Study: Out-Of-Pocket Medical Spending Will Drop For Many Under Affordable Care Act

Out-of-pocket medical expenses will decline for most consumers who become newly insured or change their source of health insurance under the federal Affordable Care Act, according to a new RAND Corporation study.

The study found that overall the Affordable Care Act will have a varied impact on health spending by individuals and families, depending primarily on their income and whether they would have been uninsured in 2016 without the program.

People who will be newly insured and do not qualify for government subsidies are those who are most likely to see increased total spending as they begin paying premiums for health coverage. Uninsured people who become newly insured under Medicaid will see the largest drop in spending.

Studying Florida and Texas in detail, researchers also estimated consumer spending in states that have chosen to not expand Medicaid. Compared to a hypothetical case in which Medicaid is expanded, the study found that overall health spending will increase for low-income people who remain uninsured or purchase private health insurance in the individual insurance market.

"Among the groups we studied, a clear benefit of the Affordable Care Act is that it will reduce the risk of facing catastrophic medical costs," said Christine Eibner, a study author and a senior economist at RAND, a nonprofit research organization. "Consumers with the lowest incomes will see the most-dramatic reductions of their risks."

Researchers used an updated version of the RAND COMPARE microsimulation model, which predicts the effects of health policy changes at state and national levels, to estimate how the Affordable Care Act is likely to change the out-of-pocket costs (co-pays and deductibles) as well as overall care spending (including plan premiums) for people who will become newly insured and people who will change their source of health coverage.

The study also examined the likely impact of the Affordable Care Act on out-of-pocket spending and the risk of facing catastrophic health costs for low-income people in Texas and Florida, two states that have decided not to expand Medicaid under the Affordable Care Act.

Among the study's findings:

- The largest reduction in out-of-pocket spending will be for the 11.5 million consumers who become newly insured under an expanded Medicaid

program, with the analysis predicting their annual out-of-pocket medical costs will fall from $1,463 to $34.

- The largest increase in overall health costs is expected to be among people who become newly insured on the individual market and have incomes more than four times the federal poverty level. An estimated 3.3 million consumers are expected to spend $7,202 in 2016 under the Affordable Care Act, compared to $5,368 if the law was not in place.
- Some low-income people in states that do not expand Medicaid could see higher health spending compared what would happen if Medicaid was expanded. For example, a Texas resident with an income below the federal poverty level who does not qualify for Medicaid will face costs of $1,831 per year, compared to $28 if they were covered by Medicaid.
- Nationally, the 11.5 million people who become newly insured by Medicaid will see their risk of spending at least 10 percent of their income on medical costs drop from 45 percent to 5 percent.

Source URL (retrieved on *05/04/2015 - 1:09am*):
http://www.surgicalproductsmag.com/news/2013/10/study-out-pocket-medical-spending-will-drop-many-under-affordable-care-act