



Affordable Health Care Options for Low Income Missourians: Current Proposals Miss the Mark

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Various bills have been introduced in the Missouri Legislature that include an *Insure Missouri* health insurance program for low income Missourians. These bills differ from the Governor's proposal in several ways. One key difference is that most of the bills include mandatory Health Savings Accounts, (HSA) coupled with high deductible insurance policies, with requirements that individuals contribute a portion of their income to the HSA.

Missouri has limited resources for health care. It is important for the state to be a good steward of these limited resources, and that health care options are affordable for potential participants. Although we know that the current proposals are fluid and will undergo numerous changes, it is important to do an initial examination of whether they have the potential of being both affordable and a wise use of state resources.

Under the current proposals (SB1283, HB 2398 and HB2314), individuals in families with incomes up to 225 percent of the Federal Poverty Level are eligible. Table 1, below, shows the 2008 federal poverty level and some of the eligibility levels for the Insure Missouri proposals.

	100% of the Federal Poverty Level (FPL)	150% of FPL	225% of FPL
<i>Persons in family or household</i>			
1	\$10,400	\$15,600	\$23,400
2	\$14,000	\$21,000	\$31,500
3	\$17,600	\$26,400	\$39,600
4	\$21,200	\$31,800	\$47,700
5	\$24,800	\$37,200	\$55,800

Table 2 shows the potential cost sharing responsibilities of a typical family of 3. The proposed bills require the individual to make a contribution on a sliding scale toward a \$1000 Health Savings Account. Employers may make contributions up to \$500, and the state makes a contribution to reach the \$1000 level if necessary. Money in the HSA is to be used to pay deductible costs.

The two House bills limit the deductible at \$2,500. Senate Bill 1283 does not limit the amount of deductible that can be required. None of the bills describe the level of deductible required for either preventive or treatment services, so there are many unanswered questions. Using what we know, however, we can project some possible scenarios.

Table 2. How much will families pay at different income levels?			
	Required payment to Health Savings Account	Assuming a \$2,500 deductible: Total costs for individual (payment to HSA and portion of deductible above the \$1000 HSA that must be met)	Percent of annual income spent on Health Insurance (based on premise that individual meets deductible)
Family of 3 income at 100% of FPL (\$17,600)	\$176 (1% of income or \$1,000, whichever is less)	\$1676	9.5%
Family of 3 income at 150% of FPL (\$26,400)	\$792 (3 % of income or \$1,000, whichever is less)	\$2,292	8.7%
Family of 3 income at 225% of FPL (\$39,600)	\$1,000 (5% of income or \$1,000, whichever is less)	\$2,500	6.3%

Health Savings Accounts with High Deductibles for low income families: a square peg in a round hole?

Table 2 shows that the proposed Health Savings accounts with high deductible plans place a disproportionate burden on lower income families, even with the sliding scale of contributions. The current proposals outline Health Savings Accounts that are more rigorous than the average plan:

- permitting lower employer contributions
- requiring higher deductibles, and
- requiring higher individual contributions.

According to the Employee Benefit Research Institute 2007 Consumerism in Health Survey¹, only eighteen percent of employers contributed less than \$500 per year to the employee's HSA. The current proposals limit the employer contribution to \$500 annually. Senate Bill 1283 goes on to offer tax credits to small employers who currently do not offer insurance. If the employer takes advantage of these tax credits, he/she effectively pays nothing, and the state and individual bear the entire cost.

The \$2,500 deductible also appears higher than the deductible of those who were surveyed in the general market. Forty six percent of those surveyed had deductibles of less than \$2000.²

The survey also shows that individuals with incomes less than \$50,000 annually were less likely to make any contribution to their HSA, with 40 percent of those surveyed contributing less than \$500.³

Conclusion

As currently proposed, the plans for HSAs with high deductible health plans may not be an affordable option for the low income parents who are potential participants. The Missouri Budget Project urges caution in pursuing this option, in light of the strong evidence indicating HSAs are not a viable option for low income families.

¹ Findings from the 2007 Employee Benefit Research/Commonwealth Fund Consumerism in Health Survey, EBRI Issue Brief No. 315, March 2008 at www.ebri.org

² Ibid Figure 5

³ Ibid Figure 25