

Consumer Driven Health Care Programs (CDHPs)

Consumer driven health care programs (CDHPs) operate in a manner similar to the old indemnity style health insurance programs. The deductibles and out of pocket maximums are different depending on your family status (single or family coverage). Recently, there have been proposals to replace (or revamp) some of the current state administered health care programs with CDHPs. The vast majority of the people who are in the state administered plans at this time are either below or near the poverty level (the federal poverty level for a family of three was \$14,348 in 2002 - that means a single mother with two children working a 40 hour week could be making as much as \$6.89 per hour and still be at the federal poverty threshold).

For information on the current Minnesota state administered health care programs, see this webpage:

http://www.dhs.state.mn.us/main/groups/healthcare/documents/pub/DHS_id_006260.hcsp

I will use the MinnesotaCare system (MC) in an example because it is the one I believe is most vulnerable. However, I have not been able to find anything that guarantees the other programs are safe from these proposed changes. Some of the other programs include the General Assistance Medical Care (GMA) program which is for low income individuals earning less than \$582.00 per month and the Medical Assistance (MA) program for low income families (income limits vary depending of family size). All of these health care programs have asset limits, so if you own too much property, have too much in a bank account, or own a car which is worth too much, then you may not qualify for any of the three programs mentioned above.

Current MinnesotaCare (MC) example:

It is not free for anyone, even if you make \$0.00 per month, you still have a premium (albeit a small one). Individuals in the MinnesotaCare program cannot earn more than \$2134.01 per month (gross). An individual who earns \$2134.00 per month currently pays a premium of \$208.00 per month. They still have to pay a \$5.00 co-pay for most normal clinic services, \$50.00 for emergency room visits, and you have a maximum annual limit of \$10,000 for hospitalization (which doesn't begin to cover a catastrophic illnesses/injury). **The basic annual cost of this program to such an individual would be \$2496.00 plus the co-pays and anything over the maximum \$10,000 hospitalization limit.** To see the premium levels for MinnesotaCare, see this webpage:

<http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4139-2004-ENG>

While researching the proposed CDHP legislation, I have not been able to find the exact dollar amounts for deductibles and out of pocket maximums. I believe this is because the legislation is still a work in progress and because these bills are not written in a "user friendly" format. Sometimes I think they purposely make them hard to figure out just to keep us laypeople in the dark. They often refer back to other legislation and federal codes which I am not always able to decipher. Likewise, I have not been able to find out if there would still be a \$10,000 annual limit for hospitalization (it might be replaced with a higher out of pocket maximum). So for my examples, I will use numbers which are commonly found in employer provided CDHP, but this doesn't mean the state would use similar dollar amounts. In a state administered plan, I think the out of pocket maximum would be much higher, possibly \$10,000.00. So the dollar amounts below are most likely NOT what you would find in a state administered CDHP.

A CDHP example would be something like this - assume:

- An individual earning the maximum to qualify for the current MC program (\$2134.00 per month gross).
- An annual deductible of \$1000.00 per year
- An annual Out of Pocket Maximum of \$3000.00 per year
- Covered expenses paid by the state at a rate of 80%
- The remaining 20% of covered expenses paid by the individual user.

The individual would be responsible for **all** health care costs up to the first \$1000.00. After that, they would pay 20% of all covered procedures/services until the out of pocket maximum is reached. This is on top of the premiums paid.

So if you are an individual, earning a gross of \$2134.00 per month, you would have to pay \$5496.00 per year out of your own pocket, assuming you used your plan at least up to the out of pocket maximum level. **This is \$3000.00 per year more than the current MC plan estimates listed above and it is a full 25% of your annual income, not including co-pays, services which are not covered, and a possible maximum limit on hospitalization coverage.**

Keep in mind that all of these numbers are hypothetical. I tried to make an example which is easy to follow; in real life, it gets much more complex. It all depends on how many times you need to visit the doctor, how much you earn per year, how many children you have, if you are pregnant, what your assets are, and so on.

While this is fine for those who can afford it, the people on MC are on it because they can't afford regular medical coverage and/or because their employer doesn't offer a plan at all.

Possible public health repercussions would be:

- **People would be discouraged from seeking preventative medical care because the deductible (mammograms, pelvic exams, pap smears, flu shots, immunizations, etc).**
- **Depending on the exact out of pocket maximum, it is likely that you would be responsible for a very large portion of any medical care for catastrophic illnesses and injuries.**
- **Because of the deductible, people would be less likely to see a doctor at a point in their illness when their condition is the most treatable. It is likely that they would put things off until it got so bad they ended up in the emergency room.**
- **Preventable contagious diseases like the measles or the flu would be more likely to flourish because the deductible may prevent people from getting immunized. This affects everyone, not just those on the plan.**
- **The unintended pregnancy rate would likely go up because the deductible would force women to pay out of their own pocket for birth control.**
- **The spread of HIV would likely increase because the deductible would cause people to pay out of their own pocket for testing.**

Basically, I feel the CDHP approach is fine for employer offered health care plans, but not for those who are economically vulnerable, especially single parent families with children. Most of the people on the state offered plans are either below or near the poverty level. This would definitely yank the safety net out from under them.

I hope this helps. These are pretty complex issues and I am sure that I do not have all the answers, but if you have any more questions, I will at least try to point you in the right direction.

Thanks!

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