

How Much Can Lower-Income Americans Pay for Health Insurance?

Creating guidelines for policy-makers to develop a standard of health insurance affordability

SUMMARY

During the 2009 debate on U.S. health care reform, researchers at Columbia University conducted a survey of social services experts with the goal of collecting and analyzing information that would help policy-makers develop a standard of health insurance affordability.

At the time, there was no standard—which has long proven problematic for policy-makers who need to determine how much people can reasonably be expected to pay for insurance coverage.

Context

Recent health care reform laws—including the federal Patient Protection and Affordable Care Act that was passed in March 2010, and the Massachusetts 2006 health reform legislation—have tended to mandate that citizens purchase private health insurance plans. The laws also provide subsidies to ensure that such plans are affordable for those with lower incomes. Even so, there was no established definition of affordability.

Survey Methods

- The survey elicited the views of 18 nationally recognized experts in the study and delivery of social services such as housing, food, income support and health care. Using a Web-based survey tool, researchers asked experts to estimate the affordability of the two health insurance plans for all 61 vignettes.
 - Plan A had a \$2,000 annual deductible, 15 percent cost-sharing and a \$3,000 outof-pocket maximum.
 - Plan B had no deductible, a \$20 office visit co-pay and a \$1,000 out-of-pocket maximum.

Possible responses ranged from "Nothing" (could not afford any payment) to "More than \$500/month" in increments of \$50 (single) or "More than \$1000/month," again in increments of \$50 (married).

For example, a vignette might take the following forms:

- Michael is 25 years old. He is single and has no children. His monthly pre-tax income is \$3,480. If offered this health plan, what is the most that Michael could afford to pay monthly for it?
- Nicole is 25 years old. She is single and has two children living at home. The children have health insurance (no premium) through the CHIP program. Her household's pre-tax income is \$3,930. She lives in Chicago and pays rent of \$1,450 monthly. If offered this plan for herself (only), what is the most that Nicole could afford to pay monthly for it?
- Paul is 55 years old. He is married and has two children living at home. The children have health insurance (no premium) through the CHIP program. His household's monthly pre-tax income is \$4,710. He lives in Austin, Texas, and pays rent of \$875 monthly. If offered this plan for himself and his spouse, what is the most that Paul could afford to pay monthly in total for both of them?

The researchers then held a meeting with the experts in New York City in October 2009 and asked them to review a statistical summary of the groups' survey results as well as their own responses to each vignette. Panelists discussed discordant cases, expressing their views of which factors most affected affordability, and then individually re-rated their scores on the Web survey. This method—known as the Delphi process—is intended to help the group converge towards a consensus that reflects members' combined intuition and expert knowledge.

Investigators also drew comparisons between respondents' assessments of affordability to those embodied in the Massachusetts 2006 health reform legislation and in the proposed 2010 U.S. Patient Protection and Affordable Care Act.

Key Findings

- There was no general consensus about what constitutes affordable coverage. The
 divergence of opinions was greatest at higher income levels.
- The expert panel thought that health insurance payments should increase from about \$61 to about \$330 per month as a vignette household's income increased from 150 percent to 400 percent of the federal poverty level.
- The experts' affordable payment levels roughly lined up with those in the Massachusetts plan, but were below those in the U.S. Patient Protection and Affordable Care Act at higher-income levels.

• The experts estimated a \$60 difference in monthly affordability for the plans due to the difference in deductibles.

Significance to the Field

According to research team member Peter Muennig, M.D., M.P.H., "The study shows that experts have a lot of differing ideas about what the "ideal" number is for different income groups, and what should go into the mix to set a standard. Still, while we really don't know what the ideal subsidy is, both Massachusetts and the [Patient Protection and Affordable Care Act] came within the rough ballpark of our diverse expert panel with respect to the final monetary value and the elements that the government should consider."

Funding

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Afterward

An article on the findings of the study appeared in a special issue of the *Journal of Health Politics Policy and Law*, advance online publication July 21, 2011, print publication October 2011.

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Muennig P, Sampat B, Tilipman N, Brown LD and Glied SA. "We all want it, but we don't know what it is: Toward a standard of affordability for health insurance premiums." *Journal of Health Politics, Policy and Law*, 35(5): 829-853, 2011. Abstract available online. Full article available online.