

PROTECTING FAMILIES AND PUTTING MORE MONEY IN YOUR POCKET:

How Health Insurance Reform Will Lower Costs and Increase Choices

Introduction

American families struggle under the current health care system to find and maintain affordable, quality insurance coverage. For American families, average health insurance premiums purchased through an employer have skyrocketed by over 100 percent since 2000¹, and out-of-pocket costs have grown unsustainably. Escalating health care costs are forcing increasing numbers of Americans to go without health coverage and impeding access to secure and affordable health insurance choices for millions of Americans. As a result, families get lower quality coverage for their dollar; worse, many fall victim to crippling medical debts or avoid needed health care services altogether. Health insurance reform seeks to drive down costs, put more money in the hands of the American people, and ensure all Americans receive the health care services they need and deserve.

These efforts won't just help our health care system, they will also help our economy. Lowering health care costs by 1 percent will create 320,000 jobs nationwide and raise median family income by \$6,800 by 2030.² And reform will drive down premiums and limit out-of-pocket costs that eat into the family budget.

Relief from Rising Health Care Costs

Rising premiums and out-of-pocket costs force an increasing number of American families to make difficult decisions in order to make ends meet. The number of people in working families who spend more than ten percent of their income on health care has more than tripled.³ Additionally, one recent survey estimated that 72 million, or 41 percent, of nonelderly adults have accumulated medical debt or had difficulty paying medical bills in the past year -- and 61 percent of them had insurance.⁴

American families have devoted a growing portion of their income toward health insurance premiums over the past decade. In 2009, the average premium for a family plan purchased through an employer is \$13,375, more than double the premium in 2000. Indeed, premiums have grown more than three times faster than wages.⁵

In the individual insurance market, premium costs are often prohibitive. A recent study found that almost 75 percent of individuals looking for coverage on the individual market never bought a plan, with 61 percent of those that did not purchase insurance citing premium costs as the primary reason.⁶

Premium costs are just one way in which American families shoulder the rising costs of health care. Rising deductibles, copayments, and other out-of-pocket costs also contribute to a host of unaffordable expenses for families. The average family deductible increased by 44 percent in just three years for employer-based preferred provider organization (PPO) plans.⁷ And families who purchase health insurance on the individual market face even higher out-of-pocket costs – nearly 60 percent more in deductibles and copayments than a family that gets insurance through work.⁸

As a result of rising costs, American families forego regular check-ups and screenings, skip medicines, and avoid other preventive measures, whether insured or not. In 2007, 45 percent of non-elderly adults reported difficulties getting needed care because of cost, up from 29 percent in 2001. Even among insured adults, more than one-third reported difficulty.⁹

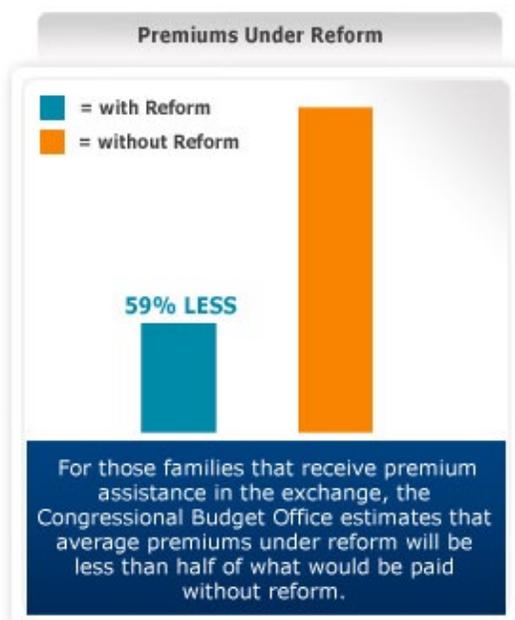
The situation is worse for families who do not have access to affordable insurance coverage. The uninsured are less likely to receive preventive care, more likely to be hospitalized for conditions that could have been prevented, and more likely to die in the hospital than those with insurance.¹⁰ Lack of health insurance has been estimated to cause tens of thousands of preventable deaths each year.¹¹ Children without insurance have less access to well-child care, immunizations, basic dental services, and prescription medication.¹² And uninsured families face greater financial burdens and struggle to meet basic needs and pay for medical bills, problems that quickly lead to medical debt.¹³

Health Insurance Reform Solution: Make Health Insurance Affordable through a Health Insurance Exchange.

Health insurance reform creates an “exchange” or marketplace for insurance competition that will drive down premium prices for Americans. The exchange will lower administrative costs by reforming the health insurance market, enabling American families to easily and simply compare the prices, benefits and performance of health plans. The Congressional Budget Office estimates that such reforms will lower premiums of a comparable plan in the individual market by 7 to 10 percent.¹⁴ That means more money in the pockets of American families, and the security of having high-quality coverage.

Health Insurance Reform Solution: Save Families from Financial Ruin from Medical Costs.

