

Research Brief

The Real Cost of Living and Getting Healthcare in Connecticut:

The Health Economic Sufficiency Standard

The Connecticut Health Economic Sufficiency Standard (HESS) measures the economic burden of health care and illness on Connecticut families.

"The Real Cost of Living and Getting Health Care in Connecticut, also called "HESS," assumes that high-quality employer-sponsored health insurance (ESI) in which the employer pays the average share of the premium, or an equivalent social insurance program, is essential for working families' health security.

This report accompanies the 2005 study entitled "The Real Cost of Living in Connecticut," which updated Connecticut's Family Economic Self-Sufficiency Standard (FESS). FESS *measures how much income a family of a certain composition in a given place requires to meet their basic needs – without public or private assistance.* Families living at the income levels used in the HESS do not qualify for HUSKY A.

HESS – AN ECONOMIC MODELING STUDY

The HESS model is based on three possibilities workers face: good employer-sponsored insurance, where the employer pays the average share of the premium; "underinsured" wherein the worker pays 50% of the health insurance premium; and no ESI, wherein the worker purchases non-group insurance and pays the full cost.

Estimates of health-related economic burdens were calculated for twelve distinct demographic family types. Of course, families and health situations can be complex and changing; no family or illness is typical. This report is a historical snapshot. It does not predict changes in future health care costs or growth. For each family type, four components are estimated:

- Health insurance premiums paid by the family.
- Out-of-pocket medical expenses.
- Lost earnings due to a wage earner's own illness.
- Lost earnings due to family caregiving responsibilities.

Developing a comprehensive model of health-related economic burden is important for three reasons:

- **Rising Health Care Costs Create Financial Insecurity for Families.** Health-related expenses cause economic stress and dislocation for Connecticut families.
- **Access to Insurance Means Access to Care.** Health care costs relative to income are major determinants of access to health services and medical outcomes.
- **Fewer Uninsured Means a Stronger Connecticut Economy.** Uninsured residents weaken both health and economic community resources.

HESS tracks health care costs and related economic burdens and assesses the effect of public and workplace policies related to health access and costs.

BEING INSURED HAS A MUCH GREATER IMPACT ON FAMILY FINANCES THAN HEALTH STATUS OR FAMILY ILLNESS

Our study finds that across all non-elderly family types, being insured has a much greater impact on family finances than having a family member in poor health. Access to ESI also has a much greater impact on family budgets than income losses due to caregiving or wage earner illness. In other words, *the most powerful determinant of total family financial health burden is access to employer-sponsored health insurance*. Individuals with private, employer-sponsored insurance and long-term disability insurance are still at risk for unaffordable health care costs and earning losses, though to a significantly lesser extent than uninsured or underinsured individuals and families.

EMPLOYER-SPONSORED INSURANCE IS ERODING

Although ESI in Connecticut remains the primary vehicle for health care coverage, there are signs that the ESI system is eroding. Health care spending is higher in Connecticut than in most other states, and costs are rising for both workers and employers. Fewer employees are offered ESI, and ESI is also fraught with limitations that create gaps in insurance coverage for workers. For example, many private plans impose eligibility restrictions such as waiting periods and minimum weekly work hours.

HEALTH CARE COSTS FOR WORKERS

Nearly 60% of low-income adults would pay more than 25% of their income in premiums to obtain individual health insurance policies.¹ The FESS

study found that Connecticut families living within the self-sufficiency standard would spend about 8% of their income on health care, depending on family size, composition, and region. HESS adds adjusted out-of-pocket expenses to account for families with chronic health conditions and examines income losses due to illness or caregiving.

Having ESI does not necessarily protect workers from unaffordable out-of-pocket health expenses. Out-of-pocket costs account for about 20% of total health care spending in Connecticut.²

WOMEN EXPERIENCE HIGHER FAMILY FINANCIAL HEALTH BURDENS

Female-headed households have higher rates of out-of-pocket expenditures than male-headed households.³ In most age groups, according to our study, Connecticut women had higher out-of-pocket expenditures than men. Women also experience higher premiums in the individual non-group market for most age groups (up to age 60). In the most extreme case, a female aged 19–25 in fair/poor health without access to ESI would have a total family health cost of \$7,898, which is \$2,883 higher than a comparable male.

