

Its time to create an insurance plan that meets the needs of the bottom half of the income ladder.

Limited Benefit Insurance

One of the strangest things about Obamacare is that it is trying to force millions of families to obtain the wrong kind of insurance. When they turn it down, these families often end up with no insurance at all.

As an alternative we propose to allow people to obtain a more limited type of insurance — one that better meets individual and family needs. This insurance would be less costly than ObamaCare insurance, it would pay the vast majority of medical bills the family is likely to incur, and it would at the same time protect the family's income and assets.



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There are two reasons why people need health insurance: to protect assets and to gain better access to care. For young, healthy families with low incomes and no assets to protect, Obamacare's mandated insurance is unlikely to meet either need.

Employees who earn \$15 or \$20 an hour, for example, typically have very few assets. In most urban areas you need to earn almost the median family income to be able to buy a house. If these employees have a car it probably has very little resale value. Most likely, they are living paycheck to paycheck.

Say one of these employees has the misfortune to have a premature baby with very high medical expenses. Whether those expenses are \$100,000 or \$1 million doesn't really matter very much. The family will not be able to pay even a small fraction of the bill. If they abide by Obamacare's mandate and obtain health insurance with no annual or life

time maximum, health insurance will pay the bill (beyond their out-of-pocket exposure). That may be great for the hospital that delivers the care. But how does that help the family?

Does Obamacare insurance improve access to care? In theory, it should. That would be especially true for specialist care in the case of a chronic disease. However, young healthy families typically don't have expensive-to-treat chronic illnesses. Their medical needs are likely to consist of generic drugs, an occasional doctor visit and once in a while a trip to the emergency room. Without health insurance or a Health Savings Account, these families must pay for those expenses with money out of pocket.

The typical Bronze plan offered to employees of fast food restaurants has a deductible of \$6,000 or more and it's double that for family coverage. With this type of plan the family will still have to pay almost all its expected



medical bills out of pocket. Employers are allowed to charge employees a premium equal to 9.5 percent of their wages for this type of coverage. It should come as no surprise that almost all the employees turn these offers down.

A Kaiser Foundation study finds that among families with private health insurance whose income is between 100 and 250 percent of the poverty level, the median amount of liquid assets is \$766. The net financial assets (after subtracting such things as credit card debt) for these families is \$326. Obamacare insurance for these families is almost like having no insurance at all.

If there were no government interference, what kind of health insurance would these employees want? We already have some idea. Pre-Obamacare employers of low-income workers often provided “mini med” plans in lieu of taxable wages. These plans paid for

Obamacare insurance for low-income families is almost like having no insurance at all.

expenses the employees were most like to incur, with a cap, say, of \$25,000. If the law had allowed it, they no doubt would have included generous deposits to Health Savings Accounts – a more efficient way of paying small medical expenses.

Still, what happens as the family earns more income, accumulates some assets and becomes vulnerable to some of the health problems that accompany aging? Does it have to be sky’s-the-limit insurance or mini med?

Or, could we have something in between?

We propose to allow people to obtain limited benefit insurance. Such insurance would cover medical bills up to \$25,000 or \$50,000 or even \$100,000 – depending on the policy. Suppose a family buys \$50,000 of coverage. Insurance would not only pay for the first \$50,000 of care. The family’s income and assets would also be protected from claims arising from unpaid medical bills up to that amount. Above \$50,000, creditors could garnish wages and seize assets. As families get wealthier, however, they could increase the limits of their coverage.

Limited benefit insurance won’t pay the cost of a \$1 million premature baby. But it’s better to cover those costs with traditional safety net money rather than forcing families to buy inappropriate coverage.

It’s becoming increasingly obvious to everyone in health policy that the Affordable Care Act was designed by above-average income people to meet the needs of people who are just like they are. Of course they want coverage without annual limits. If they have a premature baby, do you think they want creditors to seize their million dollar house or their new foreign sports car? And if they face a \$6,000 deductible, so what? At the worst they can cancel their next vacation.

Obamacare takes care of the needs of the upper income special interest representatives who designed it. Now it’s time to create an insurance plan that meets the needs of the bottom half of the income ladder.

A version of this document by Linda Gorman and John Goodman was originally posted at *Forbes*.



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