State Efforts to Standardize Consumer Affordability

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INTRODUCTION

Reforms to our health care system over the past decade have increased both access and affordability, and reduced the number of uninsured Americans. However, as premiums, out-of-pocket costs, and prescription drug prices rise, the costs associated with health care coverage remain a top concern for a majority of Americans.

Studies have found that an increasing share of household income is spent on health care costs, and that many low-income consumers spend a higher share of their income on premiums and out-of-pocket costs when compared to those with higher incomes. These increased out-of-pocket costs mean a smaller share of monthly income can go towards other necessities, such as food or housing. These concerns are particularly acute for low-income families and individuals with chronic health conditions. Moreover, rising health care costs keep people from receiving necessary care due to fears related to their ability to pay, with over 50% of adults saying they've put off care due to costs and 13% reporting their condition got worse as a result.

While most people agree that health care should be "affordable," defining what that means at an individual or policy level is much more complex. In an April 2019 brief co-authored by United States of Care and the Leonard Davis Institute at the University of Pennsylvania, affordability is described as an issue affecting families' day to day lives and budgets, but one that public policy has failed to adequately measure. What does or does not make health care affordable from an individual's perspective varies depending on an individual or family's premium, deductible, coverage and benefits, health care needs, location, and income. And what is affordable to consumers in one state or region may not be affordable to consumers in another, based on unique dynamics in each area and what is required for consumers to meet their basic needs.

Policymakers have designed programs and systems to make health care more affordable, but definitions of "affordable coverage" are not harmonized across programs. As a main example, the Affordable Care Act (ACA) currently lays out a complex definition of affordability that varies based on where and whether people obtain insurance coverage. For individuals purchasing coverage on the individual market, coverage is "affordable" if premiums are between 2.06% to 9.78% of their income, depending on income. For individuals receiving employer-sponsored insurance, coverage is "affordable" if premiums are less than 9.78% of their income, regardless of income. Finally, when the Individual Mandate was still in effect, coverage was considered unaffordable if it cost consumers more than 8.16% of their income, regardless of income.

Further, these definitions are not always based on evidence, and don't take into account a number of important considerations, including out-of-pocket costs and location. This is despite the fact that many consumers face substantial out-of-pocket costs through deductibles, coinsurance, and copayments that go beyond premiums alone. For example, based on the ACA measures of affordability, adults enrolled in employer coverage in 2017 with incomes below 200% of the federal poverty level (FPL)–or about $50,000 for a family of four–should have spent less than 6.43% of their income on premiums. Instead, when factoring in premiums *and* out-of-pocket costs, these families reported spending about 14% of their income on health care. While out-of-pocket costs have been found to deter people from seeking care they need, they are not included in what is deemed affordable under the ACA. These measures also don't factor in large variations of costs that consumers face across different areas of the country. Thus, consumers with so-called "affordable" coverage may not actually be able to afford their health care, making it clear that current definitions and measurement tools are not sufficient.

State governments, academics, and health care advocates are working on various tools to measure and improve health care affordability based on these important concepts, though the measurements differ in terms of inputs, outcomes, and function. States are leading the charge in creating affordability standards in an effort to make their marketplaces and coverage programs more accessible for people who depend on them for coverage and care.

OVERVIEW OF AFFORDABILITY STANDARDS AND DEFINITIONS

The affordability of health care is a matter that concerns people across America regardless of political affiliation,

socioeconomic status, or geography; however, the absence of an agreed upon and standard definition of affordability definition or metric makes creating equitable solutions to accessing health care difficult to operationalize. Utilizing data to understand and define what is affordable for families and individuals earning different incomes and living in different communities allows policymakers to create solutions to ensure health care is more affordable. Instituting affordability standards would help keep policymakers, providers, and insurers accountable for providing care and coverage that is accessible and equitable.

In this brief, we provide an overview of the state and advocacy efforts to define health care affordability, develop affordability standards, and suggest key elements to consider when creating such a definition or standard.

OVERVIEW OF STATE WORK TO DEFINE AFFORDABILITY

A number of states have developed or are in the process of developing affordability standards and definitions, including Colorado, Connecticut, Massachusetts, Rhode Island, and Vermont. While each of the standards outlined below (in alphabetical order by state) are tailored to the unique needs and experiences of the state in which they were developed, it is important to note that they also have different definitions, objectives and goals.

