



## Health Coverage in New Jersey:

# How Will Health Reform Help?

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President Obama signed into law a historic package of health reforms that will dramatically improve the state of health care in New Jersey and across America. The new health reform law will guarantee that everyone—businesses large and small, seniors, children, those who currently have insurance, and those who don't—have access to health coverage they can afford. The new law will address many of the problems in New Jersey's health care system so that residents will be able to obtain and keep high-quality, affordable coverage that meets their needs.

In this report, we discuss major gaps in New Jersey's current health coverage system—gaps that allow insurers to charge premiums that are unaffordable for New Jersey families and businesses and to make obtaining care difficult even for those who have insurance. We also discuss the significant ways that health reform will address these gaps, providing help to residents across the state.

## Issue: Affordable Premiums for Middle-Class Families

### What Happens Now?

New Jersey families are facing higher and higher costs for health insurance. Over the past decade (2000 through 2009), family health insurance premiums for New Jersey workers rose 4.0 times faster than their median earnings.<sup>1</sup> One of the reasons premiums have become so burdensome for middle-class families is that they include a “hidden health tax”—on average, \$1,017 for each family with coverage in 2008.<sup>2</sup> This is the extra cost that families with insurance pay to make up for the care that doctors and hospitals provide to the uninsured.

### How Will Health Reform Help?

New Jerseyites with moderate incomes (up to \$88,200 for a family of four in 2009) will receive sliding-scale subsidies to use toward the purchase of a high-quality health insurance plan.<sup>3</sup> This will protect New Jersey families from having to spend too great a share of their incomes on health insurance premiums. And, as residents gain coverage, the hidden tax will diminish, making premiums more affordable for those who have insurance now.

## Issue: Coverage for the Uninsured

### What Happens Now?

Nearly one in three New Jersey residents under the age of 65 (32.0 percent) were uninsured for one month or more during 2007-2008.<sup>4</sup> People with low incomes, along with those who work for themselves or for small employers, are especially likely to be uninsured. There is a common misperception that all low-income Americans can obtain coverage through the Medicaid program. In fact, New Jersey residents with low incomes often can't get insurance because Medicaid doesn't cover any adults under the age of 65 unless they are pregnant, are parents, or have a disability. (Working parents can get coverage if their incomes are less than 133 percent of the federal poverty level, or \$24,352 for a family of three in 2009.<sup>5</sup>) Low-income adults without dependent children can't get any help with their health coverage, even if they are penniless.

### How Will Health Reform Help?

Under health reform, 888,000 New Jersey residents will gain coverage by 2019.<sup>6</sup> The path to coverage will depend on each resident's situation: Some will enroll in coverage through their employers, while others will obtain coverage through a new marketplace, called an exchange, in which insurers must play by new rules to make sure that consumers receive quality coverage. Many other New Jerseyites will gain coverage through Medicaid, as health reform expands the program to cover all low-income, uninsured residents, including adults without dependent children and those who do not have a disability. People who earn too little to purchase coverage will finally be able to obtain the care they need. And covering more residents will help reduce insurance premiums for New Jerseyites who already have coverage (see “Affordable Premiums for Middle-Class Families” above).

## Issue: Help for Small Businesses

### What Happens Now?

Small businesses in New Jersey have to struggle harder each year to provide coverage for their workers: Small business coverage is often more expensive than coverage for larger businesses.<sup>7</sup> In 2008, just over half (53.1 percent) of New Jersey businesses with fewer than 10 workers (and 82.7 percent of those with 10 to 24 workers) offered health insurance to their employees, whereas nearly all firms with 50 or more workers (99.4 percent) offered coverage.<sup>8</sup>

### How Will Health Reform Help?

Small businesses in New Jersey will receive tax credits to help with the costs of covering their workers. And, new exchanges (see “Coverage for the Uninsured” on page 2) will provide a marketplace where small businesses can shop for coverage that is comprehensive and affordable. Exchanges will make premiums more reasonable and predictable for small businesses, which are currently left to fend for themselves in an open market with few protections.

## Issue: Annual and Lifetime Caps on Coverage

### What Happens Now?

Currently in New Jersey, a health insurance policy may stop paying your claims if you exceed an annual or lifetime cap on your coverage. Therefore, if you or a family member becomes sick and needs significant medical care, you may “run out” of coverage and have to foot the bills on your own.

