

# The Connecticut Healthcare Affordability Index: What it is and how it works

Health care costs are among the top challenges individuals, families, businesses, and governments face. Figuring out what to do about these costs is complicated. A new tool, the Connecticut Healthcare Affordability Index, or CHAI, aims to give policymakers and others a better handle on the challenges faced by Connecticut households – and how potential policy changes could help.

The CHAI was developed by the Connecticut Office of Health Strategy and the Office of the State Comptroller, with research by the Center for Women’s Welfare at the University of Washington School of Social Work. The project was supported by grants from the Connecticut Health Foundation and Universal Health Care Foundation of Connecticut.

Here’s how it works and what we’ve learned so far.

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## Defining and measuring health care affordability

### What is health care affordability?

Health care is considered affordable if a family can reliably secure care – to maintain good health and treat illnesses and injuries – without sacrificing the ability to meet all other basic needs or going into debilitating debt. Those other basic needs include housing, food, transportation, childcare, taxes, and other personal expenses.

### Why is it important to know if health care is affordable?

If people can't afford to get care, their health can suffer.

In addition, health care is unlike most other costs people face. For most things we buy, it's possible to shop around or pick different options based on price – or even forgo the purchase. With health care, virtually none of that is possible. Patients rarely know the prices of the services they need and sometimes require care unexpectedly. When people put off care, it is often at the expense of their long-term health and well-being.

### What is the CHAI?

The *Connecticut Healthcare Affordability Index*, or CHAI, is a measure of affordability that takes into account many factors that impact a family's health care expenses.

The CHAI is built from another tool known as the *Self-Sufficiency Standard*, which identifies the amount of income families require to afford their basic needs, such as housing, childcare, food, transportation, as well as health care, without financial assistance from other sources. The Self-Sufficiency Standard shows how household expenses vary based on family size, composition, and geography.

The CHAI then digs deeper into the health care expenses families face to show how additional factors – including age, insurance type, and health status – affect health care costs. By compiling this information and combining it with the variables already measured by the Self-Sufficiency Standard, the CHAI calculates health care costs and affordability for different family types across Connecticut. These calculations make it possible to identify how much income is needed to meet health care expenses and which factors put people more at risk of being burdened by health care costs.

This information on income inadequacy and health care expenses can be used by policymakers to tailor solutions to help those who face affordability challenges.

## Key Terms



**Self-Sufficiency Standard:** A measure of how much income a household needs to meet its basic needs including housing, childcare, food, health care, and transportation, taking into account geography and family size and composition.



**Connecticut Healthcare Affordability Index (CHAI):** A tool that builds on the Self-Sufficiency Standard by focusing in on the specific variables that affect health care expenses: type of health insurance coverage, age, and health needs. Together, these factors provide a more accurate picture of real-world health care expenses and their impact on income adequacy for different types of Connecticut households.



**Connecticut Healthcare Spending Target:** The maximum percentage of a household's income that can be spent on health care for those costs to be considered affordable.

## What is the line between affordable and unaffordable health care costs?

In other fields, there are numerical benchmarks to define affordability. For example, housing is considered unaffordable if it costs more than 30% of a person's income. Having a specific standard makes it easier to analyze how many people have housing costs that are unaffordable.

The Office of Health Strategy and the Comptroller's Office wanted to identify a similar standard for health care affordability. Using the CHAI tool, they established the *Connecticut Healthcare Spending Target*. The spending target quantifies how much of a family's income could be spent on health care before the costs put the family at risk for economic hardship – that is, become unaffordable.



According to the spending target, health care costs are considered unaffordable if they exceed approximately 7% to 11% of a family's income. Beyond this limit, the family is at risk for economic hardship. Given how many factors affect affordability, the target is a range rather than a single number.

It's important to note that the health care spending target only applies to households that have adequate income overall under the Self-Sufficiency Standard. For families with incomes low enough to qualify for Medicaid, health care costs are largely covered. But even with this crucial support, their incomes are so low that other basic needs such as housing, childcare, or transportation are unaffordable.

Another thing to keep in mind: The CHAI includes all health care costs households encounter, including health insurance premiums and out-of-pocket costs (such as payments toward deductibles or co-pays). Some measures of affordability focus only on premiums.

