

Monthly caps on out-of-pocket costs would provide financial relief to privately insured patients

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The Biden's administration's Inflation Reduction Act has been dubbed "game-changing" legislation for seniors on Medicare, as the bill provides

a slew of cost-cutting health care measures, including phased-in annual caps on out-of-pocket (OOP) costs and a \$35 monthly cap on insulin.

But Congress failed to approve a proposal to extend these cost-saving measures to the broader US population that is covered by employer or other [private insurance](#)—which includes many patients who are also struggling to afford the rising costs of insulin and other critical medications or health care services.

Now, a new study led by a Boston University School of Public Health (BUSPH) researcher has found that placing a monthly, rather than annual, cap on OOP costs for these commercially insured patients could lower their highest monthly health care bills by 50-60%.

Published in the journal *JAMA Network Open*, the study showed that instituting a \$500 monthly limit for in-network, out-of-pocket costs on [private insurance plans](#) could lower health care and prescription drug spending for nearly 25% of commercially insured patients, with the median highest monthly costs decreasing from \$1,139.80, or 56%. Patients with higher deductibles and lower incomes would benefit the most from this cap, which would make it easier for them to manage the cost of monthly prescriptions or expensive treatments during visits to the doctor.

The results showed that decreases in OOP costs would be even more pronounced with a \$250 monthly limit for in-network care, with median highest monthly bills reduced by more than 60%.

High OOP costs can cause patients to delay or miss care, or skip their medications. Plans with smaller deductibles each month would provide many patients a substantial amount of financial relief and enable them to adhere to expensive and life-saving prescriptions, or seek other necessary care.

"Even though the Affordable Care Act made it a lot easier for people to get and afford [health insurance](#), many people are 'underinsured'—they have coverage, but can't afford to use it because the deductibles and other cost-sharing are too high," says study corresponding author Dr. Paul Shafer, assistant professor of health law, policy & management at BUSPH.

"Instead of having a deductible of thousands of dollars per year that must be met before your plan pays anything, it could be capped on a monthly basis—this way, the cost hurdle in January is no different than the one in December, and you aren't penalized by starting your deductible over if you change jobs mid-year."

The monthly caps could lead the big savings throughout the course of the year, beyond just the worst months. The \$500 monthly limit, which would have affected about 25% of enrollees, reduced in-network OOP costs over a whole year by 46% while the \$250 limit, affecting nearly 37% of enrollees, showed a 51% reduction.

The researchers emphasize that insurance plans would have to absorb the extra OOP costs, but that this would be mostly offset by employers (who pay most of the cost of employer coverage) and the [federal government](#) (premium subsidies in the Marketplace) rather than patients bearing the full cost. They estimated that annual plan costs (and thus, premiums), would likely increase by a little more than 5% per enrollee with a \$500 monthly limit and about 8% for \$250.

But a monthly cap on OOP costs is not the only solution to rising health care costs, Shafer says, adding that this measure should complement other cost-cutting approaches, such as prices negotiations for prescriptions and health care services.

"We have lots of evidence that high out-of-pocket costs are a barrier to

filling prescriptions, staying up-to-date with preventive care, and following through on other recommended care," he says. "This is a Band-Aid on higher prices for health care and prescription drugs, and rising deductibles—part of making it better, but not the whole solution."

More information: Paul R. Shafer et al, Monthly Cost-Sharing Limits and Out-of-pocket Costs for Commercially Insured Patients in the US, *JAMA Network Open* (2022). [DOI: 10.1001/jamanetworkopen.2022.33006](https://doi.org/10.1001/jamanetworkopen.2022.33006)

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