Another cost of smoking—sky-high insurance

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Credit: AI-generated image (disclaimer)

Although the Affordable Care Act (ACA) eliminated some of the barriers to obtaining health insurance coverage, not all Americans have access to affordable coverage. Low-income smokers in particular face challenges when shopping for insurance that meets their health needs.

Smokers face a double jeopardy when it comes to purchasing insurance. Under the ACA, insurance companies can charge smokers up to 50 percent more for health insurance premiums. While the ACA provides subsidies or tax credits for many people with low incomes, the premium surcharge for smokers is not adjusted based on income.

In addition, smokers who are below 100 percent of the poverty level fall in the "coverage gap" in states that have not expanded Medicaid. In this coverage gap, they must pay full price for health insurance premiums in the marketplace, in addition to the smoking surcharge.

The smoking surcharge was created to allow insurance companies to recover costs incurred by smokers, but it has the unintended consequence of pricing many low-income smokers out of the market altogether.

As someone who studies health disparities and as a clinician who has led smoking cessation groups, I see a troubling trend. Many smokers cannot afford insurance that covers the costs of smoking cessation programs.

Smoking is one of the hardest habits to quit, often requiring many attempts before someone quits successfully. Almost everyone who smokes, rich or poor, needs help doing so, and they need support to help pay for the health care they need. The health care law should help smokers quit smoking and seek needed health care, but my research indicates that this may not occur due to the high costs of insurance for smokers.

Lower incomes and higher health care needs

Since smokers tend to have lower incomes than nonsmokers, the costs associated with coverage mean low-income smokers are restricted in their health insurance options. They may choose a plan with fewer

upfront monthly costs, which can end up costing more in the year if they have high health care needs.

Or, they may choose to remain uninsured. Of the uninsured adults in the United States, 37 percent are smokers, even though smokers account for only 17 percent of the total U.S. population.

In addition to the high cost of coverage, smokers often have more chronic health needs and greater health care use compared to nonsmokers. So, while low-premium insurance plans may be in a suitable monthly price range for low-income smokers, these plans miss the mark in providing adequate coverage. And they fail to ensure low costs throughout the year as smokers use care.

How does this affect smokers' health insurance choices?

To understand the financial effects of choosing marketplace plans, my team and I analyzed the choices of 327 smokers and nonsmokers who lived in a state, Missouri, that did not expand Medicaid. The people we included were part of a larger study evaluating a decision tool to support individuals' health insurance marketplace choices – something I've written about previously for The Conversation.

Among the 327 people, more than half (65 percent) were uninsured. Furthermore, 58 percent of smokers and 46 percent of nonsmokers had household incomes below the federal poverty level (in 2016, poverty level was about US$12,000 for an individual and $24,000 for a family of four).

Insurance in the federal marketplace is organized into four coverage categories, called tiers. Each tier bears the name of a metal – bronze,

silver, gold and platinum. Bronze is the lowest priced category, then silver, then gold, then platinum. Platinum policies typically have the highest premiums.

Just as the price goes up from each metal tier to the next, the coverage benefits generally improve, also. Thus, the bronze plans, while typically lowest priced, also typically will pay less when a person incurs a health care cost. The consumer therefore pays more out-of-pocket expenses.

In our study, many smokers wanted to choose silver plans, where insurance pays about 70 percent of the cost of care. The majority of smokers, or 59 percent, stated they would select a silver plan in the marketplace.

Fewer nonsmokers, or 42 percent, wanted silver plans. Usually, nonsmokers chose bronze plans with lower premiums but higher deductibles, where insurance only pays about 60 percent of the cost of care.

Smokers' increased likelihood of having chronic health needs may have contributed to their preference for silver plans, since the plans permit more health care use at a lower cost, despite the slightly higher monthly premium.

Premiums for low-income smokers may exceed their annual income

On average, our research showed smokers would have to spend 14 percent of their annual income to purchase their plan choice. In contrast, non-smokers had to spend 7 percent of their income on their choice. Moreover, smokers below the poverty level would have to spend 165 percent of their annual income on premiums – exceeding the amount

they earn in a year.

Smokers earning below the federal poverty level (FPL) could opt for different plans, but other plans had an average cost of 180 percent of their annual income. Given that the majority of smokers are low-income and many have incomes close to the FPL, health insurance at these rates can be unattainable.

To date, 19 states have not expanded Medicaid. That means that people in those states who earn less than 100 percent of the poverty level, but are not eligible for Medicaid, are also not eligible for financial help in the federal insurance marketplace.

For nonexpansion states such as Missouri, where this study was conducted, low-income uninsured smokers who are not eligible for Medicaid would be left uninsured if they could not afford insurance in the marketplace.

The health care law's mandated coverage provision allows for exemptions from having to buy insurance when the cost of the cheapest plan is greater than 8 percent of one's income. Being uninsured, however, comes with its own set of perils.

At an individual level, being uninsured may lead to poor health and increased health care costs over time. And at a societal level, it may widen income-based health disparities.

It can also lead to a higher cost down the road, when millions of smokers are treated for smoking-related illnesses.

Cessation: A good idea for surcharges, too

Perhaps the best way to remedy this burden on low-income smokers is to

remove tobacco surcharges on premiums. Making cigarettes less affordable through taxation is one thing. It's quite another to make health insurance unaffordable – especially when it runs counter to the goal of the health care law.

Among smokers covered by insurance, the presence or absence of surcharges does not appear to significantly impact cessation rates among smokers. Thus, the view that surcharges may be an incentive for smokers to quit may need to be revisited.

The health care law requires coverage of tobacco cessation services such as phone counseling, group and individual counseling, and medications without out-of-pocket costs to consumers. Uncertainty among physicians and patients about coverage guidelines suggests this feature is not used to its full potential. With appropriate clarification and advocacy, coverage for smoking cessation may help smokers to quit while also allowing them access to insurance to cover the costs of needed health care.

Smoking continues to be the number one preventable cause of death. To continue to make progress in smoking cessation rates, smokers must be supported by the health care system through the process of quitting. We need to make it possible for smokers to purchase affordable, adequate health insurance so they can receive support quitting smoking while also addressing their health care needs.

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