



## How to Make Sure Health Reform Offers Affordable Insurance to All Low Income Families

**Kelsey McCowan Heilman**, New Mexico Center on Law and Poverty

Here's the good news: a big expansion in health insurance coverage is about to happen in New Mexico – a state where one in three adults currently lacks coverage, a higher proportion than in every other U.S. state except Texas. ObamaCare, the new national health reform, means very good things for states where many low and lower-middle income people have not been able to afford health insurance coverage, and where many small businesses have not been able to provide coverage to their workers. As someone who works with low-income, uninsured families every day, I understand what the new national health reform can do to help the previously uninsured in New Mexico and across America. But I also know about the less-than-good news for many people earning very modest incomes. In my state and beyond, many of them may not get all the help they need from the new reforms – unless each state acts now to avoid gaps in coverage that may happen as health reform takes effect.

### Two Ways for Uninsured People to Get New Coverage

Many in New Mexico will benefit from Governor Susana Martinez's decision in January 2013 to become the second Republican governor to agree to expand Medicaid under the reform law. As coverage is extended to people who earn up to \$16,000 for a single adult and \$32,500 for a family of four, at least 170,000 adult New Mexicans will get new help from Medicaid.

Up to 200,000 more are projected to get new coverage from the new "health insurance exchange" New Mexico is setting up to allow people to comparison shop for affordable private insurance plans. People with modest incomes who buy coverage on the exchange will be eligible to get tax credits and subsidies to help pay health insurance premiums. But even with this new financial assistance, many families with incomes just above the cut-off for participation in Medicaid will struggle to pay for their new insurance plans. Such families will be at risk of falling into what experts call the "Bronze Trap."

### The "Bronze Trap" on the Health Exchanges

People with health insurance spend money on health care in two main ways: by paying monthly premiums to keep their insurance in force even if there is no need to go to the doctor, and by paying copayments and deductibles when they arrive at the doctor's office or enter the hospital.

To help people understand their quality, insurance plans offered for sale on the exchanges will be classified into Platinum, Gold, Silver, and Bronze levels. Platinum coverage is the most comprehensive, and while it will require payment of high premiums, it will have very low copayments and deductibles. Bronze coverage has the lowest premiums, but will have very high copayments and deductibles that people will have to fork over

when they arrive at the doctor's office or are admitted to the hospital.

The new health reform law includes strong protections that limit how much low-income families can be charged for copayments and deductibles. But in order to benefit from these protections, people must purchase at least "Silver" level coverage. Under the law, a family of four earning one-and-a-half times the poverty level, about \$35,000 a year, is expected to pay at least \$118 each month to buy a Silver plan. That may sound like a pretty good deal for health insurance with limited co-payments and deductibles. But this amount is too much for many families. For example, a family of four in Albuquerque, New Mexico, needs an estimated \$3,514 per month (or about \$42,000 a year) to cover basic necessities. Even with extra help from food stamps, a family of four with an income at one and a half times the poverty line falls short each month by more than \$150 – before having to pay an additional \$118 for a Silver health insurance premium.

Once the new health reform takes full effect, most Americans will have to enroll in some kind of health coverage or else pay a tax penalty. Families with modest incomes will try to avoid the penalty by buying the cheapest Bronze plans with the lowest monthly premiums. Because of the way tax credits to help people pay for premiums are calculated, such families will be able to select a Bronze plan and pay very little or nothing each month for their insurance.

But such families will then fall into the Bronze Trap. Research clearly shows that high copayments and deductibles cause low-income families to delay or completely forego necessary medical care. They skip appointments and don't keep up with prescriptions – and of course end up with worse health outcomes. In addition, some families with Bronze coverage will end up not being able to pay big deductibles if they end up in the emergency room or need expensive hospital care. They will be saddled with medical debts, and hospitals and taxpayers may end up getting stuck with bills that low-income families cannot manage to pay.

## States Can Find a Solution

Fortunately, there are several promising approaches that states can take to avoid the Bronze Trap.

- **Establish a Basic Health Program.** Starting in 2015, ObamaCare authorizes states to offer more affordable coverage to lower-income residents earning just above the cut-off for Medicaid coverage. Instead of having such people buy private plans on the exchange, the state can receive 95% of the money that would have gone to individual subsidies and use the lump sum to bargain directly with insurance companies to establish affordable coverage.
- **Provide Extra Help to Low Income Families.** States can also apply to share with the federal government the cost of providing some extra help to cover premiums for low-income families who purchase Silver plans on the exchanges.
- **Arrange a Special Plan on the Exchange.** As the state of California is already attempting to do, states can use their powers to regulate the exchanges to make sure that low-income working families have access to at least one plan with both low premiums and low co-pays.

Unless the affordability gap is closed on the health exchanges, many working families earning modest incomes just above the poverty line may either remain uninsured or else settle for Bronze plans that make them reluctant to get regular care. America cannot have good, affordable health care until everyone can get

insurance and obtain regular care. Citizens and advocates who want health reform to succeed should urge their state government to help low-income families avoid the "Bronze Trap." Everyone will gain if states act now to head off this problem.