Colorado

Two new laws enacted during the 2019 legislative session will create definitions of affordable coverage in Colorado. As part of legislation directing Colorado's Division of Insurance and Department of Health Care Policy and Financing to develop a plan for creating a state insurance option by November 15, 2019, the agencies were also charged with creating a statewide definition of affordability for consumers. This definition will be used to measure the affordability of the new state option and must be developed in conjunction with the plan for creating a state option by November 15, 2019. The agencies' proposed definition of affordability for the state option will consider out-of-pocket costs and "the ability to be purchased without sacrificing other budgetary priorities required for basic self-sufficiency irrespective of family size, location, income level or degree of illness."

Separately, as part of legislation that creates the Primary Care Reform Payment Collaborative, Colorado's Division of Insurance must also craft an affordability standard and targets for insurer investment in primary care, which must be developed by December 15, 2019. Additionally, as included in the legislation, the Division of Insurance "may" factor in whether coverage is affordable when approving rates on the individual market and may factor in whether insurers have "implemented effective strategies to enhance the affordability of [their] products."

Connecticut

Connecticut's Office of the State Comptroller, Office of Health Strategy, and two independent state health care foundations are collaborating to build a health care affordability standard. The health care affordability standard will incorporate and build upon information used in the state's Self Sufficiency Standard, which is a tool created by faculty at the University of Washington School of Social Work that has been used in Connecticut since 1998. The Standard is a calculation of the income necessary for families to meet their basic needs, such as housing, food, child care, and transportation. The Standard varies based on family size and geography, and is a unique state-based tool that differs from federal poverty measures. The state is working with the University of Washington and the University of Connecticut Analytics Information and Management Solutions to update the Self-Sufficiency Standard and to build additional components that are specific to health care costs that families experience, allowing for a robust and holistic look at how health care costs impact families.

The affordability standard tool is being created in Connecticut to help stakeholders analyze and better understand the ramifications and impacts on consumers of future policy proposals. The tool will allow stakeholders to more adequately analyze the effect that potential policy changes have on peoples' ability to afford health care by specifically measuring them with the other components included in the Self-Sufficiency Standard. The Healthcare Affordability Standard Advisory Committee has developed a working definition of affordability that will be used in these efforts: "healthcare is affordable in Connecticut if a family can reliably secure it to maintain good health and treat illnesses and injuries when they occur without sacrificing the ability to meet all other basic needs including housing, food, transportation, child care, taxes, and personal expenses or without sinking into debilitating debt." Connecticut aims to fully operationalize the affordability standard by February 2020.

Massachusetts

The Massachusetts Health Connector, the state's Marketplace, sets a sliding scale "affordability schedule" which defines affordable coverage as a percent of household income. This affordability schedule has dual purposes: (1) it is used

to enforce the state's individual mandate; and (2) it provides state financial assistance for residents earning up to 300% FPL–beyond what is provided through federal subsidies to meet the state affordability standard.

Given this dual purpose, the Health Connector considers affordability on an annual basis in two steps. First, the Health Connector Board of Directors reviews and establishes the affordability schedule for the upcoming tax year in relation to the individual mandate to determine whether coverage available to residents at different income levels is sufficiently affordable (so that residents must either take up that coverage or pay a tax penalty). Second, the Health Connector reviews and establishes subsidized premiums for the upcoming calendar year for residents earning up to 300% FPL in its ConnectorCare program. This "state wrap" program uses the individual mandate affordability schedule to set the subsidized premium amount individuals and families at different incomes pay in ConnectorCare. Enrollees are guaranteed access to this subsidized premium and have no deductibles and low cost-sharing for at least one plan that has the lowest underlying cost to the state, but enrollees may choose to pay more to access other plans.

The state's affordability approach yields savings for a diverse array of state residents, as well as the federal government. In addition to direct savings for individuals in the ConnectorCare program, the state's affordability approach promotes savings for other residents by encouraging competition among health insurers in the insurance market. Insurers compete to offer the lowest-cost plan in the ConnectorCare program so that their plans will receive the full amount of state subsidization, making the plan more attractive to enrollees. This results in lower silver-tier commercial premiums, yielding a potential for cost-savings that extends into the unsubsidized nongroup and small group market as well. Further, this competition results in lower federal spending on premium tax credits. As a result of its affordability approach and other careful market management, Massachusetts has had the lowest average premiums of any Marketplace in the country for three years running, and has the second lowest cost benchmark plan in the nation.

Each year, Massachusetts modestly updates the affordability schedule in accordance with updates to the federal poverty standards, but has preserved a progressive framework for defining affordability in a way that reflects the financial realities of lower and low-to-moderate income households and what share of their household budget can reasonably be devoted to affording health coverage. In addition to using its individual mandate and its ConnectorCare program to promote affordability for low to moderate income residents, Massachusetts also uses a health care cost growth benchmark as a way to address rising health care costs more broadly.

