



Health Care Reform: THE UNDERINSURED PERSPECTIVE

THE AFFORDABLE CARE ACT is expected to reduce the number of uninsured Americans from 50 million to 18 million. At the same time, however, the number of underinsured patients – those who have health insurance but cannot afford their out-of-pocket medical expenses – is expected to soar.

The Patient Access Network (PAN) Foundation is an independent nonprofit organization that provides co-pay assistance to insured patients who cannot afford the out-of-pocket costs for lifesaving medications. Since its inception in 2004, PAN has provided more than 120,000 underinsured patients with over \$160 million in financial assistance to cover out-of-pocket medical expenses.

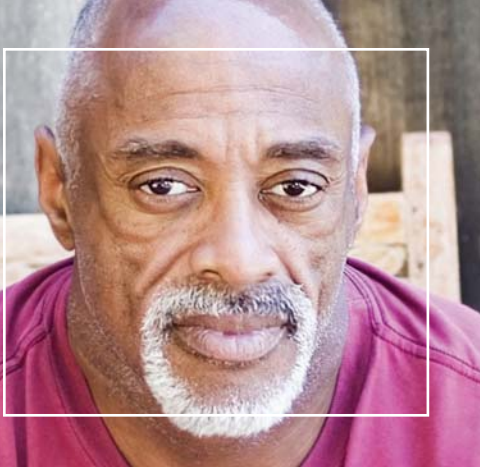
To better understand the need for co-pay assistance in the wake of health care reform, the Patient Access Network Foundation (PAN) commissioned a discussion paper entitled *Health Care Reform and Future Directions for Co-Pay Foundations*. Released on May 23rd, 2011 the paper examines the key provisions of the Affordable Care Act, identifies gaps in insurance coverage created by the law, and predicts a growing need to help individuals with their medical expenses.

Key Provisions in Health Care Reform

The Affordable Care Act seeks to provide virtually all Americans with basic health insurance coverage and protect individuals from medical and financial catastrophe. According to estimates by the Congressional Budget Office (CBO), reforms will cover 32 million of America's 50 million uninsured.

THE AFFORDABLE CARE ACT:

- Requires that all U.S. citizens and legal residents maintain minimum essential health insurance coverage through the individual insurance market, insurance exchanges, public programs, or employers.
- Directs states to establish health insurance exchanges to provide a regulated marketplace where individuals and small businesses can purchase insurance.
- Provides access to insurance for uninsured individuals with pre-existing conditions by mandating the availability of state-based plans for "high-risk pools."
- Prevents insurance companies from denying coverage to children under the age of 19 because of pre-existing conditions (effective September 23, 2010). Beginning January 1, 2014 the same provision will be extended to adults.



- Expands Medicaid eligibility to individuals and families with incomes up to 133 percent of the federal poverty level by providing federal matching funds for state Medicaid programs.
- Provides relief for seniors affected by the Medicare Part D coverage gap or “donut hole” by providing beneficiaries with a \$250 rebate upon reaching the coverage gap. It also incrementally reduces out-of-pocket expenses for beneficiaries until 2020 when beneficiary cost-sharing comes to rest at 25 percent (the same level of coverage prior to the gap).

Coverage Gaps and the Approaching Crisis for Underinsured Patients

While the Affordable Care Act helps provide health insurance coverage for most of the uninsured and catastrophically vulnerable, it exposes others to new premium costs and cost-sharing schemes, and unfortunately does not dampen increasing costs or the practice of passing on costs directly to individuals.

EMPLOYERS Americans who have health insurance through employer-sponsored health plans are paying more for coverage, paying higher shares of increasing premiums and higher out-of-pocket maximums.

STATES State Medicaid programs have started increasing the threshold for individuals who reduce their assets in order to qualify for Medicaid. North Carolina, for example, has modified its requirements from monthly spend-down amounts in the low hundreds to a quarterly amount near, and in some cases exceeding, \$1,000. Such changes will put access to medical services out of reach for much of this patient population.

MEDICARE ADVANTAGE Reductions in payments to Medicare Advantage plans in 2012 prompted plans to modify their benefit packages and require 20 percent co-insurance on many services, including prescription drugs. As a result, seniors enrolled in Medicare Advantage will be responsible for increased out-of-pocket expenses and many will join the ranks of the underinsured.

Increasing Need for Charitable Co-Pay Assistance

Health care reform will challenge charitable organizations to increase their capacity to help the newly underinsured access the health care they need.

Donor support for co-pay assistance has grown dramatically over the last several years, with 2009 figures suggesting donations totaling nearly \$400 million.

As charitable organizations begin to navigate the changing landscape of the underinsured, it will be critical to consider how they can adapt to meet increasing needs. For example, patients who nearly miss qualifying for Medicaid are an expensive yet increasingly needy population to care for. What are the costs and administrative burdens associated with assisting such a population? Additionally, as health insurance companies change benefits to comply with the patient protections included in health reform, premium assistance may become a more viable service offering.



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