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Special Series: Health Reform Issues

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HOUSE HEALTH REFORM BILL WOULD HELP ENSURE AFFORDABLE, QUALITY COVERAGE FOR OLDER ADULTS AGED 55-64

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The House health reform bill (H.R. 3962)[1] unveiled last week would reduce the ranks of the uninsured by 36 million by 2019 as compared to under current law, the Congressional Budget Office says, meaning that 96 percent of the non-elderly population would have health insurance.[2] One particularly vulnerable subset of the uninsured, older adults aged 55-64, would especially benefit under the House bill.

While individuals aged 55-64 are less likely to be uninsured than younger people, 4.3 million (or 12.5 percent) of these older adults lacked health coverage in 2008. Like other uninsured individuals, these older adults are uninsured mainly because they lack access to employer-sponsored insurance or public programs like Medicaid, and they are not yet eligible for Medicare.

Because the incidence of medical problems tends to increase with age, uninsured older adults, on average, have greater need of health insurance than other people without health coverage. For example, uninsured older adults are four times likelier to be in poor or fair health than uninsured people aged 19-34.[3] More than a fifth of uninsured older adults have two or more chronic medical conditions,[4] and such individuals are at least three-and-a-half times more expensive to serve than

[1] For an overall analysis of the House health reform bill, see Edwin Park, Judith Solomon, Paul Van de Water, Sarah Lueck and January Angeles, "House Health Reform Bill Expands Coverage and Lowers Health Cost Growth, While Reducing Deficits," Center on Budget and Policy Priorities, October 31, 2009.

[2] Congressional Budget Office, "Letter to the Honorable Charles B. Rangel," October 29, 2009. The 96 percent coverage figure excludes non-elderly undocumented immigrants.

[3] Gretchen Jacobson, Karyn Schwartz, and Tricia Neuman, "Health Insurance Coverage for Older Adults: Implications of a Medicare Buy-In," Kaiser Family Foundation, May 2009.

[4] Jacobsen, Schwartz, and Neuman, *op cit*.

older adults without any chronic conditions.[5] In addition, more than half of uninsured older adults who are in poor or fair health do not receive the care they need due to cost.[6]

By forgoing necessary medical care, uninsured older adults are also more likely to require complex and costly care in the future. Uninsured adults ages 59 and 60 who suffered from conditions like hypertension, diabetes, heart disease or stroke and later became eligible for Medicare at age 65 were more likely to see the doctor, be admitted into the hospital, and incur larger medical costs than similar Medicare beneficiaries with the same medical conditions who previously were insured, a 2007 study published in the *New England Journal of Medicine* found.[7]

The House health reform bill would help provide affordable, quality health coverage to uninsured older adults and meet their substantial health care needs by doing the following:

- **Guaranteeing access to health insurance irrespective of age and health status.** In many states, insurers in the individual health insurance market can refuse to offer coverage because of a person's health, age, or other factors. This disproportionately affects older adults without access to employer-sponsored insurance or public programs like Medicaid who try to purchase coverage in the individual market. For example, the health insurance industry's own survey data show that in 2006, nearly 25 percent of older adults aged 55-64 applying for health coverage were rejected outright. Individuals aged 60-64 were even more likely to be refused coverage by insurers in the individual market; nearly 29 percent of those who applied were denied coverage.[8]

  The House bill would end this practice by requiring insurers to offer health insurance coverage to all individuals, regardless of age or health status, as is already the case in group coverage provided through employers and public health insurance programs.

- **Limiting the higher health insurance premiums insurers charge older people and people in poorer health.** As people age, they are more likely to be in poorer health and have chronic medical conditions. In most states, insurers in the individual market can use "medical underwriting" to charge higher premiums (in many cases, to charge substantially more, and in some states, to do so without any limit on how high the charges can go), based on an individual's age, health status, and other factors such as gender and geography, if the insurer offers such individuals coverage at all. This is a key reason why many older adults, particularly those with lower incomes and those in poorer health, cannot purchase coverage in the individual market if they are not eligible for coverage through their employer or Medicaid. As a result, the Commonwealth Fund has found that older people purchasing coverage through the individual market tend to be both higher income and in better health, on average, than others in the same age group. For example, fewer than 10 percent of older adults who have insurance

[5] Gerry Smolka and Sarah Thomas, "A Medicare Buy-In Program," AARP Public Policy Institute, June 2009.

[6] Jacobsen, Schwartz, and Neuman, *op cit*.

[7] J. Michael McWilliams, Ellen Meara, Alan Zaslavsky, and John Ayanian, "Use of Health Services by Previously Uninsured Medicare Beneficiaries," *New England Journal of Medicine*, July 12, 2007.

[8] Center for Policy and Research, America's Health Insurance Plans, "Individual Health Insurance 2006-2007: A Comprehensive Survey of Premiums, Availability and Benefits," December 2007.

purchased in the individual market are in poor or fair health, compared to 22 percent of all such adults.[9]

The House health reform bill would prohibit insurers from varying premiums based on health and gender and would substantially limit insurers' ability to charge older people higher premiums. Premiums for older adults could be no more than twice what insurers charge the youngest adults, a difference well below that which prevails in the individual health insurance market today.

