Health Insurance Reform: A Roadmap to Expanded Private Coverage for New York’s Non-Poor Uninsured

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Why is the Direct Pay Market Important?

- Only place for individuals to voluntarily buy unsubsidized private coverage
- Only place to purchase “gap” coverage for the temporarily uninsured (less than 2 years)
The Direct Pay Consumer is Highly Price Sensitive and Needs Choices

Healthy New York – 2009 Premiums
New York County

Source: New York State Insurance Department, lowest cost plan in New York County, 2009 premiums
The Direct Pay Consumer is Highly Price Sensitive

- Healthy New York
  - No Rx Option – (introduced in July 2003)
    - 15% premium discount
    - 20% market share
  - Health Savings Account–eligible plan (introduced in 2007)
    - 22% premium discount
    - Enrollment from 600 to 6,000 in 17 months (4% market share)
Current Direct Pay Premiums

- Individual premiums from $753 to $2,655 a month for a single person (NYC)
- Family premiums $2,205 to $6,770 for a family of four
- At the Congressionally-suggested affordability standard of 13% of family income, an individual would have to earn at least $70k annually and a family about $204k for the least costly premium to be “affordable”
Lessons for the Garden State

NJ Individual Market – 2002 to 2009

Source: NJ Department of Banking and Insurance
A Road Not Traveled – Alternative Scenarios for NY’s Direct Pay Market

NY Direct Pay Market – Actual to Possible Enrollment – 1994–2009

- NY – Actual Direct Pay Market Enrollment: 752,000
- NY – If 1994 enrollment rate held constant: 778,000
- NY – if at US Average enrollment rate in 2009: 910,000

Source: Government Accountability Office, Kaiser Family Foundation, author’s calculations
AHIP study of 1.9 million individual insurance applicants.
Guaranteed-Access Risk Pool

- Potential Size & Cost of NY Pool
  - 15,500 to 68,600 (out of market of 816,000)
  - PMPM assessment needed – $2–$10, if included all direct pay and small group enrollees ($6–$30 if only direct pay enrollees)
  - For comparison, Texas has 23.7 million residents, 1.2 million in its individual market and 28,000 in its risk pool