INCOME LOSSES DUE TO FAMILY ILLNESS THREATEN ECONOMIC SECURITY

HESS and other research studies found that a family illness or temporary disability can cause serious setbacks for working families – even for those with ESI and living self-sufficiently. For working-class families living at the margin or in poverty, a family illness can cause hardship or even bankruptcy.

Although the number of families with disabled children or elderly relatives is relatively small, income loss due to the wage earner's caregiving responsibilities are potentially quite large. A family whose child has severe asthma and whose wage earner lacks paid sick leave can expect to incur more than \$800 per year in income loss from caregiving. A midlife couple caring at home for an aged relative with serious disability can expect to incur more than \$6,900 per year in income losses.

- Forty-two percent of full-time private-sector workers⁴ have no paid sick leave.
- More than a third of Americans had significant elder-care responsibilities.

HEALTH SECURITY AND MEDICAL DEBT

Mounting health care costs and medical debt put families' economic security at risk because such costs, whether for premiums, out-of-pocket medical expenses, or both, compromise other financial obligations.

- **Women Are More Vulnerable to Medical Debt Than Men.** Fifty-six percent of medical bankruptcy filers are women.⁵
- **Half of All Families Filing for Bankruptcy Cite Medical Debt as the Cause.** Medical debtors were likely to experience lapses in health care coverage, especially those filing bankruptcy.

WORKERS AGED 55–64 ARE VULNERABLE TO UNMANAGEABLE FINANCIAL HEALTH BURDENS

Because individual coverage is rated by age and health, people aged 55–64 without ESI face high coverage costs. A couple in this age group without

access to ESI would face health insurance premiums ranging from \$13,490 to \$17,315 and total annual family health burdens ranging from \$16,692 to \$21,631, depending on health status.

HUSKY IS FILLING SOME OF THE GAPS AND CAN HELP FAMILIES SAVE

HUSKY has filled some of the void as ESI has eroded, preventing a jump in the number of uninsured. For parents without ESI, HUSKY B can also provide savings for their children. Family types 1, 3, 4, 5, and 12 have children eligible for HUSKY B, band 2 (235-300% of the Federal Poverty Level). For these families, savings range from \$404 for families with access to ESI to more than \$3,600 for families without access to ESI for the children.

IMPACT OF THE FINANCIAL HEALTH BURDEN ON ECONOMIC SELF-SUFFICIENCY REQUIREMENT

These findings are best viewed in the context of overall economic self-sufficiency. For example, a two-parent, two-child family in the Lower Connecticut River Valley* with typical employer coverage and in good health would require \$54,575 per year to cover all necessary living expenses. The same family with no access to employer coverage would need *an additional \$6,553 per year to cover health-related costs and losses*. A comparable family without access to employer coverage *and with a family member in fair/poor health would require an additional \$9,268 to cover costs and losses compared with the family with optimal conditions*.

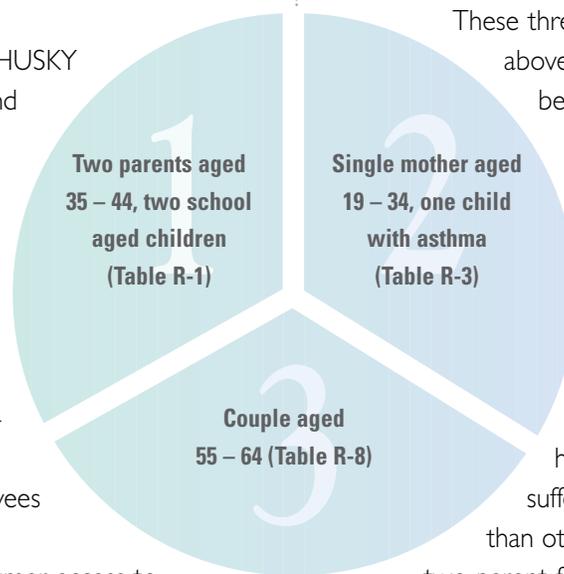
POLICY OPTIONS

Connecticut policy makers must face the issues of eroding employer-sponsored coverage, an aging society, higher health care costs and rising rates of uninsured residents. The two goals of improving our health care system and reducing economic risk as a consequence of family illness or injury require solutions from national and state policy makers, businesses, and citizens. Some short-term steps based on this report include:

- Expand programs such as HUSKY to include more children and caregiving adults and streamline the enrollment of eligible families.
- Target interventions to those in Connecticut least likely to have ESI, including women, the working poor, part-time workers, service-/retail-sector employees, childless adults, and employees of small firms.
- Expand business and consumer access to short- and long-term disability insurance products.
- Strengthen and expand employer-sponsored insurance, particularly among smaller firms.
- Study private insurers' policies that restrict health insurance benefits to certain employees or impose exclusions and limitations.
- Make paid sick leave and paid family leave available to Connecticut workers.

