



ISSUE BRIEF

High Health Care Costs Threaten Health and Financial Security of Pennsylvania Families

A new report from Families USA¹ points to the growing number of non-elderly Pennsylvanians who pay a disproportionate share of their income for health care expenses. *Too Great A Burden: Pennsylvania Families at Risk*, shows that more than 20% of Pennsylvanians under the age of 65 live in families that pay 10% of their pre-tax income—or more—for health care. Almost 6% of Pennsylvanians pay 25% of their income for health care. The vast majority of these families **have health insurance**. The findings:

- **2,240,000 Pennsylvanians**, 21% of the under-65 population, live in families that pay more than 10% of their income for health care premiums, deductibles, co-payments and other out-of-pocket costs. The number has increased by 371,000, since 2000.
 - 87.1% of these individuals **have health insurance**.
- **601,000 Pennsylvanians** live in families that spend more than 25% of their pre-tax income on health care. The number has increased by 21% since 2000.
 - 82.5%, of these individuals **are insured**.
 - 496,000 insured Pennsylvanians pay more than 25% of their income for health care.
- Since 2000, the number of Pennsylvanians paying more than 10% of their income for health care costs has **increased by 20%**.
 - 381,000 more Pennsylvanians are paying more than 10% of their income for health care.
 - 95% of the increase has come in families **with health insurance**.

What is affordable?

A family of four earning \$62,000 has an income at 300% of the federal poverty level. The Commonwealth of Massachusetts, which requires individuals to carry insurance as part of its health care reform plan, has defined affordability for families at this income level at 4% of income, about \$2480.

- A family paying 10% of income, \$6200, is paying two and half times what is considered affordable
- A family paying 25% of income for health care pays \$15,000, six times more than what is affordable.

Why do high health care costs matter?

High costs are a barrier to access. People with medical debt are more likely to delay or forgo needed care, or go without prescription drugs they need to treat medical conditions. Many will end up sicker and require more expensive care later on.

High costs undermine financial security. Pennsylvania families are already stretched to the bone. Since 2000, wages have barely kept pace with inflation, leaving families with fewer resources to pay higher costs. Nationally, almost 40% of families who report having high medical bills or debt have already used up *all* of their savings. About half of all personal bankruptcy cases are due, in full or in part, to medical costs.

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Why has the number of families with high medical costs grown?

- **Premiums costs have increased.** According to the Governor's Office of Health Care Reform, health care premiums in Pennsylvania increased by 76% between 2000 and 2006.
- **Insurance coverage is thinning.** As premiums increase, employers are faced with difficult choices. More employers are increasing employee contributions, or moving to insurance packages that have less coverage or high out-of-pocket costs. Some have dropped family coverage altogether.
- **Health care costs are on the rise.** Nationally, spending on prescription drugs has more than doubled since 2000, and spending on hospital care has increased by 80%. New diagnostic tools and new medical technologies account for, by some estimates, 50% of the increase.
- **Little pro-consumer regulation of health insurance providers.** Insurers can spend as much of their premiums dollars as they want on profits and on overhead, instead of on medical costs. Many insurers can charge higher rates based on age, gender, and occupation, and in Pennsylvania, based on health status and medical history. Without rules that protect consumers, premiums will increase, and costs for individuals, particularly those with the greatest need, will be higher.

What can be done about high medical costs?

Ignoring the problem will not make it go away. These trends are likely to continue. The Kaiser Family Foundation Annual Employer Health Benefits Survey found that 45% of firms reported being very likely or somewhat likely to increase premium contributions in 2008 and 42% are very or somewhat likely to increase cost-sharing for doctor's visits.

The Prescription for Pennsylvania can help. The Pennsylvania General Assembly has already passed legislation designed to address the **rising cost** of health care, but there is much more to be done. Legislation to reduce the incidence of costly infections contracted in health care settings has passed. Pennsylvania is working with health care providers to better manage the needs of individuals with chronic health problems and is offering payment incentives for new preventive care programs and better health outcomes.

Health insurance reform is needed. Pennsylvania does less than almost any state in the nation to protect the interests of small businesses and their employees. By holding insurers to basic standards, and requiring rate review and approval, premiums for many businesses will stabilize or even go down.

We Can Cover All Pennsylvanians. Massachusetts and Vermont have made a commitment to offer low cost, high quality insurance to their citizens, California and Illinois are working on plans to reign in costs and expand coverage.

Governor Rendell's Cover All Pennsylvanians promises to expand health insurance coverage to 431,000 uninsured Pennsylvanians in five years. It's a promise we can all be proud of.

**THE GENERAL ASSEMBLY SHOULD ACT NOW TO MAKE HEALTH CARE AFFORDABLE!
SUPPORT COVER ALL PENNSYLVANIANS AND SMALL GROUP HEALTH INSURANCE REFORM.**