Rhode Island

In 2009, the Office of the Health Insurance Commissioner (OHIC), through regulation, establish Affordability Standards to slow the growth of health insurance premiums in Rhode Island, with the standards going into effect the following year. The aim of their affordability standards is to increase the efficiency of care through cost reduction and quality improvement at a systems level, including requirements for additional investments in primary care. Rhode Island regulations also allow OHIC to consider affordability when approving, modifying, or disapproving health insurance rates during their rate review process. OHIC determines what is considered affordable based on a number of systems-level factors, including historical rate trends, the ability of lower-income individuals to pay for coverage, market rates for similar products, and the health insurer's implementation of effective strategies to enhance the affordability of its products. The Care Transformation Advisory Committee and the Alternative Payment Methodology Committees are both charged with developing certain components of the Affordability Standards, while OHIC is in charge of reviewing rates. OHIC indicated in a 2013 report that, from 2010 to 2012, the affordability standards led to increased primary care spending, with further evidence highlighting a net reduction of 5.8% in average quarterly health care spending per enrollee from 2009 to 2016.

Vermont

Vermont Legal Aid, a non-profit law firm providing services to low-income families, people living with disabilities, and the elderly, has been a leader in the affordability efforts in the state. Although Vermont has no statutory affordability requirements, the efforts were developed by the Office of the Health Care Advocate, a special project of Vermont Legal Aid, which has developed three measures to gauge affordability for consumers in Vermont. Vermont Legal Aid utilizes three models -- one that compares the cost of insurance to Vermont's economic growth, a second "rule-based approach" which relies upon the premium affordability definition laid out in the Affordable Care Act (currently at 9.86% of income) and a 5% deductible affordability standard from the Vermont Household Health Insurance Survey (VHHIS), and a third that utilizes a model

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OVERVIEW OF STATE EFFORTS AND GOALS

State Efforts	Primary Goals	Measures Used	Entity Responsible
Connecticut	★ Creating a health care affordability standard to measure against future policy changes	Self-Sufficiency Standard and Health Care Affordability Standard	Office of Health Strategy and Office of the State Comptroller
Colorado	★ Requiring state to create a definition and standard for affordability ★ Requiring that the state option is affordable based on definition ★ Permitting the Insurance Commissioner to factor in affordability when assessing rates ★ Investing in primary care to make coverage more affordable	To be determined by November 15, 2019 and December 15, 2019	Division of Insurance and Department of Health Care Policy and Financing
Massachusetts	★ Creating a definition of affordability through an "affordability schedule," updated annually ★ Offering state-level financial assistance based on what is deemed affordable in the schedule	ACA definitions of affordability (previously used for the purposes of the federal individual mandate)	Massachusetts' state-based exchange, The Massachusetts Health Connector
Rhode Island	★ Slowing the growth of health insurance premiums ★ Investing in primary care to make coverage more affordable	Affordability is determined by the Insurance Commissioner based on factors including historical rate trends, the ability of lower-income individuals to pay for coverage, market rates for similar products, and health insurer's implementation of effective strategies to enhance the affordability of its products	Rhode Island Office of the Health Insurance Commissioner
Vermont	★ Creating a better understanding of affordability to measure current consumer challenges and advocate on behalf of consumers	Three measures: ★ Cost of health insurance against Vermont's wage and economic growth ★ ACA premium affordability standard paired with data from the Vermont Household Insurance Survey ★ A model that assesses whether Vermont families can afford health insurance and still purchase basic necessities	Vermont Legal Aid

to assess a household's ability to pay for basic needs after spending on health care, similar to the approach Connecticut is taking with the self sufficiency standard. This model takes into account the cost of health care on the Vermont Health Connect, the state's health insurance marketplace, along with various costs listed on the Vermont Basic Needs Budget, produced by the Legislative Joint Fiscal Office, to understand how much a family must earn to afford health insurance on top of other necessities like food, housing and transportation.

Using these different measures, Vermont Legal Aid found that many Vermont families were unable to afford health care offered on Vermont Health Connect. These various affordability measures aim to evaluate the health care affordability crisis in Vermont through the use of various metrics and inputs, including both premiums and deductibles. By measuring affordability in these ways, Vermont Legal Aid is able to better understand how health care costs affect the people they serve, represent patients, and advocate for affordable health care across the state.

