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# PICO California Health Care Affordability Report

**How a common-sense Affordability Standard can help  
comprehensive health care reform succeed**



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*PICO is a network of 52 faith-based community organizations, including 20 affiliated organizations in California. Through PICO California people of faith and religious congregations are working to improve the quality of life and life opportunities for children and families in California. For more information please visit [www.picocalifornia.org](http://www.picocalifornia.org).*

## Introduction

The success of federal health care reform legislation hinges on whether it makes health care affordable and accessible to all families in California and across the United States. Increasingly, those with and without health coverage are struggling to keep up with skyrocketing health care costs. For reform to be successful in the eyes of voters – *especially California voters, who are facing one of the most trying economic times in decades* – low, moderate and middle-income families actually need to be able to afford coverage for them and their children.

To ground the debate over health care reform in the real experience of working families, PICO affiliates in California collected family budget surveys from 738 people during April 2009. Of these 599 were useable. Surveys were collected from members of affiliated religious congregations through a combination of face-to-face interviews and a web survey. This information, which includes family budget data and comments, was combined with secondary data on health costs and access in California.

PICO National Network ([www.piconetwork.org](http://www.piconetwork.org)) produced this report in order to look at the impact of health care costs on people's ability to get the care they need, and to determine the key components of an Affordability Standard that will work for the majority of low- and middle-income Californians. PICO carried out this study, as part of a larger national research project, with help from Community Catalyst ([www.communitycatalyst.org](http://www.communitycatalyst.org)).

## Main findings

### 1. Rising costs are putting health care out of reach for many families

#### One of every four families report not getting care they needed due to cost

-25.3 percent of respondents said that they or a family member delayed or did not get medical care they felt they needed during the past 12 months (see TABLE 1 below).

*"We stretch our prescriptions as much as possible so that one for three months lasts 4 1/2 months. I'm not having a mammogram or GYN checkup this year because of the co-pay and cost of the tests."*

-47 year old female with insurance through employer

#### Moderate-income families are most likely to report delaying or not getting care they need

-31.5 percent of families earning between 200-400 percent of poverty (\$41,100-88,400 for a family of four) report delaying or not getting the care they need due to cost (see TABLE 1 below).

*"I have not had a mammogram due to co-pay. I have not had a periodic EKG, recommended to monitor heart murmur. I have delayed chiropractic appointments. I have delayed dentist and vision. I have not had annual pelvic exam this year."*

-41 year old female with privately purchased health coverage

## **Even families with health coverage report delaying care or not getting care they need**

-17.3 percent of households in which everyone in the family has health coverage report someone not getting the care they need due to cost (see TABLE 2 below).

*“Despite the high cost of our insurance, a routine annual mammogram under it is costly. I am waiting until I go on Medicare. Also both my husband and I have been delaying a comprehensive physical exam for several years until we are on Medicare, again because such an exam is not covered in any way by our insurance. We believe that any new medical insurance program should include preventive care and examinations.”*

-64 year old woman with privately purchased health coverage

## **The impact of cost on access to care is especially high for people with chronic illness**

-32.6 percent of families with one or more family-members with chronic illness report delaying or not getting care they felt they needed – compared to 16 percent of families without chronic illness.

*“I'm not working and it has only been with the grace of God that I've been able to pay my COBRA payments - \$667.00....I've had to go without more than a few things in order to keep up my COBRA payments. I'm disability and I'm at finance/healthcare stale mate. I need a foot orthotic. I can manage the Podiatrist visit; however the orthotic will cost me about \$500. I can't afford to pay \$500 for the orthotic AND make my COBRA payments in the same month. Without the orthotic, with each passing day I'm less and less able to stand and walk. Currently it is to the point that my back feels like it is just about to snap in two, at night/mornings I sometimes shake from the radiating pain in my legs....This pain is a direct result from walking without a prescribed foot orthotic. ...now I have to decide do I want medical coverage for all of my medical needs (prescribed meds for high blood pressure, cholesterol, water retention, glasses so I can see, therapy to cope with all the stress of these issues, headaches every day all day long, fingernails separating from the nail beds, diet and exercise) OR do I want to stand up straight and walk with pain (feet / legs / back). Without the ability to stand up and walk (at least with minimal pain) it is extremely difficult to interview for any job that will have me. Arrrrrrrrgh!”*

-54 year old female with insurance through employer (COBRA)

