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Special Series: **Health Reform Issues**

October 26, 2009

PROVISION UNDER CONSIDERATION FOR MERGED SENATE HEALTH BILL WOULD HARM NEEDY FAMILIES

Would Cut Subsidies to the Near-Poor to Help Fund Larger Subsidies for Families Farther Up the Income Scale

by January Angeles and Judith Solomon

A family of three earning $27,465 a year before taxes — that is, at 150 percent of the poverty line — would have to pay $1,318 a year for health coverage under a proposal that Senate negotiators are considering for a merged health reform bill that they would bring to the Senate floor. This is more than such a family would pay under *either* the Senate Finance Committee health bill or the bill that the Senate Health, Labor, Education, and Pensions (HELP) Committee approved, and represents a large amount for families that often have difficulty paying the rent and utilities and putting food on the table.

This $1,318 premium charge, which would represent 4.8 percent of the family's income, is *nearly five times* the $275 that the family would pay under the Senate HELP bill and $82 more than the $1,236 it would pay under the Finance bill.

The Finance bill would provide significantly less assistance than the HELP bill to help families and individuals with very modest incomes purchase coverage in the new health insurance exchanges. This is especially the case for people with incomes below 200 percent of the poverty line (below $36,620 for a family of three in 2009). The option described here that is under serious consideration for the merged bill would aggravate this problem by requiring the most vulnerable people to pay still more than they would have to pay under the Finance bill.

This is related to efforts that Senators working on the merged bill are making to cap the cost of insurance premium contributions at 10 percent of income for households that earn between 300 and 400 percent of the poverty line, rather than at 12 percent of income as under the Finance Committee bill. To help pay for this change, they reportedly are also considering *increasing* the amounts that very low-income households would be required to pay, with households whose incomes are at the poverty line having to pay 3 percent of income for premiums, up from 2 percent in the Finance Committee bill.

Premium contributions would then increase on a sliding-scale, based on income, up to 10 percent of income for families at 300 percent of the poverty line. (Contributions would remain at the 10-

percent-of-income level for those between 300 percent and 400 percent of the poverty line.) Under such an approach, some assistance would be shifted from near-poor families to families with higher incomes.

This option would make coverage more affordable for those with higher incomes and would lower the number of households whose premium costs would exceed 8 percent of income and who thus would be exempt from the penalty for failing to have insurance. That part of the option represents a desirable change. But as Table 1 indicates, this option also would increase the amount that families earning less than 167 percent of the poverty line (less than $30,578 for a family of three in 2009) would have to pay for coverage. As a result:

- Compared to the Finance Committee bill, a family of three toward the low end of the subsidy scale — with income at just $25,000 a year, or 137 percent of the poverty line — would see a 12 percent increase in its premium contributions. Such a family, which does not qualify for food stamps (its income is too high) and is unlikely to receive any housing assistance, is likely already to struggle to make ends meet. Under the HELP bill, a family of three at this income level would pay $250 a year in premiums. Under the Finance Committee bill, the family would be required to pay $963 — nearly four times as much. And under the option described here that is under consideration for the merged bill, the family's annual premium would be raised to $1,075, well above what such a family generally could afford.

- A family of three earning $27,465 a year before taxes (150 percent of the poverty line) would now have to pay 4.8 percent of its income or $1,318 a year for coverage. This is $82 more per year than what the family would pay under the Finance Committee bill, and nearly *five times more* than what it would pay under the HELP Committee bill.

- The premium payments made by a family with income at 200 percent of the poverty line would go down slightly compared to the Finance Committee bill. The premiums for a family at this income level would still be almost twice what such a family would pay under the HELP bill.

- People at higher income levels who are eligible for premium credits would pay less under this version of the subsidy scale than under *either* the Finance or HELP bills. (See Table 1.)

TABLE 1							
Required Family Premium Contributions Under Senate HELP Bill, Senate Finance Bill, and "3 to 10" Alternative							
Income for a *Family* of Three[a]		Senate HELP Bill		Senate Finance Bill		"3 to 10" Alternative	
Percent of Poverty Line	Annual Dollar Amount	Percent of Income	Annual Dollar Amount	Percent of Income	Annual Dollar Amount	Percent of Income	Annual Dollar Amount
133%	$24,352	1%	$243	3.7%	$889	4.2%	$1,023
150%	$27,465	1%	$275	4.5%	$1,236	4.8%	$1,318
200%	$36,620	3.3%	$1,208	7%	$2,563	6.5%	$2,380
250%	$45,775	5.6%	$2,563	9.5%	$ 4,349	8.3%	$3,799
300%	$54,930	7.9%	$4,339	12%	$6,592	10.0%	$5,493
350%	$63,085	10.2%	$6,435	12%	$7,690	10.0%	$6,308
400%	$73,240	12.5%	$9,155	12%	$8,789	10.0%	$7,324

The Senate Finance Committee bill already asks the lowest-income families to pay more than many of them are likely to be able to afford without cutting back on necessities.[1] Under the new alternative under consideration, the amounts that people at very low income levels would have to contribute would be even more unaffordable for them. Many low-income families would likely encounter serious difficulty making the required premium contributions for coverage after paying for housing, food, clothing, transportation, and child care.[2] Yet they would face a penalty if they did not purchase coverage.

In short, reducing the credits for near-poor households and requiring them to pay still higher amounts for premiums would be ill-advised. Such a step would be almost certain to result in significant hardship.

[1] See January Angeles and Judith Solomon, "Finance Committee Health Reform Bill Makes Improvements, But Still Falls Short of What Is Needed for Many People to Afford Health Care," Center on Budget and Policy Priorities, Revised October 13, 2009.

[2] The Finance Committee bill generally would require all citizens and legal immigrants to obtain health coverage or pay a penalty. Households would not face a penalty for failing to have coverage if their share of the premium cost for the lowest-cost plan available in the exchange exceeded 8 percent of their income. If subsidies start at 3 percent and end at 10 percent, many households with incomes between 242 percent and 400 percent of the poverty line would have to pay more than 8 percent of their income for coverage and thus would be exempt from paying the penalty. Those below 242 percent of the poverty line, by contrast, would have to pay the penalty if they did not obtain insurance.