

EFFECT OF RHODE ISLAND STATE-FUNDED HEALTH PLAN ON DISPOSABLE INCOME

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Replacing the current system where individuals and businesses buy health care and health insurance at costs independent of income with one where health care is paid out of revenue collected on the basis of income will shift the burden of illness and health care from the sick and from the broad middle class onto the fortunate and the affluent.

Health care spending now comes in the forms of spending on health insurance, spending out of pocket, and spending on taxes used to finance public health programs. These have been estimated for different income levels in Rhode Island from a variety of sources and then updated to 2015 by assuming that health spending in all areas would rise with estimated increases in health consumption spending in Rhode Island.¹ The cost of the Rhode Island Health Plan's premium program is estimated for different income levels from Congressional Budget Office data on sources of income.²

By reducing spending and replacing lump-sum spending for insurance premia and out-of-pocket medical costs with premiums proportional to wage income and to income from capital gains, dividends, interest, profits, and rents, the Rhode Island Plan will save most Rhode Islanders. Savings as a share of income for families at different income levels are reported in the table below.

Average Income	Current Spending without taxes	RI Plan income-related premiums	Savings
\$ 22,000	26.2%	5.6%	20.6%
\$ 37,500	37.7%	6.2%	31.5%
\$ 75,000	26.9%	6.7%	20.2%
\$ 162,500	16.1%	8.2%	8.0%
\$ 466,667	6.9%	8.5%	-1.6%
\$ 1,075,000	3.7%	8.6%	-4.9%

¹ Out-of-pocket spending at different income levels is from Patricia Ketsche et al., "Lower-Income Families Pay A Higher Share Of Income Toward National Health Care Spending Than Higher-Income Families Do," *Health Affairs* 30, no. 9 (2011): 1637–1646, doi:10.1377/hlthaff.2010.0712; Average cost of a family insurance plan for 2012 is from Agency for Healthcare Research and Quality, *Medical Expenditure Panel Survey, 2009*, http://www.meps.ahrq.gov/mepsweb/data_stats/state_tables.jsp?regionid=18&year=-1; the share with health insurance at different income levels is from Board of Governors, Federal Reserve System, *Report on the Economic Well-Being of U.S. Households in 2013* (Washington, D. C.: Board of Governors, Federal Reserve System, July 2014), <http://www.federalreserve.gov/econresdata/2013-report-economic-well-being-us-households-201407.pdf>.

² Congressional Budget Office, *Trends in the Distribution of Household Income Between 1979 and 2007* (Washington, D. C.: United States Congress, Congressional Budget Office, October 2011), <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/spec.pdf>.