The above findings from the PICO California Affordability Survey are consistent with other research. The UCLA 2007 California Health Interview Survey, which asked people about themselves not their families, found that 16.4 percent of respondents reported delaying or not getting care they needed, including 15.4 percent of those who were currently insured.<sup>i</sup> The Commonwealth Fund found that in 2004 12.3 percent of California adults did not see a doctor because of cost during the prior year.<sup>ii</sup>

## **Many people with health coverage reported specific examples of not getting care they believed they needed due to high co-pays, deductibles and other out-of-pocket costs.**

*“I didn't go the ER when I broke my rib in a soccer game because I didn't want to pay the expensive fees.”*

-25 year old woman with employer-sponsored health coverage

“My insurance won't pay for chiropractic. Also I had brain surgery 2 years ago and my physical therapy was cut off by my insurance before I was able to walk completely.”

-41 year old female with insurance through employer

“I have put off getting a broken tooth fixed knowing that my dental insurance will cover half at best.”

-43 year old man with employer-sponsored health coverage

**TABLE 1: People who said they or someone in their family delayed or did not get care they felt they needed during the past 12 months (by income level)**

By Income	Less than 200% (<\$41,100)	200-400% (\$41,100-88,400)	Greater than 400% (>\$88,400)	Total
Delayed or did not get needed care	<b>25.7%</b> N=103	<b>31.5%</b> N=41	<b>10.8%</b> N=7	<b>25.3%</b> N=151
Got needed care	74.3% N=298	68.5% N=89	89.2% N=58	74.7% N=445

**TABLE 2: People who said they or someone in their family delayed or did not get care they felt they needed during the past 12 months (by health coverage)**

By health coverage	all insured in household	all uninsured in household	some uninsured in household	Total
Delayed or did not get needed care	<b>17.4%</b> N=60	<b>36.2%</b> N=42	<b>35.8%</b> N=48	<b>25.3%</b> N=150
Got needed care	82.6% N=284	63.8% N=74	64.2% N=86	74.7% N=444

### Policy implications

Discussions about improving health care coverage and access generally focus on the uninsured. In the past, opponents of national health care reform have pitted those with health coverage against those who are uninsured. Families with coverage have been told that they would lose out if the uninsured were brought into the health care system. PICO California’s Affordability Survey and many other studies reinforce the reality that both the uninsured and the insured face large barriers to obtaining the health

care they need. These findings reinforce the importance of designing health care reform around the needs of both those with and without coverage. If Congress provides subsidies to families to purchase coverage in a Health Care Exchange – as has been proposed by the President and the leaders of the major Congressional Committees with jurisdiction over health care – then it is essential that those subsidies be sufficient for families to afford coverage. It is not enough to simply cover families with insurance, coverage must not impose such high costs on families, that they do not seek the care they need to stay healthy. A strong Affordability Standard not only assures that families are not bankrupted by health care costs, but that they get the care they need, when they need it, which is essential to reducing overall health care costs.

## **2. An increasingly number of California families at risk of being uninsured**

More than one out of three people (37.4 percent) in California went without health insurance for all or part of 2007-2008.<sup>iii</sup>

Between January 2008 and January 2009, it is estimated that 637,300 California workers and their families joined the ranks of uninsured because of the state's 4 percent increase in unemployment.<sup>iv</sup> Since January 2009 the unemployment rate in California has increased another 1 percent, further adding to the rolls of the uninsured.

Budget policy proposals by Governor Schwarzenegger could result in an additional 2 million Californians becoming uninsured, including 1.5 million children, 433,600 low-income parents and 73,364 seniors and disabled people.<sup>v</sup>

PICO's Family Budget Survey illustrates how devastating being uninsured can be on people's health. The Survey also shows how both low-income families and more moderate-income families face the challenge of staying healthy without access to health insurance coverage.

### **More than half of all families earning less than 200 percent of poverty are uninsured**

A significant majority (57.6 percent) of people earning less than 200 percent of poverty (\$41,100 for a family of four) reported that they or someone in their family was uninsured.

### **Uninsured rates are also higher for moderate-income families**

Even among more moderate-income families earning between 200-400 percent of poverty (\$41,100-88,200 for a family of four) 19.1 percent reported that someone in their family was uninsured. See TABLE 3 below.

<b>TABLE 3: Percent Uninsured by Income</b>				
	Less than 200% (<\$41,100)	200-400% (\$41,100-88,400)	Greater than 400% (>\$88,400)	Total
All household members are insured	43.1% N=172	86.2% N=112	92.3% N=60	57.9% N=344
Some or all household members are uninsured	56.9% N=227	13.8% N=18	7.7% N=5	42.1% N=250

### **The consequences of being uninsured are devastating people’s health**

An estimated 8 working-age Californians die prematurely each day because they lack health coverage. Nationally the Institute of Medicine found that adults without health coverage are 25 percent more likely to die prematurely than adults who are insured.<sup>vi</sup>

Many people who participated in the survey shared specific examples of not getting care they felt they needed because they lacked health coverage.