OBSERVATIONS

A modified FESS was calculated for each family type and called the "economic self-sufficiency requirement" for the purposes of this analysis. The HESS economic self-sufficiency requirement uses a more detailed and subpopulation-specific method for estimating health costs. We have selected three of the twelve family types to review in this brief:



These three family types (see chart above) were selected in part because they allow a comparison between a two parent family, a female-headed, single parent family, and a family with 55-64 "pre-Medicare" year olds (who have the highest individual commercial premiums). Our study shows that female-headed households (Tables R-3 and R-8) suffer a higher family health burden than other family types (such as the two-parent family in Table R-1).

Furthermore, our model assumes that families are earning a "living wage" according to an adjusted Connecticut FESS. However, many families in Connecticut are also living below the self-sufficiency standard – some work minimum wage jobs, some live in poverty, and some live above the standard. Because those living below the standard are less likely to have ESI, we can also examine the impact health care costs and losses would have on family income for those living at the minimum wage.

TABLE R-1: CONNECTICUT HEALTH ECONOMIC SUFFICIENCY STANDARD FOR A FAMILY OF FOUR IN THE LOWER CONNECTICUT RIVER VALLEY⁶

Economic self-sufficiency requirement: \$53,737

Insurance Status	ESI		Underinsured		No ESI	
	Good	Fair/Poor	Good	Fair/Poor	Good	Fair/Poor
Health Insurance Premium	\$2,269	\$2,269	\$5,316	\$5,316	\$6,280	\$8,811
Out-of-Pocket Costs	\$2,486	\$3,038	\$2,486	\$3,038	\$2,486	\$3,038
Total Health Access Costs	\$4,755	\$5,307	\$7,802	\$8,354	\$8,766	\$11,849
Disability Income Protection ⁷	\$512	\$512	\$512	\$512	\$2,560	—
Income Loss Due to Wage-earner's Illness ⁸	—	\$1,612	—	\$1,612	\$494	\$2,686
Income Loss Due to Caregiving ⁹	—	—	—	—	—	—
Total Income Related Costs¹⁰	\$512	\$2,124	\$512	\$2,124	\$3,054	\$2,686
Total Family Health Burden¹¹	\$5,267	\$7,430	\$8,314	\$10,477	\$11,820	\$14,535

A healthy, insured family of four in Connecticut requires \$53,737 annually to maintain their health and to prevent incidental illnesses from overwhelming their budget (Table R-1). They will spend approximately \$5,267 (or 9%) of this on premiums, out-of-pocket medical expenses, and long-term disability insurance premiums to protect against losses due to illness or injury.

However, if a parent with ESI had an illness, the family would need an additional \$2,163 annually

to cover her health needs. If the same parent was ill and the family did not have ESI, \$14,535 (or 26% of their gross income) would be needed to cover premiums, out-of-pocket costs, and lost income.

If the same family had two adults earning the minimum wage, these same health care costs and losses would represent a family health burden of 17% of their gross income (in good health and with ESI), or 47% of their income, without ESI and with family illness.

⁶ Chester, Deep River, Essex, Old Saybrook and Westbrook.
[†] Self-reported.

A healthy, insured single-parent family with one child requires \$35,599 annually to maintain their health and to prevent incidental illnesses from overwhelming their budget. Of this amount, approximately \$4,090 (or 11%) will be spent on premiums, out-of-pocket medical expenses, and long-term disability insurance premiums to protect from losses due to illness or injury.

However, if a single parent with ESI had an illness, the family would need an additional \$3,319

annually to cover health needs. If the same parent was ill and the family did not have ESI, they would need \$13,016 (or 36% of their gross income) to cover premiums, out-of-pocket costs, and lost income.

