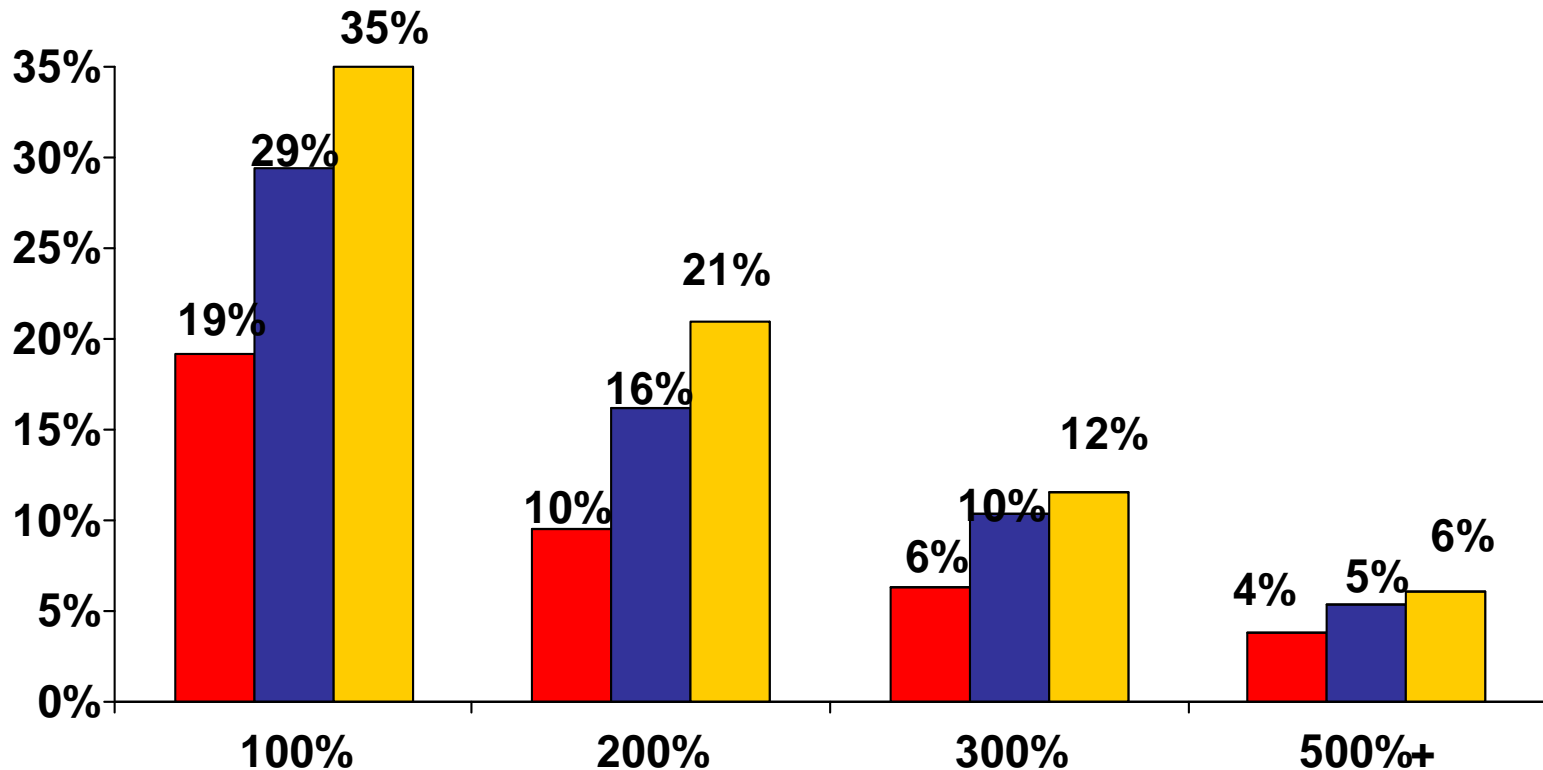
Total Health Care Costs as a Percentage of Income



■ Oregon ■ Single Non-Group ■ Family Non-Group

Oregon, 2006, 1 Parent + 1 Child: (EPI, 2007);
Median Non-Group: (Blumberg et al., 2007)