*“I didn't go to my quarterly check-ups for diabetes due to lack of funds.”*  
-46 year old woman whose family is uninsured

*“My eyelids swelled up dramatically and even though I was extremely concerned I chose to wait at least a week and see if this would take care of itself and the swelling would go down spontaneously. I also fell down a flight of indoor stairs, very steep staircase and hurt both feet, but decided to just try ice packs etc instead of going to the doctor. I probably should have had my feet wrapped to take the pressure and stress off the strained/sprained parts of my foot.”*  
-61 year-old woman who is uninsured

*“I did not go to check my liver panel due to lack of insurance.”*  
-38 year-old man who is uninsured

*“I have diabetes and I cannot go to the doctor because I do not have the means to. I do not enough income.”*  
-34 year-old woman who is uninsured

*“I was laid off, so I no long have insurance while being sick with cancer, and now have to pay out of my own pocket.”*  
-34 year-old female who just lost her insurance

*“I just lost my job and did not have coverage so I put off going to see why I had lots of pain. It turned out to be shingles which then moved from body to face. I had to get a private policy as Cobra was \$861 just for me.”*  
-58 year old woman

*“My son was assaulted and beat up but since we do not have medical coverage we could not have the surgery he needed to fix the damage.”*

-46 year-old woman whose family is uninsured

*“My daughter had a throat infection and had no insurance so my daughter had to fight the infection for over 2 weeks.”*

-27 year-old man whose family is uninsured

*“My husband had chest pains, but was unable to get medical care because he is unemployed and therefore uninsured.”*

-33 year-old woman whose husband is uninsured

*“I had a tumor the size of a melon and they did not want to see me because I did not have money or insurance, until I could put down a \$3,000 deposit. “*

-45 year-old woman who is uninsured

## **Policy implications**

The growing number of both lower and more moderate-income families who are losing their health coverage in California and across the United States increases the urgency for federal action to cover the uninsured. It also points to the need for health care reform legislation that provides a mechanism for families at different income levels to obtain affordable coverage. Proposals to extend coverage subsidies on a sliding scale to families earning up to 400 percent of poverty reflect the reality that many families at this income level are unable to obtain affordable coverage through their employers or the private market. The next section looks at data that informs how to best structure subsidies and an overall Affordability Standard to make health care reform work for low and moderate-income families.

### **3. Many families lack the income to keep up with rising health care costs**

Health care costs are skyrocketing in California and across the United States and each year employees are being asked to pay a larger share of their income for health care. Between 2000 and 2006, California’s employee contributions for health insurance premiums for family coverage increased by 66 percent, while median household income only increased 7%.<sup>vii</sup> That means that a typical family saw their health care costs rise 9.4 times faster than their income.

#### **Many families have little or no excess income to contribute to health coverage**

Many families – even at moderate-income levels –report having negative cash flow, meaning they are spending more each month than they are earning. Indeed more than half (56.7 percent) responding to the survey said that they were spending more than their income, even when health care costs were not included (see TABLE 4 below).

**A large majority of families earning below 200 percent of poverty, along with many earning between 200-400 percent of poverty, have little or no excess income to contribute to health coverage after meeting their daily necessities.**

<b>TABLE 4: Families with negative cash flow by income</b>	Less than 200% (<\$41,100)	200-400% (\$41,100-88,400)	Greater than 400% (>\$88,400)	Total
Percent of people saying they are spending more than they are earning (not including health costs)	69.6% N=297	35.4% N=46	20.0% N=13	56.7% N=338
Percent of people saying they are spending more than they are earning (including health care costs)	75.6% N=303	49.2% N=64	23.1% N=15	64.1% N=382

Another way to look at what people may be able to contribute to their health care costs at different incomes is to look at current spending. The median family in the survey said they paid 4.2 percent of their income for health care costs (see TABLE 5). This amount was almost twice as high for people earning between 200-400 percent of poverty. Many of these families are spending more than they are earning, and therefore going into debt or cutting back on essential expenses to meet their health care costs.

<b>TABLE 5: Current health care spending as percent of income</b>	Less than 200% (<\$41,100)	200-400% (\$41,100-88,400)	Greater than 400% (>\$88,400)	Total
Percent of income spent on health care for the median family	3.2%	7.9%	3.8%	4.2%

The resources that families have available for health care expenses – after they meet their essential expenses – varies considerably by income, as well as within income groups.

