

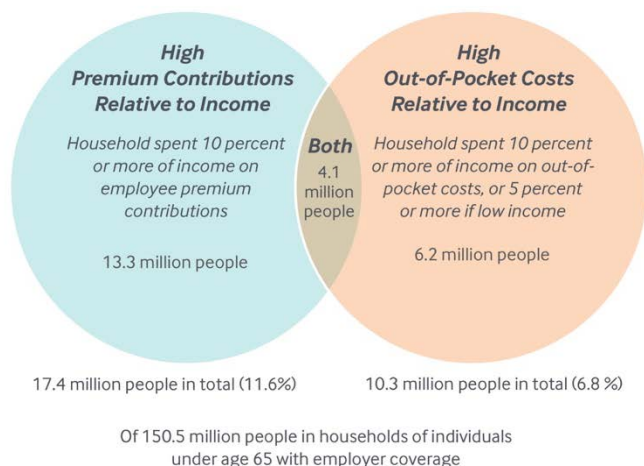
## Nearly 24 Million People with Employer Plans Spent Large Shares of Income on Health Care Costs; Louisiana, Maine, and Arkansas Had the Greatest Share of People with High Cost Burdens Because of High Premiums

### *Policy Changes Like Eliminating Family Coverage Glitch and Providing Tax Credits for Out-of-Pocket Expenses Would Help Reduce Costs for Americans*

Millions of Americans with employer health coverage are spending large shares of their income on health care costs, according to a new Commonwealth Fund report. The analysis looks at what people in every state report spending on premiums and out-of-pocket costs for medications, copays, and dental and vision care. It is a complement to an earlier report that looked at employer-reported premiums and deductibles.

The report, *How Much U.S. Households with Employer Insurance Spend on Premiums and Out-of-Pocket Costs*, was released today. Findings include:

- ▶ **Health care costs are consuming a large share of income for millions of people with employer coverage.**
  - An estimated 23.6 million people with employer health plans spent large shares of their annual income on premium contributions, out-of-pocket costs, or both in 2016-17. Of these, 13.3 million spent 10 percent or more on premiums alone, 6.2 million spent 10 percent or more (or 5 percent or more if they have lower incomes) on out-of-pocket costs excluding premiums, and 4.1 million reached both of these spending thresholds, meaning they were saddled with high premiums *and* high out-of-pocket costs relative to their income.



**EMBARGOED**

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*The Commonwealth Fund is a private, nonprofit foundation supporting independent research on health policy reform and a high-performance health system.*

- The typical household spent about \$2,200 annually on their health insurance premiums. Some spent nothing, while others spent \$8,000 or more. Median out-of-pocket costs for families were \$800 a year but families at the high end of the range spent \$5,000 or more.
  - At the national level, the spending midpoint, or median, on premium contributions and out-of-pocket costs combined was \$3,700. Households at the high end of the range spent \$12,080 or more.
- ▶ **Where people live plays a role in how much they spend on health care and how much of their income goes to costs.** Health care costs and incomes vary across regions. Incomes, for example, tend to be lower in the South and West. Large shares of people in many states in those regions spend a substantial portion of their household dollars on health care.
- Arkansas, Florida, Louisiana, Maine, Mississippi, Nevada, North Carolina and South Dakota had the greatest percentages of people who spent at least 10 percent of their income on premium contributions for employer plans. Alaska, the District of Columbia, Hawaii, Kansas, Oregon, Montana, Minnesota, New York, Rhode Island and Washington had the smallest shares of people whose premium contributions met that threshold.
  - Arizona, Arkansas, Idaho, Nebraska, North Carolina, Oregon, Utah, and Wyoming had the greatest shares of people who have high out-of-pocket costs other than premiums relative to income.
  - Hawaii had the lowest total median spending on premiums and out-of-pocket costs combined—\$1,500 a year—while South Dakota has the highest, \$5,450. In six states, median spending on these two categories of health care costs combined was more than \$5,000.

### From the experts:

Sara Collins, study coauthor and Commonwealth Fund Vice President for Health Care Coverage and Access

*“Income growth is failing to keep pace with health care cost growth, leaving millions of people in employer plans with unaffordable premiums, out-of-pocket costs, or both. This makes it harder for people to maintain their coverage and get the health care they need. Even small policy steps have the potential to make health insurance and health care more affordable for U.S. families.”*

David Blumenthal, M.D., Commonwealth Fund President

*“Employers provide health insurance coverage for 158 million workers and their families. There is growing evidence that cost protections have eroded for those who have employer-sponsored health coverage, putting the burden of health care costs on workers and their families. In addition to policy fixes, we need systemwide efforts to slow the rate of growth in health care costs and ensure better outcomes.”*

## IMPLICATIONS

There is wide variation in the amount that households spend on premiums and health care, with costs amounting to thousands of dollars per year.

Several policy options could reduce the cost burdens for people with employer coverage.

To lower households' premium contributions, Congress could:

- ▶ Fix the so-called family coverage glitch, which bases affordability and access to subsidies on a single-person plan rather than a higher-cost family policy. Under the Affordable Care Act (ACA), workers who spend more than 9.9 percent of their income for a single-person plan may be eligible for subsidies. But families that spend that much for family plans are ineligible for subsidies.
- ▶ Raise the proportion of medical costs that employer plans must cover. Employers that offer plans that fail to meet the standard would be subject to a penalty and enrollees may be eligible for premium tax credits to buy a plan in the marketplaces.

To improve the protectiveness of employer plans, Congress could:

- ▶ Require plans to exempt an increased — and standardized — set of services from deductibles. Under the ACA, all health plans must cover a range of preventive care services before the deductible kicks in, but the number and the type of additional excluded services varies.
- ▶ Provide a refundable tax credit to people with employer coverage whose out-of-pocket spending for health care exceeds a certain percentage of income.

In addition, the researchers note that these policies must be accompanied by systemwide efforts to rein in health care costs — the main driver of growth in private insurance premiums — while ensuring better health outcomes. There is growing evidence that prices paid to providers are driving per-capita costs in private insurance. The authors call for additional focus on what private plans pay for services.

**The full report will be available after the embargo lifts at:**

<https://www.commonwealthfund.org/publications/issue-briefs/2019/may/how-much-us-households-employer-insurance-spend-premiums-out-of-pocket>

## HOW THIS STUDY WAS CONDUCTED

This report draws on data from the U.S. Census Bureau's Current Population Survey Annual Social and Economic Supplement data releases in September 2017 and 2018, which reflect health insurance costs in 2016 and 2017. It examines the amount that households of individuals under age 65 with employer coverage spent on premium contributions and on out-of-pocket costs for health care, as well as the percentage of people in each state who faced premium contributions or out-of-pocket expenses that were high relative to their income in 2016-2017. Estimates are based on an average of two years of survey data to ensure adequate sample size at the state level.

## ADDITIONAL PERTINENT RESEARCH

*Health Insurance Coverage Eight Years After the ACA*

*The Cost of Employer Insurance Is a Growing Burden for Middle-Income Families*

*Testimony: The Growing Cost Burden of Employer Health Insurance for U.S. Families and Implications for Their Health and Economic Security*