If the same family had a minimum-wage earner, these same health care costs and losses would represent a family health burden of 27% of their gross income (in good health and with ESI) or 85% of their income without ESI and with family illness.

**TABLE R-3: CONNECTICUT HEALTH ECONOMIC SUFFICIENCY STANDARD
FOR A FAMILY OF TWO WITH A CHILD WITH ASTHMA IN NORTH CENTRAL CONNECTICUT¹²**

Economic self-sufficiency requirement: \$35,599

Insurance Status	ESI		Underinsured		No ESI	
	Good	Fair/Poor	Good	Fair/Poor	Good	Fair/Poor
Health Insurance Premium	\$1,209	\$1,209	\$2,667	\$2,667	\$3,791	\$5,581
Out-of-Pocket Costs	\$2,241	\$2,780	\$2,241	\$2,780	\$2,241	\$2,780
Total Health Access Costs	\$3,450	\$3,989	\$4,908	\$5,447	\$6,032	\$8,361
Disability Income Protection ¹³	\$154	\$154	\$154	\$154	\$770	—
Income Loss Due to Wage-earner's Illness ¹⁴	—	\$2,084	—	\$2,084	\$639	\$3,474
Income Loss Due to Caregiving ¹⁵	\$486	\$1,181	\$486	\$1,181	\$1,181	\$1,181
Total Income Related Costs	\$640	\$3,419	\$640	\$3,419	\$2,590	\$4,655
Total Family Health Burden	\$4,090	\$7,409	\$5,548	\$8,867	\$8,622	\$13,016

*Avon, Berlin, Bristol, Burlington, Canton, East Granby, East Hartford, East Windsor, Enfield, Farmington, Glastonbury, Granby, Marlborough, New Britain, Plainville, Rocky Hill, Simsbury, Southington, Suffield, Windsor Locks, Plymouth, Andover, Bolton, Ellington, Hebron, Somers, Stafford, Tolland and Vernon.
† Self-reported.

TABLE R-8: CONNECTICUT HEALTH ECONOMIC SUFFICIENCY STANDARD FOR A FAMILY OF TWO IN THE UPPER CONNECTICUT RIVER VALLEY¹⁷

Economic self-sufficiency requirement: \$29,826

Insurance Status	ESI		Underinsured		No ESI	
	Good	Fair/Poor	Good	Fair/Poor	Good	Fair/Poor
Health Insurance Premium	\$1,669	\$1,669	\$4,716	\$4,716	\$12,659	\$15,874
Out-of-Pocket Costs	\$2,728	\$4,106	\$2,728	\$4,106	\$2,728	\$4,106
Total Health Access Costs	\$4,397	\$5,775	\$7,444	\$8,822	\$15,387	\$19,980
Disability Income Protection ¹⁸	\$697	\$697	\$697	\$697	\$3,485	—
Income Loss Due to Wage-earner's Illness ¹⁹	—	\$881	—	\$881	\$270	\$1,468
Income Loss Due to Caregiving ²⁰	—	—	—	—	—	—
Total Income Related Costs²¹	\$697	\$1,578	\$697	\$1,578	\$3,755	\$1,468
Total Family Health Burden	\$5,094	\$7,353	\$8,141	\$10,400	\$19,142	\$21,449

The last family type is a family of two young adults who do not qualify for Medicare. A healthy couple in this age group requires \$29,826 annually to maintain their health and to prevent incidental illnesses from overwhelming their budget. They will spend approximately \$5,094 (or 17%) of their income on premiums, out-of-pocket medical expenses, and long-term disability insurance premiums to protect from losses due to illness or injury.

However, if this couple with ESI had an illness, they would need an additional \$2,259 annually to cover their health needs. If the family had an illness and no ESI, they would need an entirely unrealistic sum – more than \$20,000 – to cover the family health burden. This would represent 70% of their income, making purchase of commercial insurance for this age group unrealistic.

*Cromwell, Durham, East Haddam, East Hampton, Haddam, Middlefield, Middletown and Portland.
 † Self-reported.