Very few families earning less than 200 percent of poverty have any money left at the end of the month for health care costs. These families are struggling to meet their daily expenses, even without the financial pressure of rising health care costs. Less than one-quarter of lower-income families in the survey had more than 5 percent of their income available after meeting essential expenses.

Among families earning between 200-400 percent of poverty there was significant variation in the amount of available resources. More than one-third (35.4 percent) of families in this income range had no available resources for health care and more than half (55.4 percent) said that they had less than 5 percent available.

## Out-of-pocket costs are a major component of health care costs

Just over half of all health care costs that people in this survey report paying are above and beyond premiums. These are in the form of co-pays, deductibles and needed health care services that are not covered by insurance.

## Fair contributions increase along a sliding scale

As important as what money families have available for health costs is what they view as fair contribution for their family. This is particularly true if, as expected, health care reform legislation includes a requirement that people purchase health coverage. In the context of an individual mandate, it is important that families feel that what they are being asked to contribute is fair. The results suggest that the percentage of income that people view as a fair contribution increases with income, supporting a progressive sliding scale approach to determining a fair Affordability Standard (see TABLE 6).

<b>TABLE 6: What do you think would be a fair amount of money for your family to spend PER MONTH for health care to be affordable to you?</b>				
	Less than 200% (<\$41,100)	200-400% (\$41,100-88,400)	Greater than 400% (>\$88,400)	Total
Response of median family in this income range	2.0%	3.9%	4.6%	2.7%

## Comments on Affordability

*"... because our expenses are more than usually what we make. So there is no room to pay or put money for health insurance."*

-30 year old man who is uninsured

*"Healthcare is vital to our family's lives and success and I feel that my contribution is not an option but rather an affordable responsibility. At the end of the day I am always adjusting my expenses to pay for pre-school, gas, food, activities for my daughters, etc. In order to keep my basic needs and continue to be able to RENT (not own) a place to live, I cannot use majority of what's left towards healthcare. I am hoping to one day be able to save money from my paycheck to buy a home for my family, so far this is unrealistic."*

-42 year old woman whose family is insured through a combination of employer sponsored insurance and Medicaid/SCHIP

*"Right now I could not afford ice cream for my daughter. I'm not even going to think about paying for health care."*

-27 year-old man whose family is uninsured

*“I am willing to pay a lot for good healthcare. But our contribution now is almost 1/5th of our take home income. If it keeps up what will we do? We are an upper middle-class family. If we are in this bind, what must it be like for low and moderate-income families? I see why people go without healthcare.”*

-46 year old woman whose family is insured through employer sponsored health coverage

*“We don’t make enough money to cover health care. My husband and I are ill and need our medication on a daily basis.”*

-50 year-old woman who purchases health insurance directly from a health plan

*“Our health care expense is half my salary.”*

-62 year old woman who has coverage through an employer

## **Policy Implications**

The Affordability Survey results support the need to consider all out-of-pocket costs when setting an Affordability Standard for what families can contribute to their health care. A policy that just focused on premium subsidies would not account for the growing costs that are imposed on families by co-payments, deductibles and uncovered services. Similarly, it is important that benefits be adequate so that a family with subsidized insurance does not find itself bearing the cost of uncovered care. The results also point to the need to protect lower-income families, earning less than 200 percent of poverty from premiums and extensive out-of-pocket costs, since most families at this income-level are already underwater and unable to meet their basic needs. The findings also point to the need for affordability protections for higher-income families, as well as support for setting subsidies along a progressive sliding scale that increases as family income rises.

## **Key Elements of an Affordability Standard**

The number one reason that families lack health care coverage is that they cannot afford it. If Comprehensive Health Care Reform legislation contains a mandate, as many expect, then affordability becomes even more important. Requiring people to buy coverage without seriously addressing affordability – especially during an economic downturn – will be disastrous for families and politically for Congress. Families in California and the Bay Area especially need affordability protection. The region’s high cost-of-living and high unemployment rate are making it difficult for even solidly middle-class families to afford health care. Struggling families should not be expected to pay an unlimited portion of their income for their health care without regard for what they can afford. Based on family budget surveys and research into state efforts to cover the uninsured, including the Massachusetts model, PICO believes that there are five key elements of a strong Affordability Standard. They include:

### **1. Sliding scale contributions based on income**

The percent of income that a family is expected to contribute to purchasing coverage (including both premiums and other out-of-pocket costs) should be reasonable and should increase along a progressive sliding-scale.

