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## MANY CALIFORNIANS STRUGGLE TO PAY FOR HEALTH CARE

### New Report Recommends that Any Health Care Reform Include Adequate Subsidies for Californians

SACRAMENTO – A new report jointly authored by the California Budget Project and the UCLA Center for Health Policy Research finds that many families spend a substantial amount on health care premiums and out-of-pocket costs, and could face financially devastating medical expenses if they are not adequately protected. The report, “What Does It Take for a Family to Afford to Pay for Health Care?” (available at [www.cbp.org](http://www.cbp.org) and [www.healthpolicy.ucla.edu](http://www.healthpolicy.ucla.edu)) recommends that health care reform proposals – such as those proposed by the Governor and Democratic legislative leaders – ensure that families can realistically afford premiums and out-of-pocket costs, such as copayments and deductibles.

The report recommends that proposals fully subsidize health care coverage for those who earn up to 200 percent of the poverty line (\$41,300 for a family of four) because the cost of housing, food, and other necessities leaves these families with few or no resources to contribute toward health care costs. The report also determines that families need incomes near 300 percent of the poverty line (\$61,950 for a family of four) just to afford *typical* health care costs. Because some families face much higher out-of-pocket health care costs, the report recommends that policymakers consider providing subsidies for families with incomes higher than 300 percent of the poverty line.

“In the debate over health care reform, we can’t lose sight of what California families realistically need and can afford,” said David Carroll, research director with the California Budget Project, a Sacramento-based nonpartisan public policy research group, and joint author of the report. “Families should not have to choose between paying their rent and taking a sick child to the doctor.”

“People should be able to afford to use, not simply buy, health care coverage,” said Dylan Roby, a joint author of the report and research scientist with the UCLA Center for Health Policy Research, which is based in the UCLA School of Public Health and affiliated with the UCLA School of Public Affairs. “The bottom line is that many Californians are going to need help to be able to afford health care coverage.”

The report also recommends that policymakers consider:

**Limiting families’ out-of-pocket costs.** Some insured families have very high health costs because they have very high copayments, deductibles, or other out-of-pocket costs. Some of these costs are predictable (for example, if a family member has a chronic illness), but some can be unexpected (for example, as the result of an accident or unexpected illness). Placing limits on out-of-pocket costs is as important as premium subsidies in ensuring affordable health care.

**Taking into account expenses families face, such as housing and child care, when determining how much families can afford to pay for health care.** Because families face very different costs, such as housing and child care, income alone is an imprecise measure of what families can afford to spend on health care.

The report shows that the median or typical single adult with private health coverage – including job-based coverage and individually purchased coverage – spends nearly \$800 per year on premiums, while the typical or median two-parent family of four spends nearly \$1,800 toward annual premium costs. Families also face substantial copayments, deductibles, and other out-of-pocket costs. The typical single adult pays out-of-pocket costs of \$340 per year, in addition to amounts spent on premiums. A typical family of four pays approximately \$1,000 in out-of-pocket costs each year.

A substantial number of families have out-of-pocket costs that are many times higher than these levels. However, the report also found that not all families with high costs have chronic illnesses. In fact, 90 percent of heads of households with high health care costs reported they were in good or excellent health.

“This suggests that families of all types can find themselves suddenly with health conditions and health costs that can impact their ability to make ends meet,” said Carroll.

Studies estimate that as many as half of all personal bankruptcies in the US are due to medical care costs, and that at least two-thirds of individuals facing health-related bankruptcy have health insurance.

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**NOTE: The CBP and the UCLA Center for Health Policy Research will hold an audio teleconference on this report for reporters, editors, columnists, and bloggers at 11 a.m. today. The call-in number is 1-800-290-9461 and the password is Health. To reserve a spot, call Lisa Gardiner at (916) 444-0500 or email [lgardiner@cbp.org](mailto:lgardiner@cbp.org).**