

Health Care Cost Cap: How to Govern and Win on Health Care



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Takeaways

In our post-election survey of 2,200 registered voters, cutting health care costs scored higher on people's wish list of potential Washington actions than anything else, other than stopping the pandemic. Democrats have proposed and enacted ideas that begin to address people's out-of-pocket costs for health care—like eliminating surprise medical bills. But much bigger and bolder steps must be taken. In this paper, we call for universal cost caps, which would put a hard ceiling on the out-of-pocket and out-of-paycheck costs that every family pays for premiums, co-pays, and deductibles based on what they can afford. This can be done simply

by expanding the use of income-based subsidies in the Affordable Care Act, allowing Democrats to boldly address voters' top health care concern in a way that is doable and scalable.

Health care costs present a serious anxiety for most voters.¹ They worry about affording care even when they have coverage, and COVID-19 has only heightened those fears. Yet the public hasn't heard a convincing message and idea that shows them how either party would truly and permanently control costs.

To be clear, Republicans are not trusted on health care, and deservedly so, as they aim to destroy the Affordable Care Act (ACA). But, despite this GOP deficit, Democrats have not closed the deal with the public on health care costs. While the party's solutions—from limits on drug prices to the recently enacted ban on surprise bills—are good and important, *those solutions address just a fraction of an individual's cost problem*. They do nothing to guarantee that voters' costs won't continue to explode. And they do not control all the other underlying causes of high costs including wasteful care, high provider prices, and administrative overhead.²

Thankfully, President Joe Biden has shown the way forward. In his COVID-19 relief package, the American Rescue Plan, Congress enacted his cost cap on health insurance premiums at 8.5% of income.³ That cap applies to people's premiums in the exchanges through 2022.⁴ It is time to expand this and cap health care costs based on income so that everyone will be protected from all types of health care costs permanently. To govern successfully and build majorities, Democrats should embrace that unifying message and champion universal cost caps, making it the centerpiece of the party's agenda for controlling costs. This memo discusses why current messages on health care are not resonating enough, why a cost cap message would be effective, and how Democrats can build a cost cap agenda.

The Problem: Democrat's Disconnect on Health Care Costs

Voters trust Democrats more than Republicans on health care, but our message and ideas still aren't resonating deeply enough, limiting our potential for governing and electoral success. The disconnect? Democrats often talk about the high cost of health care and have important agenda items, but voters still don't feel protected. As Families USA's recent public opinion research demonstrates, people worry about high deductibles and premiums because those costs threaten access to care for themselves and everyone else.⁵ Voters are more worried about Congress not doing enough on costs than about it doing too much.⁶ That should not be a surprise because during the presidential primary, less than 30% of Americans thought that Democratic proposals were mostly intended to lower people's health costs. Instead, the public saw them as ways to cover

everyone. Universal coverage is vital for America. Health care is a right, not a privilege. But it's crucial to recognize that it is a lower priority for voters because nine-in-ten already have coverage. A *Washington Post* headline put it bluntly: "Voters have big health-care worries, but not the ones Democrats are talking about."⁷

Americans' concerns about costs have only gotten worse during the pandemic. Fifty percent of all Americans are afraid of bankruptcy from health care costs, up from 45% in the previous year.⁸ This concern has risen dramatically for people of color; two-thirds fear bankruptcy, up from 52% previously.⁹ Even before the pandemic, Black Americans were 2.6 times more likely to go into debt for their medical bills.¹⁰ Among households with incomes of less than \$40,000, 28% report having medical debt that they will be unable to repay in the next 12 months.¹¹ Medical debt is a big problem even for those with coverage.¹²

These concerns stem from the fact that Americans have seen their premiums, deductibles, and copayments rise year after year. For example:

- Deductibles for employees have increased 79% over the last ten years.¹³ The percentage of non-elderly adults with a deductible that is more than 5% of their income has doubled from 7% in 2010 to 15% in 2020.¹⁴
- High deductibles can worsen racial disparities in health care and reduce access to care for everyone by putting critical care out of a patient's reach.¹⁵
- Rising health insurance premiums are eating up workers' raises. Since 1999, what half the American workforce would have gotten in raises went instead to increased health premiums.¹⁶
- Having coverage is not necessarily protection. One-fourth of Americans with coverage at work—often considered to be the gold standard—have inadequate protection.¹⁷

Democrats have focused on part of the problem: surprise bills and drug prices. And those efforts must continue through legislation and implementation but within the larger and more compelling frame of cost caps. Why? Because, taken together, surprise bills and prescription drug costs account for only about 12% of the nation's health care spending.¹⁸ Put another way: what is the party doing for all the other voters who won't experience a large surprise bill or take expensive medicine?

The Solution: Universal Cost Caps

To close this disconnect, Democrats should make a universal cost cap their primary message and central organizing idea on health care.¹⁹ This would resonate with more voters. And the entire Democratic caucus could use it since all Democrats—whether they have supported single payer or, instead, supported building on the ACA—have supported some form of capping costs. It also enables Democrats to push for finishing the job we've started without direct reference to the ACA or Obamacare, which can be divisive.

