

New study: Health reform to make health insurance affordable for nearly all families

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Ninety percent of American families living above the federal poverty level will be able to afford health insurance under the Affordable Care Act, according to a new Commonwealth Fund report by Jonathan Gruber and Ian Perry of the Massachusetts Institute of Technology (MIT). The report finds that new subsidies available through health insurance exchanges established under the law will make premiums affordable for most families. But the authors also warn that high out-of-pocket costs will likely mean some families will still be unable to afford health-related expenses.

"The [Affordable Care](#) Act is very good news for millions of Americans who are struggling to afford health care, going without health insurance, or skipping the care they need because they can't afford it," said Commonwealth Fund President Karen Davis. "The new law makes health insurance and health care affordable for nearly all families, and introduces delivery system reforms that have the potential to greatly improve quality and efficiency. If implemented well, new entities like accountable care organizations may bring even greater savings and [affordability](#) than this report predicts."

The report, *Will The Affordable Care Act Make Health Insurance Affordable?* uses consumer spending data to analyze family budgets across income levels, and compares them to the costs of purchasing health insurance through the [health insurance](#) exchanges scheduled to begin in 2014, and typical out-of-pocket health care spending. The analysis finds that the vast majority of American families, even lower-

income families, have room in their budgets for premiums and typical out-of-pocket costs. For example, households between 100 percent and 150 percent of the poverty level (up to \$33,525 for a family of four) spend 75 percent of resources on necessities—including child care, food, housing, taxes and transportation—leaving most families in that income range able to afford some health-related expenses.

However, in each income range that the authors examined, some families would still struggle to afford all their health care because of high out-of-pocket costs. For example, 10.8 percent to 17.5 percent of families with incomes between 100 percent and 200 percent of poverty, and about a quarter of families earning between 200 percent and 300 percent of poverty, who have high out-of-pocket costs could not afford all their necessities plus health-related costs. Families with incomes over 500 percent of poverty, or \$111,750 for a family of four, have room in their budgets for [health care](#), even with high out-of-pocket costs.

"Our analysis is promising, as the vast majority of people will be better off because of the premium subsidies and cost-sharing limits in the Affordable Care Act," said Jonathan Gruber, professor of economics at MIT and lead report author. "However, the concerns about high out-of-pocket costs are notable and should be addressed so that people who become very sick don't face out-of-pocket costs that they are unable to afford."

More information: The full report will be available on April 27 at: www.commonwealthfund.org/Content/Publications/Issue-Briefs/2011/Apr/ACA-Health-Insurance-Affordable.aspx

Provided by Commonwealth Fund

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