CONSIDERATIONS AND KEY QUESTIONS FOR STATES

Each state must weigh its options when creating an affordability standard, and there are a number of questions to consider in the process. Some key questions states must be prepared to ask are related to goals and usage, building the standard, governing authority, and process:

Goals and Usage:

- What is the goal of creating a definition of affordability?
- How will the affordability definition be used?
  - Will the model have applicability to individual consumers or be used to determine affordability for consumers at more of a systems level?
- What action will be taken to bring the costs of care and coverage in line with the affordability standards that are developed?

State policy makers can take different approaches, such as using standards to measure impacts of policy or trying to control costs more directly at either an individual or systems-level, with the goal of ultimately saving consumers money. Policymakers and advocates should be clear about what their goals are, both short- and long-term. For example, creating a tool similar to what is being developed in Connecticut is a useful way to measure the impact of policy changes but it will not, in the short-term, create change or make health care more affordable. However, it could lay important groundwork to create meaningful change in the future. Conversely, Massachusetts built a standard that is linked to state-level financial assistance for consumers to fill in federal affordability gaps, tying these two critical pieces together and making the standard actionable.

Building a Definition or Standard:

- How will factors aside from premiums (out-of-pocket costs and services not covered by insurance) count in what is considered "affordable"?
- How will the definition of affordability vary based on income or other factors (such as region, health status, or age)?
- What types of coverage will be included in the definition?
- Will the tool itself be available to consumers and other stakeholders or be used for internal purposes?
  - Does a phased-in approach to rollout increase the likelihood of long-term success?
- What data is needed to develop a robust affordability definition?
  - What current databases exist that can be helpful and instructive?
  - What new databases might be needed?

States should be deliberate about what costs are included in the standard, and should strive to be inclusive of costs that go beyond premium costs alone in order to more accurately capture the different ways people pay for their health care. Creating affordability standards and definitions that take a more complete look at the cost of coverage *and* care people pay for out of pocket is critical. While taking a wider lens on the types of spending and coverage included may make implementing a standard more complicated, it is also a more holistic view of the costs consumers actually face. States need to carefully balance the tradeoffs that come with complexity and efficacy.

Building a public-facing standard that can be utilized broadly maybe resource-intensive, but could be the best option for states to meet the needs of their residents. States can also look at options that phase in aspects of the standards after they are fully vetted and tested. However, while this may increase the likelihood of long-term success and effectiveness, it may also create a void in the short-term. For example, a state may want to build an evidence base about what is considered affordable in their state before designing a structure for providing state-based subsidies, but the approach would leave consumers behind while the evidence is being gathered. Alternatively, designing state-based subsidies without a strong evidence base could open the program up to additional

scrutiny or political pressure. These are important decision points that should be balanced in the decision about how to build a standard.

Process:

- What processes will be used to ensure the consumer and patient voice is adequately represented in the stakeholder engagement process?
- How will the standard be tested and evaluated?
- How will the standard be maintained and updated?
- Can the state develop a standard administratively or does it require legislation?
  - How will this impact the standard's effectiveness?
  - What are the benefits and drawbacks of each approach?
- What office or agencies are best positioned to develop and implement the standard?

Consumer experiences with our health care system and how they think about affordability are an essential elements of any policy work to establish an affordability standard or definition. The technical data work that underlies affordability analysis may seem different from the kitchen table discussions families have about the cost of premiums or prescription drugs, but successful work to define affordability will require bridging these two perspectives and paying close attention to the real, articulated needs of consumers.

States also have different levels of technical expertise and access to data to undertake this work, which will inform and drive their chosen approach. While undertaking this work within existing administrative authority can allow states to make progress without waiting for legislative approval, lawmaker buy-in, endorsement, and support of this work, as well as funding, may raise its visibility, political viability, impact, and long-term success.

CONCLUSION

Affordability is an issue on the mind of consumers and policymakers alike. While specific affordability definitions and standards vary from state-to-state, this is a critical topic for policymakers to address in any type of health care reform they are exploring.

These efforts can help consumers, while also serving as a catalyst for future improvements.

USofCare is committed to supporting state and federal policymakers and advocates in their efforts to make health care more affordable and accessible, including through creating standards and definitions of affordability.

ACKNOWLEDGMENTS

This brief was produced with considerable help and input from the state partners mentioned, including the Colorado Department of Insurance; Connecticut's Office of Health Strategy, The Connecticut Health Foundation, and Connecticut's Office of the State Comptroller; the Massachusetts Health Connector; Rhode Island Office of the Health Insurance Commissioner; and Vermont Legal Aid. Additionally, our national partners at Altarum and Community Catalyst have lent their expertise on health care affordability for our work on this brief, and we greatly appreciate their assistance.