

1 in 6 Americans...

A medical disaster could be the only thing standing between you and bankruptcy. In a national study of 2007 bankruptcy filings in selected states, 62% were caused by medical bills the patients could not pay. Alarming, 78% had insurance when they started their illness, including 60.3% private coverage. More than 90% of medically related bankruptcies were due to high medical costs so high the family was compelled to mortgage their home to pay the bills. Eight per cent went bankrupt because the illness caused them to lose their income. Diabetics and those with neurologic disorders had the highest costs (\$26,971 & \$34,167 respectively).

Even being solidly middle class offered no protection: 2/3 of the medically bankrupt were homeowners and 3/5 were college educated. Overwhelming medical bills forced the families to mortgage their homes before they resorted to protection in the courts. The study was conducted by professors at Harvard Medical School, Harvard Law School, and Ohio University.

Just as disturbing is a statistic recently released by the U.S. Census Bureau: 49.9 million Americans (almost 1 in 6, or 16%) do not have health insurance. Lowered access in getting medical care is just the start. When they do get care, the uninsured pay more for it. The bankruptcy study found that those without insurance averaged \$26,971 in medical bills, compared to \$17,749 for those with insurance.

State Insurance Commissioner Gordon Ito says that in Hawaii, thanks to our pioneering 1974 Prepaid Health Care Law, the insurance rate is lower, somewhere between 8-11%. (Hawaii is still the only state with such a law, which is a major reason for our high rates of coverage.) The uninsured generally fall into three categories: the unemployed, students, and those who work but don't get coverage through their jobs. For the unemployed, Ito says, there are the federal/state Medicare and Medicaid programs if they qualify.

Students were a "fall through the cracks" group, but President Obama's Patient Protection and Affordable Care Act (PPACA) was designed to alleviate this. Before the law, insurance companies dropped students from their parents' health plan they reached "legal age." Students also weren't getting employer-sponsored plans because they didn't work enough hours even if they had a job. Lastly, on their limited income, they couldn't afford to be covered, if an individual plan was even available. The PPACA ("Obamacare") changed all of that. As of September 23, 2010, the president's health care reform law enables children to remain on their parent's insurance plan until they reach age 26. That applies even if the children don't live with their parents anymore, are not dependents listed on their parents' tax return, are not students, or are married. That's one big reason to be thankful that Congress passed this milestone legislation.

Contrary to popular myth, the uninsured are gainfully employed. Three out of 4 uninsured work, but have jobs that don't offer insurance coverage as a benefit. Of those who are offered a health plan, both premiums and worker's share of those premiums have risen, putting medical insurance out of their reach. Last year the average cost for employer-sponsored family coverage

was \$13,770. Many employees simply cannot afford to pay that much in premiums without their company picking up a large portion of that expense. Ninety per cent of the uninsured are in low- to moderate-income families (roughly \$88,000 annual income for a family of four).

Even in Hawaii with our Prepaid Health Care Law, Ito explains, many workers simply can't get employer-sponsored health coverage. The law requires insurance to be offered only if the employee works an average of 20 hours per week. Those who work part-time jobs less than 20 hours a week aren't eligible for job-sponsored medical plan.

Ito says the PPACA will help. Under the new law, businesses with less than 25 employees and an average salary of \$50,000, will be eligible for federal tax credits for providing health insurance for their employees. As of January 1, 2014, qualified small businesses will be able to receive a 50% premium subsidy. To be eligible, the company must have less than 11 full-time employees who have an average salary of less than \$25,000. Companies exceeding these guidelines are also eligible for premium subsidies on a sliding scale (a reduction of 6.7% per additional employee and 4% per additional \$1,000 of average compensation).

The President's health reform law also helps two other groups of uninsured – those who are excluded from plan eligibility for "pre-existing conditions" and those who are dropped because they become sick or their treatment reaches "lifetime limits." Adults with pre-existing conditions became eligible on June 21, 2010 to join a temporary pool that will be replaced in 2014 when health exchanges become available. As of September 23 last year, insurance companies were no longer able to exclude children under age 19 with pre-existing medical conditions, drop policyholders when they get sick, or impose lifetime dollar limits on essential benefits. In 2014, annual caps will be completely prohibited.

The PPACA will help people stay well by making it affordable. By 2018, the law will require that health plans fully cover (no co-pays) preventive care and checkups. These help people get care in early stages and avoid more serious health problems and the associated risks of higher mortality.

The much debated health insurance exchanges go into effect nationwide on January 1, 2014. The exchange was envisioned as a way to help consumers and small businesses to review and compare benefits and premiums. Ito's Insurance Division is working on setting up Hawaii's version, which will be called the "Hawaii Health Connector." Ito says it is like Orbitz, a one-stop, open sharing of data, so buyers can make an informed choice in purchasing insurance. The Insurance Division is also striving to improve its process for reviewing requests for premium increases. A grant the Division recently received will enhance the level of detail its staff can examine in coming to its decisions.

For decades insurance industry experts have sounded the alarm on the societal, business, and individual impact of spiraling health costs. On the grand scale, the law will reduce our national deficit by \$143 billion. At the grassroots level, it will help all of us get the medical care we all need, giving companies healthier employees, and bring that portion of our family budgets

within our control. The Patient Protection and Affordable Care Act is a much needed, comprehensive law. History will show that President Obama's reforms will take their place among the most significant pieces of legislation in our history.