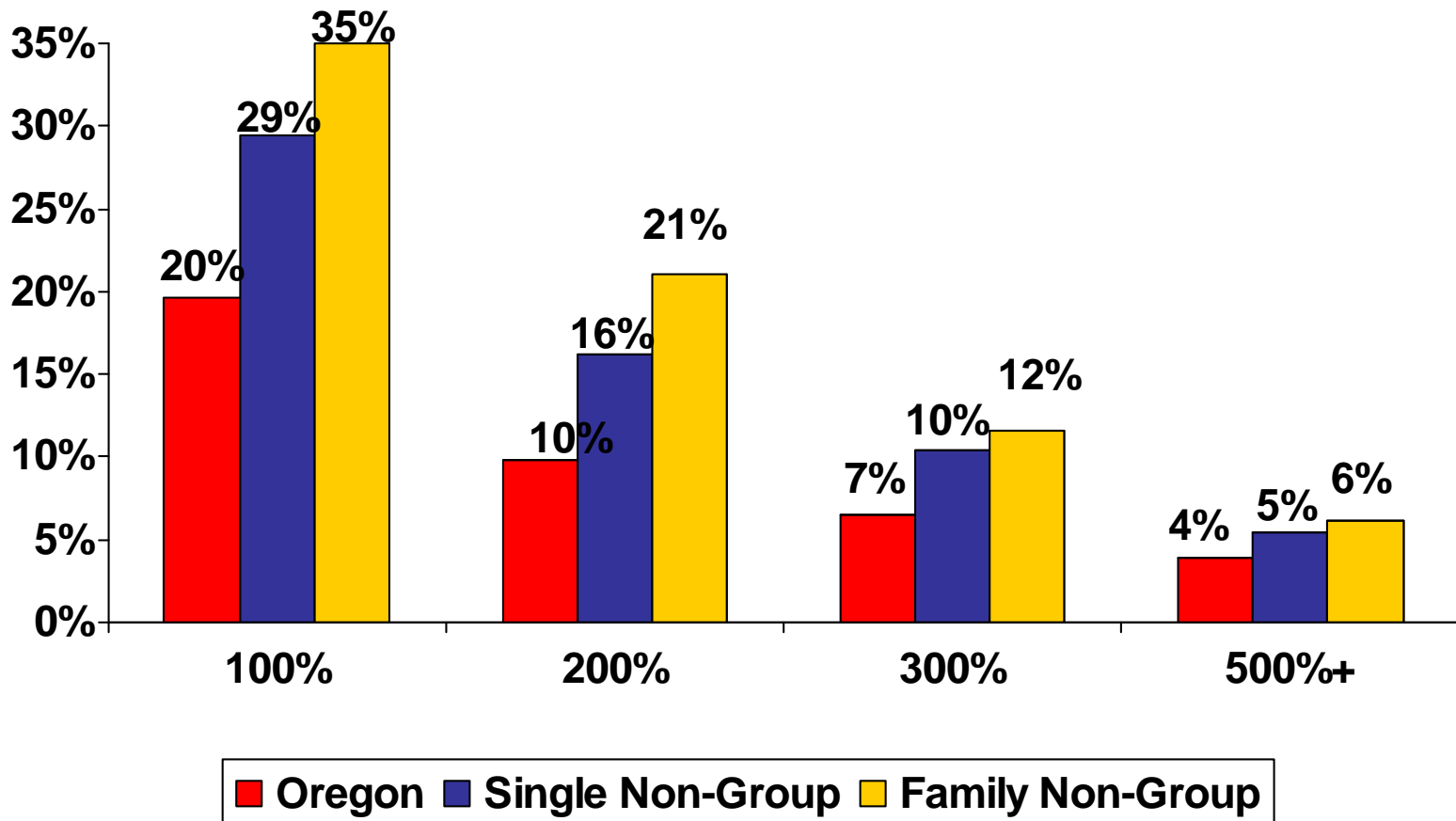
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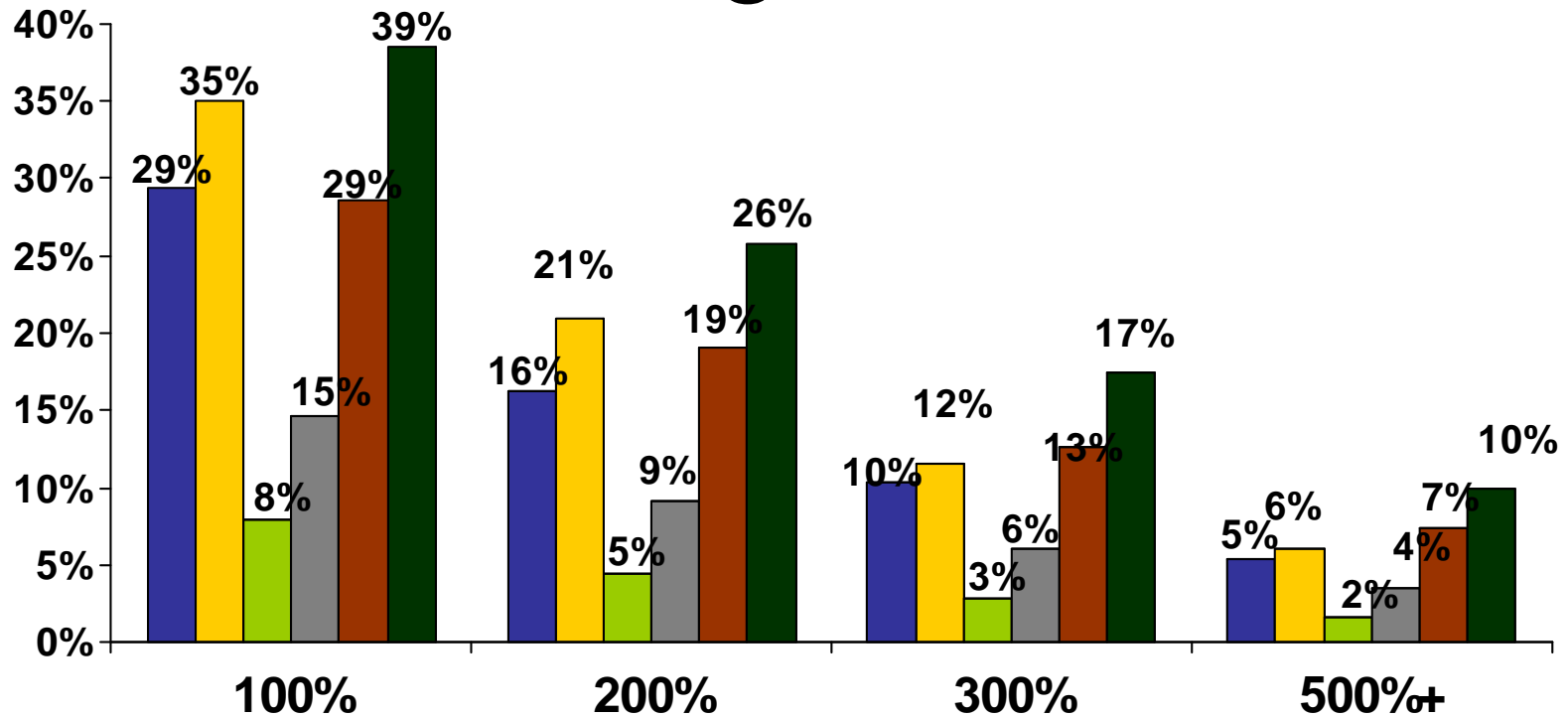
Oregon, 2006, 1 Parent + 2 Children: (EPI, 2007);
Median Non-Group: (Blumberg et al., 2007)

