

Connecticut Healthcare Affordability Index

Executive Summary

JUNE 2021

*With the generous support of the Connecticut Health Foundation
and the Universal Health Care Foundation of Connecticut*





Connecticut Healthcare Affordability Index

The **Connecticut Healthcare Affordability Index (CHAI)** measures the impact of healthcare costs, including premiums and out-of-pocket expenses, on a household's ability to afford all basic needs, like housing, transportation, childcare and groceries. CHAI starts with the Self-Sufficiency Standard for Connecticut and adds in additional details that influence healthcare costs such as type of insurance coverage, age, health risk and family composition. The index calculates healthcare costs and affordability for 19 different household types across Connecticut.

The State of Connecticut Office of Health Strategy (OHS) and the Office of the State Comptroller (OSC) collaborated on this project to create a tool that will help policymakers understand the real costs of healthcare and the challenges that Connecticut residents face in meeting their basic expenses. The goal of the project is to provide a tool for data and analysis to inform policies and practices that will make quality, reliable healthcare affordable to all.

What is affordable healthcare?

Healthcare is affordable in Connecticut if a family can reliably secure it to maintain good health and treat illnesses and injuries when they occur, without sacrificing the ability to meet all other basic needs including housing, food, transportation, childcare, taxes, and personal expenses or without sinking into debilitating debt.

For the last two decades, health care spending in the United States has annually grown at more than twice the pace of median household income (4.8% vs. 2.0%). In Connecticut, workers' contributions to employer-sponsored insurance premiums have grown two and a half times faster since 2000 than personal income.¹ Between 2015 to 2018, out-of-pocket spending, which includes co-pays,

deductibles and co-insurance, increased by 26%. This increase reflects changes in employer decisions on plan design, and employee plan selection, as employers and employees try to cope with rising costs.²

CT HOUSEHOLD HEALTHCARE SPENDING TARGET

Families purchasing healthcare or paying copays, deductibles and co-insurance should devote no more than between approximately 7% and 11% of their household expenses to healthcare, depending on family size. This is a CT Household Healthcare Spending Target that predicts affordability.

We calculated the average percentage of household budget spent on healthcare for households that can afford their basic expenses in Connecticut, based on the 2019 CT Self-Sufficiency Standard. We found that, depending on composition, households spend between 6% and 10% of their budget on healthcare costs, including premiums and out-of-pocket expenses.

When healthcare expenses exceed their household target, households are unable to meet their healthcare expenses and other needs such as housing, food, childcare and transportation. Healthcare expenses over this target are generally unaffordable.

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1. US Department of Health and Human Services, Agency for Healthcare Research and Quality, Medical Expenditure Survey, Tables D.1 and D.2 for various years

2. Connecticut Office of Health Strategy. (January 21, 2021). *CT Commercial Cost Trends*. Analysis of the Connecticut commercial market performed by Mathematica.

3. The calculations reflect costs and subsidies available in June 2021 including new subsidies provided by the American Rescue Plan Act (ARPA). They do not include additional subsidies just approved by the CT General Assembly in the FY22/23 Connecticut Biennial Budget.



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as housing, food, childcare and transportation. *Healthcare expenses over this target are generally unaffordable.*

CT HEALTHCARE SPENDING TARGET, JUNE 2021					
Household Type		Percentage of Total Income Needed to Meet Basic Needs			Healthcare Net Costs as % of Total Income Needed to Meet Basic Needs
		Premium	Out-of-pocket	Premium Tax Credit	
Adults	Children				
1	0	8.06%	2.04%	-3%	7.3%
	1	9.10%	1.93%	-2%	8.8%
	2	9.86%	2.03%	-2%	9.5%
	3	8.15%	1.93%	-2%	7.9%
	4	7.05%	2.01%	-2%	6.8%
Adults	Children				
2	0	12.51%	3.05%	-5%	10.8%
	1	11.46%	2.64%	-4%	10.2%
	2	10.35%	2.65%	-4%	9.1%
	3	8.88%	2.48%	-3%	8.1%
	4	7.84%	2.51%	-3%	7.1%



How many households can afford healthcare in Connecticut?