### **Key findings on income inadequacy and health care expenses**

According to the Self-Sufficiency Standard, nearly one in four Connecticut households is considered to have inadequate income to meet their basic needs. The CHAI shows how health care expenses interact with other expenses such as housing, childcare, food and transportation, to exacerbate income inadequacy.

## Where you live matters

Income inadequacy, as measured by CHAI, varies by almost 10 points between geographic regions in the state. Even more striking geographical differences exist for people who buy coverage through the individual market. Fairfield County, the county in the state with the highest cost of living and the highest health care costs, has the highest income inadequacy rate for individual market households at 46%. The lowest income inadequacy for individual market households is 17% in Hartford County, where the cost of living is lower.

*Income Inadequacy Rate by County*

County	Percent of households with inadequate income
Fairfield	27%
Hartford	20%
Litchfield	18%
Middlesex	23%
New Haven	25%
New London	22%
Tolland	19%
Windham	18%

## Racial and ethnic disparities

Latinx and Black households have much higher rates of income inadequacy than white households in Connecticut. The chart below shows these disparities based on insurance type.

*Income Inadequacy Rate by Race/Ethnicity and Private Insurance Type*

Race/Ethnicity	Employer-sponsored insurance	Individual market insurance
Latinx	20%	53%
Black	18%	33%
White	8%	26%



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## Key findings based on the healthcare spending target

Using the CHAI-developed Connecticut Healthcare Spending Target, researchers were able to quantify the extent of unaffordable health care in Connecticut and point to the factors that have the greatest impact. These findings are based on 2019 data.

### Health care costs are unaffordable for more than one in five households in Connecticut.

Measured against the Connecticut Healthcare Spending Target, 21% of households have health care costs that are unaffordable.

### People who buy insurance on their own are much more likely to have unaffordable health care.

Two-thirds of households that get their health insurance through the state's individual market – 67% – have unaffordable health care, compared to 16% of those with employer-sponsored insurance.

### Those who need health care the most are the least able to afford it.

Many insurance plans have high deductibles that require people to pay thousands of dollars toward their care before their insurance starts to chip in. That means those with higher health care needs, such as those with chronic illnesses that require expensive treatments, are likely to face significantly higher costs. Based on the spending target, nearly half (45%) of people with high health needs have unaffordable health care. The cost-burden is most severe in the individual market, where 100% of customers with high health risk scores are considered to have unaffordable health care costs.

Among people with high health risk scores and employer-sponsored insurance, nearly half – 43% – have unaffordable health care costs.

### Age matters, particularly in the individual market.

In the individual market, insurance premiums vary based on age, with a 64-year-old paying three times the premium of a 24-year-old buying the same plan.



Unsurprisingly, older residents who get coverage through the individual market are especially at risk for unaffordable health care costs. Among adults aged 50 to 64, 73% of households that get coverage through the individual market have unaffordable health care costs, compared to 13% with employer-sponsored insurance.

Under employer-sponsored insurance, employers pay more for older workers, but the full impact of that higher cost is not usually passed along to employees.

### Policy changes can make a difference.

The American Rescue Plan Act, which became law in early 2021, increased the amount of financial assistance available to people who buy individual-market insurance through exchanges such as Connecticut’s Access Health CT. (The extra assistance is set to expire at the end of 2022, but Congress is considering extending it.)

As a result, fewer households are considered to have unaffordable health care. The CHAI-developed Connecticut Healthcare Spending Target helps to quantify the impact of this policy change. If the American Rescue Plan Act – which includes several provisions that make coverage more affordable – had been in effect in 2019, the share of households with individual-market insurance with unaffordable health care costs would be 42%, rather than 67%.

In the future, policymakers can use the CHAI to analyze how other potential changes would affect health care affordability.

### Resources

- Read all Connecticut Healthcare Affordability Index [reports](#)
- [Connecticut Healthcare Affordability Index](#), Dec. 2020
- [Connecticut Healthcare Spending Target: How Many Households Have Affordable Healthcare?](#) June 2021
- [The Self-Sufficiency Standard for Connecticut](#), 2019