

REASONABLE COSTS: WHAT CAN OHIOANS AFFORD TO PAY FOR HEALTH CARE?

Executive Summary

Affordable health care coverage should be available to all Ohioans. This report examines the basic expenses Ohio families face, to better understand why so many Ohioans cannot afford to purchase insurance or pay their growing portion of costs for premiums, co-pays, cost-sharing, deductibles and prescriptions. A basic family budget for Ohioans includes costs for housing, utilities, food, health care, child care, transportation, clothing, school supplies, and taxes. Approximately 20 percent of all Ohioans live in families earning less than needed to meet their basic family budget. When families do not earn enough to meet all of these basic needs, they spend more than they can afford on health care or go without health care coverage altogether.

While some Ohioans manage to pay for health care or health insurance, often they cannot afford to do so. Ohioans may forego essentials in order to pay for health care. Instead of paying for safe and enriching child care, for instance, they may leave their children home alone or with unqualified babysitters; they may substitute cheaper and less nutritious food for more expensive fresh fruit, whole grains and vegetables; or, they may live in unsafe housing. Americans are also in debt—paying for essentials with credit cards, taking out payday loans, foreclosing on their homes, and filing for bankruptcy in record numbers.

Over one million Ohioans, 11 percent of Ohioans under the age of 65, lack health insurance. Many Ohioans earning wages above the federal poverty line do not earn enough to purchase health care coverage, without sacrificing other basic needs. Over half of the uninsured in Ohio (54 percent), more than 600,000 uninsured people, live in households under 200 percent of the federal poverty line. More than 22 percent of the uninsured, nearly 250,000 uninsured people, live in households between 200 and 300 percent of the federal poverty line. So, more than three out of four uninsured people in Ohio (76 percent) live in households below 300 percent of the federal poverty line. These families can afford to contribute little, if anything, toward health care without sacrificing other basic needs.

Wages in Ohio make health care unaffordable for many Ohioans. In Ohio, a single mother with two children must earn more than \$38,000, or nearly 225 percent of the federal poverty line, before she can afford to contribute any money towards health care for her family—requiring a wage higher than what most women (70 percent) earn in Ohio. A single father with two children must earn wages higher than what nearly 60 percent of other men earn in Ohio. Many dual-earning couples cannot afford health care either. Couples with two children must earn over \$43,000, or 210 percent of the federal poverty line, before they can afford to contribute towards health care without sacrificing other basic needs—an amount requiring both earners to receive a wage higher than nearly 40 percent of what other Ohioans earn.

Policymakers should use a progressive sliding scale when considering what families at different income levels can afford to spend on health care. People with lower incomes can afford to spend not only less in absolute dollars, but also less as a percentage of their income—they have less disposable income, with more of their basic family budgets devoted to other core necessities such as housing, food, and transportation.

People with low incomes can pay only nominal amounts toward health care. In Ohio, those at 200 percent of the federal poverty line, and below, cannot afford to make any contribution toward health insurance coverage or health care without sacrificing other basic needs.¹ People earning wages putting them under 300 percent of the poverty line can only pay nominal amounts of cost sharing, and they require public programs and heavy subsidies.

*Read the full report and learn more about an economy that works for all:
www.policymattersohio.org*

3631 PERKINS AVENUE SUITE 4C-EAST, CLEVELAND, OH 44114 • 216/361-9801 • FAX: 216/361-9810
1372 GRANDVIEW AVENUE SUITE 242, COLUMBUS, OH 43212 • 614/486-4601 • FAX: 614/486-4603

POLICY MATTERS OHIO

POLICY MATTERS OHIO

3631 PERKINS AVENUE SUITE 4C-EAST, CLEVELAND, OH 44114 • 216/361-9801 • FAX: 216/361-9810
1372 GRANDVIEW AVENUE SUITE 242, COLUMBUS, OH 43212 • 614/486-4601 • FAX: 614/486-4603

The nearly 2.8 million Ohioans earning incomes at or below 200 percent of the federal poverty line live in a hardships gap with a negative cash flow—struggling to keep up with rent, food, transportation, and other basic necessities—even before health care costs are considered. These Ohioans cannot afford to purchase health care coverage without sacrificing other basic needs. Ability to contribute towards health care coverage is also limited for the 1.8 million Ohioans earning wages between 200 and 300 percent of the federal poverty line, and depends largely on the size of the household. Many people in this group will be unable to afford coverage even with subsidies. Single individuals with no children can afford to begin contributing at a modest level towards health care once they earn over 200 percent of the poverty line, while a single mother with two children must earn nearly 225 percent of the federal poverty line before she can contribute anything toward health care costs. A couple with three children must earn nearly 250% of the poverty line before being able to contribute without skimping on other basic needs such as rent or food.

Limiting total health spending to 4 percent of household income, for households earning between 300 and 500 percent of the federal poverty line, would enable most of these Ohioans to “take up” coverage and enroll. Limiting household spending on health care to 4 percent of household income, requires an employer share and/or public subsidy for at least 70 percent of the cost for individuals, and 83 percent of the cost for families (on average).

The upper limit that anyone should be expected to pay is approximately 8.5 percent of income, and even this level will be unaffordable for some higher-income families. According to a study from the Urban Institute, the majority of people with higher incomes have shown a willingness to devote up to 8.5 percent of their income towards their health care needs. After meeting basic needs, many people in Ohio with earnings above 500 percent of the federal poverty line should have enough discretionary income to cover their health expenses without public subsidy. However, some of these families could have extenuating circumstances that might put 8.5% income for health care expenses out of reach.

Find the full report at: <http://www.policymattersohio.org/ReasonableCosts.htm>

¹According to the 2007 Current Population Survey, approximately 2.9 million Ohioans, under the age of 65, live in households below 200 percent of the federal poverty line (28%). The 2004 Ohio Family Health Survey, a more comprehensive survey, suggests 4.4 million Ohioans live at or below 200% (but includes 65 and older). The Health Policy Institute, using the 2004 Ohio Health Family Survey, also estimates that 83% of the uninsured in Ohio live in households with incomes below 301% of the federal poverty line (over one million uninsured people), while 67% live in households with incomes at or below 201% (over 800,000).



Program Funding Provided By
Columbus Medical
Association Foundation

Policy Matters Ohio is a nonprofit, nonpartisan research institute dedicated to researching an economy that will work better for all in Ohio. Learn more about Policy Matters Ohio at www.policymattersohio.org.