Health insurance reform will place a cap on what insurance companies can force families to pay in out-of-pocket expenses and deductibles. In addition, families will no longer face lifetime limits to their benefits, nor will coverage be denied or watered down based on medical history. As a result, under reform, health insurance will provide real protection from high health care costs.

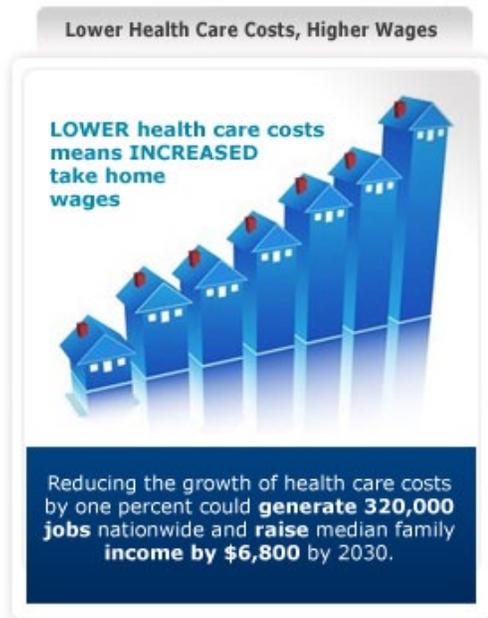


Health Insurance Reform Solution: Provide Premium Assistance to Families.

Health insurance reform provides premium assistance to working families to make sure they can afford quality coverage. For those families that receive premium assistance, the Congressional Budget Office estimates that, under reform, average premiums will be less than half of what they would be without reform.¹⁵

Health Insurance Reform Solution: Increase Wages and Create Jobs by Lowering Health Care Costs.

If health insurance premiums continue to rise faster than wages, even more of employees’ compensation will be eaten up by premiums, leaving even less in actual take-home pay. Health insurance reform will lower health care costs



Source ¹⁶

by streamlining the health care system, through reforms such as improving care coordination, reducing medical errors, and encouraging more efficient health plans. Lower health care costs mean more money to invest in businesses and to give to workers in take-home wages. A recent report estimates that such provisions could reduce the growth of health care costs by one percent, generating 320,000 jobs nationwide and raising median family income by \$6,800 by 2030.¹⁶

Health Insurance Reform Solution: Reduce Insurance Paperwork to Save Money.

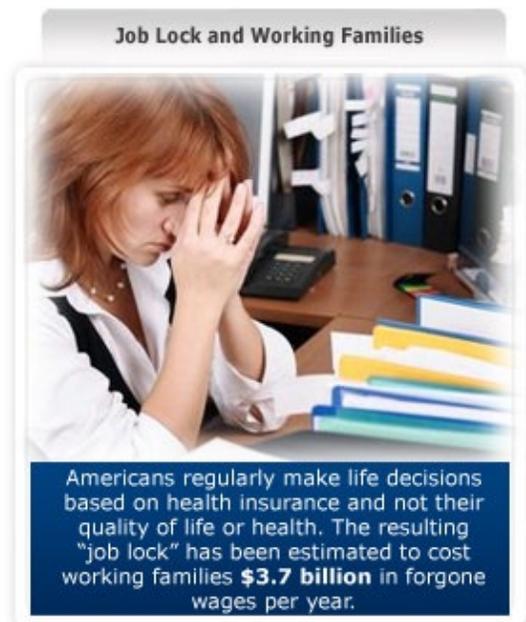
The cost of inefficient insurance paperwork has been estimated to be \$23 to \$31 billion per year.¹⁷ By simplifying and standardizing paperwork and computerizing medical records, reform will save billions of dollars each year, which translates to lower premiums for American families.

Stable and Reliable Health Coverage

Dependable health insurance coverage is invaluable to American families. Any gap in insurance coverage can both be financially disastrous and have negative health consequences. Yet coverage gaps are common across all categories of Americans and their families, regardless of income, employment status, age, race/ethnicity, and health status. A full 32 percent of working age adults and their families had a gap in health insurance coverage for at least one month in 2006 and 2007.¹⁸ And it is estimated that half of all non-elderly Americans will find themselves without coverage at some point over the next decade.¹⁹

The majority of non-elderly Americans and their families receive health care coverage through employer-sponsored insurance.²⁰ However, because employer-sponsored insurance is tied to a specific job, typical life changes can precipitate a loss in health insurance coverage. For example, if an individual or a family member changes jobs, loses a job, works fewer hours, retires before Medicare coverage begins, or becomes sick, the coverage a family depends upon can instantly disappear. Out of fear of the consequences of lost coverage, Americans regularly make life decisions based on health insurance and not their quality of life or health. The resulting “job lock,” in which people cannot change their job for fear of losing health benefits, has been estimated to cost working families \$3.7 billion in forgone wages per year.²¹

In addition to typical life changes, the employer-sponsored insurance market is an increasingly unstable source of coverage for American families, as fewer and



Source ²¹

fewer employers offer coverage. Between 2000 and 2009, the percentage of firms offering health insurance coverage to their employees declined from 69 to 60; for firms employing less than 10 workers, the decline was even greater – from 57 to 46 percent.²² A full one in six Americans with employer-sponsored insurance in 2006 lost that coverage by 2008.²³

If this trend continues, one in six Americans with employer coverage today will lose their job-based health insurance over the next two years. And it is likely that the possibility of coverage loss will only increase, given skyrocketing health care costs and the instability of employer-based coverage.

