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## THE COST OF CARE: CAN COLORADANS AFFORD HEALTH CARE

Presented to the Interim Health Care Committee  
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Contact: Elisabeth Arcuales, Esq. Health Care Program Director, Colorado Center on Law and Policy- 789 Sherman Street, Suite 300, Denver CO 80203- (303) 573-5669 x302 - [earcual@ccponline.org](mailto:earcual@ccponline.org)

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## Different Perspectives: Health Care Costs in the Context of all Household Expenses

- 1. Individual Households:** What resources available after expenses?
- 2. Group Perspective:** How much of a group is "most?"  
Data: Household Budget Surveys - CVC Partners  
Budget workshops  
12+ communities, 1000+ surveys, 11% in Spanish
- 3. Opportunity Costs** What do families give up to buy health care?  
Data: Consumer Expenditure Survey  
National survey, 600+ categories of household spending  
900+ CO sample

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## 1. Individual Households: Which Expenses?

- **Necessary Expenses:**

Food, housing, utilities, child-care, alimony and child support, transportation, taxes, 10% misc. expenses

- **Other Financial Responsibilities:**

Monthly debt payments, tuition and educational expenses, charitable donations, savings, support to family members

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## Individual Households

- **What Families Have to Spend on Health Care is What is Left After “Other Financial Responsibilities”**

- Debts are legal obligations
- Some debt is socially desirable
- Families will continue to prioritize expenses
- Debt levels very high

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## Little or Nothing Available for Health Care Costs

Federal Poverty Level (FPL)	Income after Necessary Expenses		Income after Necessary Expenses and Other Financial Responsibilities	
	Percentiles			
	25th	50 <sup>th</sup> (Median)	25th	50 <sup>th</sup> (Median)
100% or Below	-\$1082	-\$357	-\$1409	-\$544
101% to 200%	-\$315	\$210	-\$631	\$105
201% to 300%	\$275	\$626	-\$34	\$320
301% to 400%	\$242	\$828	-\$90	\$353
401% to 500%	\$590	\$1389	\$206	\$617

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## Individual Households: Key Findings

- Families *within* a given income category differ in what they can afford - family structure, debt load, geography, adverse events, personal and cultural values
- 25% of families at all income levels but the highest have negative balances
- *At the median*, after "necessary expenses and other financial responsibilities"
  - < 200% little or nothing available
  - 200%-400% 50% can contribute something (But 25% need full subsidy)
  - 400%-500% Can make a serious contribution (73% could pay 5% of income)

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- Having money after expenses doesn't mean a family can afford health care
  - Health care costs include much more than insurance
  - 'Affordability' doesn't deplete all resources

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- Standard Should be Affordable for Those at the **Lowest 25<sup>th</sup> percentile**
  - Health care is a monthly obligation
  - Assure that even months with extraordinary expenses doesn't compromise family budget or force them to drop coverage

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## 2. Group Perspective: How much is “most?”

- Modeled individual and group plans
  - Key findings:
    - Only at highest income could a majority (63%) afford individual insurance.
    - Typical employer “subsidy” provided in the group market significantly increases the ability of households to afford insurance BUT still not enough for many
- 200%-400% – low 60s%  
400%-500% – 74%



## Group Perspective

**EXHIBIT 8: PERCENTAGE OF BUDGET WORKSHOP HOUSEHOLDS THAT CAN AFFORD AVERAGE PREMIUMS IN INDIVIDUAL AND GROUP MARKET BY INCOME**

FPL	Individual Market* \$230 per adult plus \$80 per child per month, with a cap of \$700 for two parent families and \$470 for single parent families.		Employee Share of Group Insurance** \$63 for a single adult, \$252 for families per month	
	After Necessary Expenses (1)	After Necessary Expenses and Other Financial Responsibilities (2)	After Necessary Expenses (3)	After Necessary Expenses and Other Financial Responsibilities (4)
101% to 200%	36%	22%	54%	44%
201% to 300%	71%	46%	78%	61%
301% to 400%	70%	44%	81%	63%
401% to 500%	82%	55%	93%	74%

\*Assumes coverage is purchased for each family member. Individual coverage is priced by age, health status, and gender; this base price assumes a healthy 30-35 year old male. Those with pre-existing conditions would likely be charged more or denied coverage.  
\*\* Assumes employer pays 74.5% of the premium.



### 3. Opportunity Costs

- Total health care expenditures
- Necessary Expenses
  - Transportation, housing, child care, clothes
  - food
- Other Expenses
  - Savings, education, home furnishings



### Opportunity Costs

#### Key Finding:

As health care claims a larger percentage of a family's budget, spending in other categories goes down.

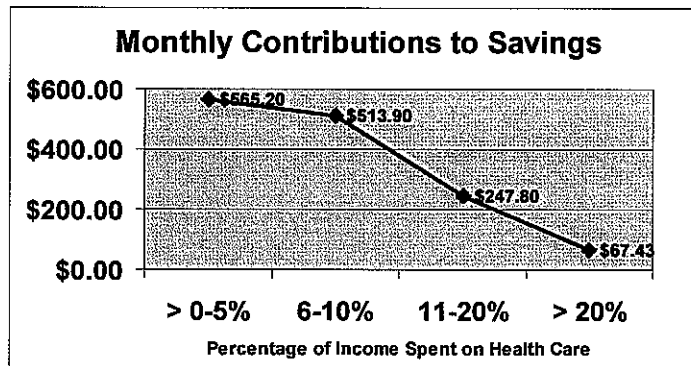
This pattern is visible when families spend more than 5% of total income on health care.



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### 3. Opportunity Costs: Compromising Long Term Opportunities



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### Our Policy Challenge

- Any Single Standard Too Blunt
- Consider group perspective in policy analysis
- Develop a Standard that takes into account Those in Very Different Circumstances
  - Wide Variation *within* Income Groups

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## Policy Considerations: Promote Economic Security

- **Avoid Unintended Consequences in Other Policy Areas**  
Education & Retirement Savings, Student Loans
- **Don't Penalize Families for Saving**
- **Deductions to Income**  
for asset development
- **Targeted Assistance**  
for extraordinary expenses

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## Full Report Available

On-line at:

- [Cclponline.org](http://Cclponline.org)
  - [COHealthInitiative.org](http://COHealthInitiative.org)
- Follow the CVC link

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## Communities Visited

- Alamosa
- Avon
- Burlington
- Colorado Springs
- Dillon
- Fort Collins
- Grand Junction
- Gunnison
- Lakewood
- Montrose
- Thornton
- Aspen
- Brighton
- Carbondale
- Denver
- Eagle
- Fort Lupton
- Greeley
- La Junta
- Lamar
- Pueblo