**“Even before COVID-19, Delawareans were often skipping visits to the doctor because of costs. Now more than ever, they need a cap on their costs, so every families’ budget includes the care they need.”
—Representative Lisa Blunt Rochester (D-Del.)**



Democrats have already put the policy framework in place for a universal cost cap. The ACA caps costs for people buying coverage on the exchanges based on their income. These caps have proven to work, reducing out-of-pocket costs for low-income Americans by 17% and the chance of having catastrophic costs by one-third.²⁰ In the American Rescue Plan, Democrats improved those caps for low-to-moderate income individuals and applied them for the first time to people with middle and upper-middle incomes. With such improvements, the ACA would set a cap on costs that should be standard for all types of coverage regardless of the source. Applying the ACA’s existing cost cap to typical employees with coverage at work would save them \$1,842 each year.²¹

A universal cost cap builds off the important groundwork laid in the American Rescue Plan and has three key ingredients:

1. Everyone, including employees with coverage at work, should have their health care costs capped on a sliding scale based on their income, so everyone is protected from high deductibles and premiums.²²
2. People without coverage should have costs capped through automatic enrollment in coverage.
3. People with a chronic disease who face high costs should have a cost cap that is spread out over several years since they often cannot afford paying for an annual deductible every year due to the amount of care they need.

A single standard for affordable health care would apply regardless of whether a person has coverage through a job, Medicare, Medicaid, or the ACA. Lawmakers would need to adjust each of those sources of coverage to comply with that standard.²³

Would a universal cost cap be popular? Our November poll of registered voters ranked health care costs as people’s top worry right after the pandemic.²⁴ A separate national poll of voters showed 64% support for a cost cap.²⁵ It revealed that three ways of describing the plan were particularly effective:

- This plan allows for individuals and families to budget for the cost of their health care because there is a maximum dollar amount set that any family would be expected to pay each year.

- This plan will make access to health care fair across income levels. People with low incomes will pay little or nothing for health care, and those in the middle class will finally have protection against rising costs, high drug prices, and surprise bills.
- This plan would provide a simple guarantee to everyone in the country: you will have a hard cap on your out-of-pocket health care costs no matter where you get your coverage.

The Benefits: Universal Cost Caps

A universal cost cap has several key advantages that can also help build public support for this plan:

Builds on what we have. This plan builds on current law by improving the existing cost caps as enacted in the American Rescue Plan.²⁶ It would apply to people with coverage at work by requiring employers to offer the cost cap through existing coverage or by letting their employees get a cost cap through the exchanges, a provision that was part of the Biden health care plan.²⁷ Employers could buy into the exchanges or use the premium tax credit to subsidize coverage for workers who don't currently have a cost cap with protection that equals protection for people in the exchanges. This flexibility would make employer-based coverage more affordable and extensive.

Doesn't disrupt current sources of coverage. This plan does not disrupt anyone's existing coverage because a cost cap can be added to any existing source of coverage. For example, House Democrats have passed legislation that would make Medicare more affordable by capping costs for low-income, older Americans and those with very high prescription drug costs.²⁸

Helps everyone. By making a cost cap universal, this plan avoids the GOP's accusation that the ACA is welfare for a select group. For too long, the GOP has exploited racial and ethnic resentment in their fight against the ACA. Democrats need to continue to fight for a universal right to health care and will be in a stronger position with a policy that benefits all Americans.

Makes health care fairer. Making health care affordable to all would help end discrimination against racial, ethnic, and linguistic minority groups. That's because they more often face financial barriers to care. This plan would also reduce disparities in patient outcomes between groups by paying providers more when they reduce non-financial barriers to care like prejudice and implicit bias.

Controls cost growth overall. A cost cap would end runaway costs and give the federal government leverage to deal with out-of-control pricing and wasted care. Lawmakers would face a simple choice between increasing costs for consumers or lowering costs from health care delivery. A wide range of policy tools like value-based payments have had limited application when Congress has tried to deal with them individually. With a cost cap, pressure on lawmakers from the health care industry to avoid accountability for costs and quality would no longer hold up against pressure from voters to keep their costs down.

Encourages people to choose health plans wisely. Under the ACA, the subsidies used to cap costs are tied to the second lowest-cost, silver tier plan. That means consumers don't receive more money for choosing a more expensive plan. Applying the same kind of cost cap to employer plans would give employees the same strong incentive to choose a cost-effective plan.

Syncs with Democratic goals for universal coverage. Since a cost cap is a feature of health coverage, Democrats' long-held goal to cover everyone aligns well with ensuring a cost cap for everyone. We should start by covering two-thirds of the people without insurance today who qualify for free or discounted coverage.²⁹ Congress can ensure they get coverage by enacting automatic processes for enrollment as the nation already does for Medicare and coverage for children.

Increases protection for people with chronic diseases. Building on the ACA's protections, people with a chronic condition who face high costs year after year should have a cost cap that is spread out over several years. This cap would be a combination of lowering deductibles and copayments for the treatment of chronic diseases and additional subsidies designed for people with costly chronic conditions. That way, these individuals wouldn't be financially devastated by having to meet a high deductible every year.

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