Health Insurance Reform Solution: Putting Families in Charge.

Through the health insurance exchange, reform will ensure that Americans have portable health insurance options, freeing millions of Americans who feel trapped in a job they do not like because of the fear of losing insurance and providing security to the millions of Americans who lose their jobs and coverage each year. The health insurance exchange will bring families and plans together into one organized marketplace so families can compare prices and health plans in order to decide which quality affordable option is right for them. Health insurance reform will guarantee every American a choice of quality, affordable health insurance options, even if someone loses a job, switches jobs, moves, or gets sick.

Health Insurance Reform Solution: Strengthening Employer Sponsored Insurance.

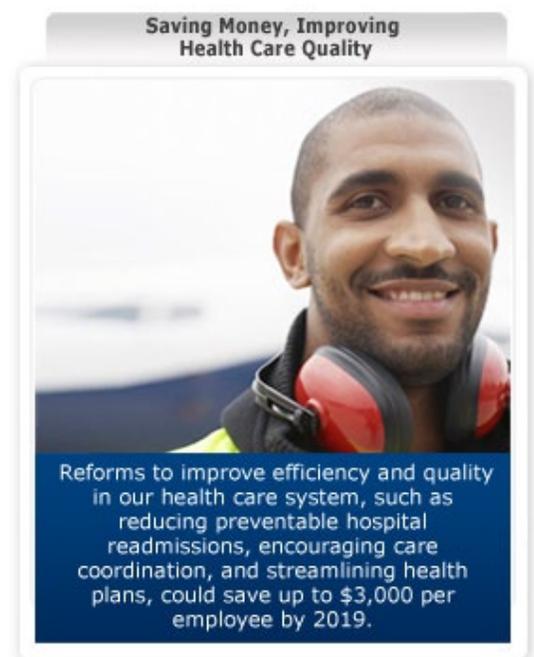
High health care costs burden businesses that provide coverage for employees, sometimes leading them to drop coverage. Reforms to improve efficiency and quality in our health care system, such as reducing preventable hospital readmissions, encouraging care coordination, and streamlining health plans, could save up to \$3,000 per employee by 2019.²⁴

Premiums are also high in part because of a “hidden insurance tax” of more than \$1,000 on each family plan to cover the unpaid costs of care of the uninsured²⁵ – a burden that will be significantly reduced by expanding coverage under health insurance reform.

Finally, reform will provide small businesses with tax credits to help them provide health insurance for their employees. This will make health care more affordable for small businesses and their workers, lowering employer premiums by as much as 50 percent, and solidifying and strengthening employer-based coverage for years to come.

Health Insurance Reform Solution: Continuing Dependent Coverage for Young Adults.

Young adults are just starting jobs and careers and often do not have access to reliable job-based coverage. Health insurance reform will allow all young adults to remain on their families’ health insurance policies as dependents until the age of 26.



Source ²⁴

Consumer Protections in the Health Insurance Marketplace

The loss of employer-sponsored insurance coverage would not be so harmful to American families if quality, affordable options were available outside the employer market. Unfortunately, coverage outside the employer-sponsored market is unaffordable or does not provide adequate, reliable coverage for most Americans.²⁶

In 45 states across the country, insurance companies can discriminate against people based on their pre-existing conditions when they try to purchase health insurance directly from insurance companies in the individual insurance market.²⁷ Insurers can deny them coverage, charge higher premiums, and/or refuse to cover that particular medical condition. A recent national survey estimated that 12.6 million non-elderly adults²⁸ – 36 percent of those who tried to purchase health insurance directly from an insurance company in the individual insurance market – were in fact discriminated against because of a pre-existing condition from 2004 to 2007.²⁹

Affordable coverage is harder to find for older adults as well. In 33 states, insurance companies are permitted to charge higher premiums to older individuals without any restrictions whatsoever, and denial rates from health insurance companies are more than twice the denial rates for those ages 60 to 64 than for those ages 35 to 39.³⁰

Finally, even for those with insurance, coverage is not always reliable. When a family member is diagnosed with an expensive condition, some insurance companies review his/her initial health status questionnaire. In most states' individual insurance market, insurance companies can retroactively cancel the entire policy if any condition was missed – even if the medical condition is unrelated, and even if the person was not aware of the condition at the time. Coverage can also be revoked for all members of a family, even if only one family member failed to disclose a medical condition.³¹

Health Insurance Reform Solution: End Insurance Company Discrimination.

Health insurance reform will prevent any insurance company from denying coverage based on underlying health status, including genetic information. It will end insurance discrimination that charges families more if a family member has or had any illness, and limit differences in premiums based on age. Finally, it will prevent insurance companies from dropping or watering down coverage if a family member gets sick.

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