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Why Copayments for New Mexico's Medicaid Recipients Will Increase Costs and Hurt Health Care

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Mike, a veteran with chronic health problems including high blood pressure, diabetes, arthritis, and Hepatitis C, suffers from post-traumatic stress disorder, has had difficulty holding a job, and has experienced bouts of homelessness. Before New Mexico expanded Medicaid under the Affordable Care Act, he had to rely on the emergency department for health care. But when he became eligible for Medicaid, he was able to focus on improving his health. He still spent significant time and money traveling from specialist to specialist – sometimes by bus, sometimes by bike, sometimes on foot – and worked hard to manage his conditions, checking his blood sugar level frequently, taking his medications regularly, and eating as well as he could. He was no longer a frequent visitor to the emergency room. His health improved so much that he had started applying for jobs. “If I hadn’t been able to get Medicaid, I would be dead,” he told us.

Mike’s story exemplifies what Medicaid is supposed to do: help low-income people become healthier, happier, and able to participate fully in society. Now, however, New Mexico has proposed that people enrolled in Medicaid who make more than 100% of the federal poverty level – that is, $12,060 for a single adult in 2017 – should be required to pay copayments for every doctor’s visit or medication. Co-payments would affect most of the beneficiaries of New Mexico’s Medicaid expansion, about 266,000 people. For those like Mike who see many specialists and take multiple medications, even small copayments of $5 to $20 could add up to hundreds of dollars each month.

Consequences for Patients and the Community

The New Mexico Human Services Department argues that people who have to pay for part of their health care will be more engaged patients and take personal responsibility for using care only when they really need it. However, there is quite a bit of evidence that copayments reduce patient engagement by dissuading people from seeking services at all.

One of the first and most comprehensive studies of copayment requirements for Medicaid recipients was published in 1978 by the RAND Corporation. According to the study authors, for every dollar increase in copayments, people used eight percent less primary care – but needed 17 percent *more* care in hospitals. Most subsequent studies have arrived at similar results. In other words, copayments lead people to seek lower amounts of relatively low-cost wellness care, but then end up getting sicker and using more costly emergency and hospital care. In the RAND study, copayments increased overall program costs by up to eight percent.

When people get sicker, there are also long-term consequences. For instance, if Mike doesn’t keep up the medications and other tools he needs to control his diabetes, there is a good chance he will make more visits to the emergency department when his blood sugar swings too high or too low. In the long run, he might also face serious problems, including blindness, amputation, heart disease, hearing loss, dental problems, and more. And if Mike ends up with any of these problems, the cost of his care will rise astronomically.

Even if he holds down a job, imposing new copayments on Mike could force him to choose between paying for rent and food versus regular health care. Rather than increasing his sense of responsibility, copayments tend to undercut the delicate personal finances of people like Mike.

The New Mexico Human Services Department’s copayment proposal also has serious implications for public health programs such as influenza vaccination. Consider a single mom with three children whose earnings are just above 100% of the federal poverty level. If she decides to skip the children’s health-care visit because she cannot afford the cumulative co-pay, her family may end up playing “round robin” with the flu for six to eight

weeks. If she gets sick and keeps working at a local restaurant because she is afraid she's going to lose her job, the flu may spread more widely in the community.

Consequences for Health-Care Providers

In addition, the proposed copays would likely impose an undue administrative burden on providers, who would have to add office staff and processes to collect small payments from clients. Providers could also face an ethical dilemma. Should they vaccinate a child whose parents cannot afford the copay, reducing the risk of illness for the child and others? What if the child is a four year old with an infant sister? Or to give another example, should providers deny mental health services, including medications, to a seriously depressed man who has previously attempted suicide, because he cannot pay $10?

Although these examples focus on economic issues about the cost of care, copays would also decrease quality of life for real people.

People are only able to make decisions about health-related behaviors in the context of the communities in which they live. Co-pay policies are built on the assumption that people have enough information about their health options and the health-care system to make the best choices for themselves. They assume that people know the cost of different types of health care and the consequences of not following standard guidelines for treatment. These policies also assume that if policies make people receiving government assistance pay more – have some "skin in the game" – they will be more motivated to make better choices and use less expensive care.

But people don't have access to all of the information they need to make optimal economic and health-care decisions. Low-income people, especially, must make decisions in a complicated world that includes far more than the health-care system. They often must choose between paying for care or covering the costs of food, rent, and other essentials. To be sure, it is challenging to design health-care policies that recognize the realities of life for those at or near the federal poverty level. But policies and policymakers have to take those realities into account if they are to succeed at making communities healthier and creating a sustainable health care system that serves all New Mexicans.