People's ability to contribute to their health care costs increases as their income rises. Basing subsidies on a progressive sliding scale increases the chances that families will actually be able to purchase health coverage and decreases the risk that families will be required to purchase coverage that they cannot afford.

It is also essential that subsidies take into account total out-of-pocket costs. Just over half of the health care costs that people reported on this survey were not for premiums but rather for co-payments, deductibles, uncovered services and other out-of-pocket costs.

## **2. Protections for lower-income families**

Families earning less than 200 percent of poverty – an income level at which most families are unable to meet their basic needs – should be exempted from monthly premiums and face minimal cost-sharing.

As this survey and many others have found, families earning less than 200 percent of poverty are largely unable to meet their basic needs, let alone take on significant health care costs. Families at this income level are eligible for a variety of public programs, such as food stamps and the Earned Income Tax Credit. Charging premiums to families under 200 percent of poverty would result in a significant decrease in the number of families obtaining health insurance coverage and would therefore defeat the goal of universal coverage. Lower-income families should pay only minimal cost-sharing to avoid creating barriers to needed health care.

## **3. Adequate benefit packages**

Benefit packages should be adequate enough to cover the care people need to stay healthy and prevent disease and protect people from out-of-pocket costs they cannot afford. Each plan should cap total annual out-of-pocket costs.

As reported above, more than half of all health care costs that people in this survey report paying are above and beyond premiums. It is essential that benefit packages not leave families with large costs that they cannot afford. Subsidies that are based on a percentage of family income should therefore go toward plans that cover the services that people need, and should not impose additional out-of-pocket costs above and beyond the family's contribution.

## **4. A global cap**

There should be an overall cap on premiums and out-of-pocket expenses at 9 percent that ensures that people are not required to purchase coverage that is not affordable.

Even families whose earnings put them beyond health care subsidies – for example, those earning more than 400 percent of poverty – should not be required to purchase health coverage

unless they can obtain affordable coverage. In other words, while these families would not receive subsidies to help purchase insurance, they would not face consequences if they could did not purchase insurance if the cost was greater than nine percent of their income.

## 5. Transparency and simplicity

Subsidies should be delivered in a manner that is clear and transparent and most likely to accomplish the goal of universal coverage.

For lower-income families, tax credits may not be the most effective means of delivering subsidies. It may be more effective for families to be able to obtain health coverage by paying their contribution monthly based on their income.

By including a strong Affordability Standard that incorporates these five elements in health care reform legislation, Congress can go a long way toward making reform successful for families in California and across the United States.

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<sup>i</sup> <http://www.chis.ucla.edu/main/DQ3/output.asp?rn=0.2497675>

<sup>ii</sup> [http://www.commonwealthfund.org/~media/Files/Chart%20Maps/State%20Scorecard/California/StateScorecard\\_California%20pdf.pdf](http://www.commonwealthfund.org/~media/Files/Chart%20Maps/State%20Scorecard/California/StateScorecard_California%20pdf.pdf)

<sup>iii</sup> <http://www.familiesusa.org/resources/publications/reports/americans-at-risk-states.html>

<sup>iv</sup> <http://www.census.gov/hhes/www/hlthins/historic/index.html>, <http://www.bls.gov/lau/>, <http://slides.kff.org/chart.aspx?ch=360>. State by state calculations of uninsured as a result of unemployment were made by PICO National Network, based off of the Urban Institutes data that indicates 1.1 million Americans become uninsured when the national unemployment percentage increased by 1 percentage point.

<sup>v</sup> California Health Access, <http://www.health-access.org/files/preserving/2009%20Revised%20Budget%20Proposal%20Analysis%2005-22-09.pdf>

<sup>vi</sup> Families USA, <http://www.familiesusa.org/resources/newsroom/press-releases/2008-press-releases/dying-for-coverage-ca.html>.

<sup>vii</sup> [http://www.meps.ahrq.gov/mepsweb/data\\_stats/state\\_tables.jsp](http://www.meps.ahrq.gov/mepsweb/data_stats/state_tables.jsp);  
[http://factfinder.census.gov/servlet/DatasetMainPageServlet?\\_program=ACS&\\_submenuId=&\\_lang=en&\\_ts=](http://factfinder.census.gov/servlet/DatasetMainPageServlet?_program=ACS&_submenuId=&_lang=en&_ts=),  
<http://www.census.gov/prod/2008pubs/acs-09.pdf> (pg.4)