Total Health Care Costs as a Percentage of Income



Oregon, 2006, 2 Parents + 2 Children: (EPI, 2007);
Non-Group: (Blumberg et al., 2007)

Total Health Care Costs as a Percentage of Income



Median Percentages of Income: (Blumberg et al., 2007)

Massachusetts Commonwealth Connector Premium Affordability Standards

<u>Singles</u>	<u>Couples</u>	<u>Families w/Children</u>
\$0 - \$15,315 (150%FPL) \$0	\$0 - \$20,535 (150% FPL) \$0	\$0 - \$25,755 (150% FPL) \$0
\$15,316 - \$20,420 (200%) \$35	\$20,536 - \$27,380 (200%) \$70	\$25,756 – \$34,340 (200%) \$70
\$20,421 – \$25,525 (250%) \$70	\$27,381 - \$34,225 (250%) \$140	\$34,341 - \$42,925 (250%) \$140
\$25,526 – \$30,630 (300%) \$105	\$34,225 - \$41,070 (300%) \$210	\$42,926 - \$51,510 (300%) \$210

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Massachusetts Commonwealth Connector Program Premiums

Family income as a percent of the Federal Poverty Level (FPL)	Monthly enrollee premium for lowest cost plan per adult	Plan Type
0-100%	\$0	1
100.1% -150%	\$18	2
150.1% - 200%	\$40	2
200.1% - 250%	\$70	3 or 4
250.1% - 300%	\$106	3 or 4

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Massachusetts Commonwealth Care Health Plans

<u>Plan Type</u>	<u>Description</u>
1: Gold	Low co-payments. No deductible. Prescription drug coverage included.
2: Silver	Moderate co-payments. Some have no deductible. Prescription drug coverage. Each Carrier offers two “Silver” plans.
3: Bronze	Low premium. Most have deductibles and co-payments. Available with and without prescription drug coverage.
4: Young Adult	For 19-26 year-olds. Low premium. Most have deductibles, co-payments, and an annual limit on benefits. Available with and without prescription drug coverage.



Recommended Principles

- Keep it simple
 - Use a few broad income brackets
 - Broad mandate for upper income brackets to participate
 - Progressive sliding scale of premium contributions, stated as dollars/month, for lower income brackets
- Flexible enforcement
 - Accounting for individual circumstances
 - Robust appeals process
- Require participation in universal pool
- Benchmark ESI and non-group insurance in universal pool