- **As of June 2021, approximately 18% (165,684) of households in Connecticut with working adults face costs that exceed the target for affordability.**⁴ The percentage of households with access to health insurance costs below the affordability target varies by the source of coverage. 42% (60,906) of households purchasing insurance through Access Health CT face health care cost that exceed the target for affordability, while only 16% (104,788) of households with employer-sponsored insurance face healthcare costs that exceed the target for affordability. Households covered by HUSKY (Medicaid) are all presumed to have affordable healthcare.
 - This estimate includes new, temporary premium subsidies provided to consumers purchasing health insurance through Access Health CT, the state health insurance exchange established under the Affordable Care Act, under the new federal American Rescue Plan Act (ARPA) enacted in February.
 - We estimate the temporary ARPA subsidies will make health care costs affordable for over 35,000 additional Connecticut working-

age households purchasing health insurance through the individual marketplace. Prior to passage of ARPA, 21% of households in Connecticut faced healthcare costs that exceeded the target for affordability.

- **The new state budget provides additional assistance to offer fully subsidized coverage to another 40,000 people in Connecticut.** Beginning on July 1, 2021, the state will pay any remaining premiums and all cost sharing, other than what is already paid in premium assistance and through cost-sharing reductions for caregiver adults of children on HUSKY A, up to 175% FPL, who are not otherwise covered by Medicaid and who enroll in the benchmark silver plan via Access Health CT. Beginning July 1, 2022, the state will pay all remaining premiums and cost sharing (after federal assistance) and will also cover dental and non-emergency medical transportation for all adults under 175% FPL. When it takes effect on July 1 of this year, this new state assistance will further reduce the percentage of Connecticut households that face healthcare costs that exceed the target for affordability.

4. To estimate the number of Connecticut households with unaffordable healthcare, we utilized the 2017 American Community Survey (ACS) 1-Year PUMS dataset previously coded with the Self-Sufficiency Standard and the CHAI adequate income calculations. Because the costs in the Self-Sufficiency Standard assume that adults work, this ACS dataset excludes adults not expected to work—seniors and adults with work-limiting disabilities.



From Data to Policy

Connecticut can reduce the cost of healthcare services, increase access to insurance coverage and provide subsidies or assistance where needed to make healthcare more affordable for more Connecticut residents.

There are several ways the State can move the needle on healthcare affordability. There is no one fix to this problem, so there is room for multiple policies that address the needs of specific populations. In addition to subsidies such as those recently provided under ARPA and the state budget, actions taken by purchasers and providers that reduce the price of healthcare services and enable consumers to find the highest quality care at the right price will make healthcare more affordable for more households.

The cost of healthcare is important, but it is only one of the challenges that people face in meeting their basic expenses.

Healthcare costs account for one part of the everyday expenses Connecticut households must pay. In our methodology, we included regular expenses for housing, food, childcare, transportation and miscellaneous personal expenses along with healthcare costs for households of varying size and composition. We also calculated the burden of taxes and the value of tax credits where appropriate. All of these add up to determine whether a household has adequate income to pay their bills.

Connecticut should adopt a holistic policy perspective to shape actions that lead to affordable healthcare and better health and well-being for all Connecticut residents.

OHS and OSC worked with researchers from the Center for Women’s Welfare at the University of Washington School of Social Work and from the University of Connecticut Analytics and Information Management Solutions (UConn AIMS) to develop this tool. The project was partially funded and guided by the Connecticut Health Foundation and the Universal Health Care Foundation of Connecticut. OHS and OSC also convened a public advisory committee to review and provide input as the tool was developed.

The CHAI is a living tool and as costs and conditions change, OHS and OSC will use the tool to measure impacts on the marketplace or to model policy ideas and alternatives. The figures in this summary have been adjusted to reflect the changes to the Affordable Care Act included in the American Rescue Plan enacted in March 2021. The first Connecticut Healthcare Affordability Index report was published in December 2020, before passage of the American Rescue Plan.