

Alabama Voices: Keep cost of reform in perspective

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By Vaughan Branch

Many of the conversations about recent health care reform proposals in Congress have centered on the question, "How much will health care reform cost?" It is easy to be unnerved or even frightened by big numbers, such as the Congressional Budget Office's cost estimate of \$1 trillion over 10 years for the America's Affordable Health Choices Act of 2009 recently released by the House.

It is important to view the figure in light of the size of the overall health care system. Just as important, cost discussions should also give serious consideration to how a reform bill can impact a critical but less talked about "cost factor" in health care reform -- individual affordability.

Put the \$1 trillion CBO estimate into perspective. Total U.S. health care spending accounts for approximately 17 percent of our Gross Domestic Product, or \$2.3 trillion every year. Each year the proposed reform ends up costing only about 4 percent of current yearly expenditures.

That is, the investment in reform would be equal to \$100 billion per year (one-tenth of \$1 trillion).

A second important cost consideration is individual affordability. According to recent surveys, individuals and families -- particularly those with low to moderate income -- face tremendous challenges affording health care. When health problems occur, these families often must choose between seeking care and paying for essentials like food or housing.

Studies predict that without reform, health care will absorb 19 percent of the average American's income by 2019.

A recent study by Harvard researchers determined that 62 percent of U.S. personal bankruptcies in 2007 were due to health problems. Even more stunning is their finding that 78 percent of that group had health insurance when their illness began. This sobering statistic suggests that many of us could be only one catastrophic illness or accident away from financial ruin.

Reform efforts seek to address the financial hardship of health care costs by establishing several cost-sharing and affordability programs. For example, the bill provides premium credits to purchase health insurance for individuals and families with annual incomes up to 400 percent of the federal poverty level (\$43,320 for individuals or \$88,200 for a family of four).

The bill also proposes to expand Medicaid to all persons with incomes at or below 133 percent of the federal poverty level (\$14,404 for an individual and \$29,327 for a family of four).

Currently, Medicaid covers most low-income children but rarely their parents, and it provides no coverage for childless adults. Another important provision of the bill is that it will prohibit

insurance companies from imposing lifetime benefit maximums or from denying coverage because of a pre-existing condition, provisions that will decrease financial hardship caused by catastrophic health events. These measures will improve the lives of thousands of Alabamians.

Meaningful reform of one-sixth of the U.S. economy will require an investment, just like remodeling a house or repairing a car. The status quo, with its rapidly doubling health premiums and inadequate protections for hard-working families, is unsustainable.

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