ACKNOWLEDGEMENTS

Since 1877, **The Women's Union**, Boston, has been an advocate for women and their families, with family economic self-sufficiency as its goal. The Women's Union developed the methodology for the Health Economic Sufficiency Standard in Massachusetts and calculated the Connecticut HESS for this report. Other Women's Union initiatives include:

- Statewide advocacy for economic self-sufficiency
- Research into new trends and career possibilities for women
- Job-readiness, technology skills training and mentoring for low-income women
- Supportive housing for battered and homeless women and their children

For more information, see <http://www.thewomensunion.org> or call (617) 536-5651, ext. 140.

The Women's Union collaborated with **Paul Dryfoos** to calculate the HESS and to prepare this report.

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The **Permanent Commission on the Status of Women** was established by the Connecticut General Assembly in 1973. The Commission's mandate is to inform leaders about the nature and scope of sex discrimination, to serve as a liaison between government and private interest groups concerned with services for women, to promote consideration of women for governmental positions, and to work with state agencies to assess programs and practices as they affect women and girls. For more information, see <http://www.cga.ct.gov/PCSW>, or call (860) 240-8300. PCSW served as co-chair of the advisory committee overseeing production of this report.

The **Connecticut Health Policy Project** is a non-profit, non-partisan research and educational organization dedicated to improving access to affordable, quality health care for all Connecticut residents. For more information, see <http://www.cthealthpolicy.org>.

The **Universal Health Care Foundation of Connecticut** is an independent, nonprofit charity working through diverse statewide partnerships to ensure no community, parent or child is left behind in the campaign for quality health care for all. The mission of the Foundation is to serve as a catalyst that engages people and communities in shaping a health system that provides universal access to quality health care and promotes health in Connecticut. For more information, see, <http://www.universalhealthct.org>, or call (203) 639-0550. The Universal Health Care Foundation of Connecticut provided funding through a contract to the Women's Union to produce this report.

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¹ S. K. Long, J. G. Graves, and The Urban Institute, "What Happens When Public Coverage Is No Longer Available?" for the Kaiser Commission on Medicaid and the Uninsured, January 2006.

² J. Hadley and M. Cravens, "Estimating the Cost of Uninsured in Connecticut," for the Economic and Social Research Institute by the Urban Institute, August 2005.

³ M. Merlis, "Family Out-Of-Pocket Spending for Health Services: A Continuing Source of Financial Insecurity," Commonwealth Fund, June 2002.

⁴ U.S. Bureau of Labor Statistics, National Compensation Survey 2005. Blue collar service workers, part-time, and low-wage workers are all significantly less likely to have paid sick leave. Nearly 100% of public-sector workers have paid sick leave.

⁵ D.U. Himmelstein et al., "Illness and Injury as contributors Contributors to Bankruptcy," Health Affairs, 2 February 2005.

⁶ Female parent aged 35–44, health status varies according to table; male parent aged 35–44, health status good; female child aged 5–17, health status good; male child aged 5–17, health status good.

⁷ ESI and Underinsured: typical group disability premium. No ESI/Health Good: typical non-group disability premium. No ESI/Health Fair/Poor considered uninsurable for disability.

⁸ Direct earnings loss, subject to availability of sick leave and number of work-loss days specific to each category.

⁹ Direct earnings loss, subject to availability of sick leave and number of work-loss days specific to each category.

¹⁰ Includes costs of disability protection plus lost earnings due to illness.

¹¹ Totals may not add due to rounding.

¹² Female parent aged 19–34, varies according to table; female child aged 5–17, health status fair/poor (asthma).

¹³ ESI and Underinsured: typical group disability premium. No ESI/ Health Good: typical non-group disability premium. No ESI/Health Fair/Poor considered uninsurable for disability.

¹⁴ Direct earnings loss, subject to availability of sick leave and number of work-loss days specific to each category.

¹⁵ Direct earnings loss, subject to availability of sick leave and number of work-loss days specific to each category.

¹⁶ Includes costs of disability protection plus lost earnings due to illness.

¹⁷ Female aged 55–64, health status varies according to table; male aged 55–64, health status good.

¹⁸ ESI and Underinsured: typical group disability premium. No ESI/ Health Good: typical non-group disability premium. No ESI/Health Fair/Poor considered uninsurable for disability.

¹⁹ Direct earnings loss, subject to availability of sick leave and number of work-loss days specific to each category.

²⁰ Direct earnings loss, subject to availability of sick leave and number of work-loss days specific to each category.

²¹ Includes costs of disability protection plus lost earnings due to illness.

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