### How Will Health Reform Help?

Insurance companies will be prohibited from placing annual or lifetime caps on New Jerseyites’ insurance policies, making sure that they aren’t left out in the cold if they get sick.

## Issue: Out-of-Pocket Costs

### What Happens Now?

Even when they have insurance, New Jersey residents often have to spend a great deal out of their own pockets to obtain the health care they need. These out-of-pocket expenses come in the form of deductibles, copayments, and other cost-sharing. In 2009, 260,000 non-elderly New Jersey residents with insurance were in families that spent more than 25 percent of their pre-tax income on health care.<sup>9</sup> Such high out-of-pocket costs are what drive many American families into debt—and even bankruptcy.

### How Will Health Reform Help?

Insurance plans will have to place caps on how much New Jerseyites are required to spend out of their own pockets for care. These caps will be set on a sliding scale, so that lower-income people will have greater protection from out-of-pocket costs. And New Jerseyites will also receive income-based help for paying copayments and other cost-sharing.

## Issue: More Affordable Coverage for Medicare Enrollees

### What Happens Now?

Currently, New Jersey seniors and people with disabilities who are enrolled in the Medicare Part D drug program face a gap in coverage called the “doughnut hole.” This means that they may pay up to \$3,610 out of their own pockets in 2010 for prescriptions, on top of their annual Part D premiums. In addition, many preventive services that are covered in Medicare come with out-of-pocket copayments, co-insurance, and deductibles that discourage the state’s 1,279,020 Medicare beneficiaries from using them.<sup>10</sup> And lastly, the Medicare hospital trust fund is projected to be insufficient to pay full benefits by as soon as 2017.

### How Will Health Reform Help?

Health reform will gradually eliminate the Part D doughnut hole by providing discounts on all drugs; the discounts increase each year until the doughnut hole closes entirely by 2020. Preventive care will also be more affordable for people with Medicare: All copayments, deductibles, and co-insurance for preventive services under Medicare will be eliminated. Other improvements, including extending the Medicare hospital trust fund by nearly a decade and strengthening assistance to low-income beneficiaries, will also make it easier for people with Medicare to obtain care, both now and in the future.

## Endnotes

<sup>1</sup> Kim Bailey, *Costly Coverage: Premiums Outpace Paychecks in New Jersey* (Washington: Families USA, 2009).

<sup>2</sup> Kathleen Stoll and Kim Bailey, *Hidden Health Tax: Americans Pay a Premium* (Washington: Families USA, May 2009).

<sup>3</sup> The health reform bills that were passed by the House and the Senate, as well as the President's proposal for health reform, all include subsidies to help families earning up to 400 percent of the federal poverty level (\$88,200 for a family of four) pay their premiums.

<sup>4</sup> Kim Bailey, *New Jerseyites without Health Insurance* (Washington: Families USA, March 2009).

<sup>5</sup> Current eligibility levels are on file with Families USA.

<sup>6</sup> Calculations on file with Families USA. Families USA used national estimates of the reduction in the number of the uninsured from the Congressional Budget Office's analysis of the Health Care and Education Reconciliation Act of 2010 to arrive at state-by-state estimates of coverage gains. 2019 estimates of the uninsured were apportioned across the states, assuming that coverage gains would occur relative to the share of total non-elderly uninsured individuals residing in each state.

<sup>7</sup> Beth Levin Crimmel, *Medical Expenditure Panel Survey Statistical Brief #231: Premiums, Employer Costs, and Employee Contributions for Private Sector Employer-Sponsored Health Insurance, Single Coverage by Firm Size, 1996-2006* (Washington: Agency for Health Care Research and Quality, January 2009).

<sup>8</sup> Agency for Healthcare Research and Quality, *Medical Expenditure Panel Survey—Insurance Component, 2008, Table II.A.2: Percent of Private-Sector Establishments that Offer Health Insurance by Firm Size and State: United States, 2008* (Washington: AHRQ, 2008).

<sup>9</sup> Kim Bailey, *Too Great a Burden: Americans Face Rising Health Care Costs* (Washington: Families USA, April 2009).

<sup>10</sup> Kaiser Family Foundation, *Total Number of Medicare Beneficiaries, 2008* (Washington: Kaiser Family Foundation, July 2008), available online at <http://www.statehealthfacts.org/comparetable.jsp?ind=290&cat=6&sub=74&yr=63&typ=1&sort=a>.



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