- **Providing premium and cost-sharing subsidies for low- and moderate-income individuals to purchase health coverage through the new health insurance exchange.** Health insurance, especially coverage purchased through the individual market today, is very expensive. As noted above, it is particularly costly for older adults who face higher premiums due to their age and health. This means that often only older adults who have higher incomes and are in good health can afford individual market coverage. According to the Kaiser Family Foundation, the median income of older adults who purchase coverage through the individual market is *nearly $25,000 higher* than the median income of older adults who lack coverage. That is because the average health insurance premium for an individual-market policy purchased by a person aged 55-64 would constitute nearly one-quarter of the median income of an uninsured older adult. Overall, 82 percent of older adults without health insurance have incomes below 400 percent of the poverty line, which is $43,320 in 2009 for an individual living alone.[10]

  The House bill would address this affordability problem by providing premium subsidies for health insurance purchased through the new health insurance exchange by individuals who have incomes that are below 400 percent of the poverty line but too high to qualify for Medicaid. The subsidies would cover the remaining premium cost after applying the individual's required contribution to the cost of the health coverage, which would be set on a sliding scale based on income. Individuals just above 150 percent of the poverty line (the level at which the Medicaid income limit would be set) would be required to contribute 3 percent of their income for premiums, with the required contribution rising to 12 percent of income for people just below 400 percent of the poverty line. Subsidy-eligible individuals would also qualify for significant help with the deductibles and cost-sharing charges under their insurance plans, which would reduce the out-of-pocket costs that individuals who purchase coverage through the exchange would incur.

- **Establishing a minimum set of comprehensive benefits and limits on burdensome out-of-pocket medical costs.** Currently, even if older adults are able to afford coverage in the individual market, the coverage tends to have less comprehensive benefits and higher deductibles and cost-sharing charges than is typically offered through employer-based coverage. This limits their access to needed care. For example, the Commonwealth Fund has reported that individual market plans for older adults are more likely to lack prescription drug coverage

[9] Older adults are defined more broadly by the Commonwealth Fund study as including adults ages 50-70. Sara Collins, Cathy Schoen, Michelle Doty, Alyssa Holmgren, and Sabrina How, "Paying More for Less: Older Adults in the Individual Insurance Market," The Commonwealth Fund, June 2005. See also Elisabeth Simantov, Cathy Schoen, and Stephanie Bruegman, "Market Failure? Individual Insurance Markets for Older Americans," *Health Affairs*, July/August 2001.

[10] Jacobsen, Schwartz, and Neuman, *op cit.*

and to have other gaps in coverage. They also typically carry higher deductibles. As a result, nearly one-third of older adults with individual market coverage were underinsured, compared with 5 percent of those with employer coverage.[11]

Moreover, many older people with individual market coverage report problems in accessing needed health care due to cost. The Commonwealth Fund study reported that 32 percent of older adults with individual market coverage did not fill a prescription or see a doctor or skipped a medical test or treatment, compared to 18 percent of those with employer-based insurance. Nearly 40 percent of older adults with coverage purchased through the individual market also reported problems paying medical bills, as compared to 10 percent of similar older adults with employer-based coverage.[12]

The House bill would not only make health coverage more affordable for uninsured older adults but would also ensure that once they gain health insurance, older adults would have adequate, comprehensive benefits. For example, the bill would establish a minimum "essential benefits package" that all health insurance plans would have to provide, whether offered inside or outside the exchange. It would prohibit annual or lifetime limits on benefits and establish a maximum annual limit on out-of-pocket health costs of $5,000 for individuals and $10,000 for family coverage. The bill also would bar cost-sharing for preventive services and require plans to have adequate networks of providers. As noted above, it would provide subsidies for low- and moderate-income individuals that would have the effect of lowering the deductibles and co-payments such individuals would owe under health plans offered through the new exchange.

- **Expanding Medicaid to cover all individuals, including low-income older adults below 150 percent of the poverty line.** Medicaid does not generally cover adults without children unless they are pregnant or have a disability, even if they have very low incomes. Because the overwhelming majority of uninsured older adults ages 55-64 (92 percent) do not have dependent children, this means that most non-disabled older adults with low incomes are ineligible for Medicaid.[13] Even the relatively small number of low-income older adults who are raising minor children are likely to be ineligible for Medicaid because the income eligibility level for working parents in the typical state is only 67 percent of the poverty line.[14]

  The House bill, however, would expand Medicaid for childless adults and parents to 150 percent of the poverty level. More than 35 percent of uninsured older adults aged 55-64 had incomes below this new eligibility threshold in 2008 and thus could gain Medicaid coverage under the House health reform legislation.[15] Moreover, Medicaid provides a comprehensive

[11] The Commonwealth Fund defines people as "underinsured" if their out-of-pocket medical expenses (excluding premiums) equal 10 percent or more of income, their out-of-pocket medical expenses equal 5 percent or more of income if they have incomes below 200 percent of the poverty line, or their deductibles equal 5 percent or more of their income.

[12] Collins, Schoen, Doty, Holmgren, and How, *op cit.*

[13] Jacobsen, Schwartz, and Neuman, *op cit.*

[14] Donna Cohen Ross and Caryn Marks, "Challenges of Providing Health Coverage for Parents and Children in a Recession: A 50 State Update on Eligibility Rules, Enrollment and Renewal Procedures, and Cost-Sharing Practices in Medicaid and SCHIP in 2009," Kaiser Commission on Medicaid and the Uninsured, January 2009.

[15] CBPP analysis of the 2009 Current Population Survey.

benefits package well-suited to serve low-income older adults, who are more likely than younger people to have special health care needs and chronic conditions. Medicaid also generally does not charge premiums and deductibles and requires only nominal co-payments.

The House health reform bill (H.R. 3962) would institute a number of vital reforms to the flawed U.S. health care system that would directly benefit uninsured older adults. Despite being only a small percentage of the overall uninsured population, the 4.3 million older adults without health insurance are a particularly vulnerable group because they tend to be in poorer health and to have greater need of medical care. By instituting new requirements on insurers related to the premiums that can be charged and the benefits that are offered, by providing subsidies to low- and moderate-income individuals for the purchase of health insurance through the new exchange, and by expanding Medicaid, the House health reform legislation would ensure that at long last, most adults aged 55-64 have access to affordable, comprehensive coverage.