

Insight



ACA's Increased Deductibles Push Patients Towards Financing Health Care Costs

NOVEMBER 29, 2013

The Affordable Care Act (ACA) is not only resulting in increased [insurance premiums](#), but also patients' [out-of-pocket costs](#). In the pre-ACA insurance market, the amount a beneficiary was expected to pay in deductibles generally corresponded to their premium rate – higher premiums often resulted in lower deductibles and vice versa. Under the ACA, however, enrollees will pay exponentially more for their coverage, only to receive plans carrying unaffordable deductibles. Significantly increased out-of-pocket costs, combined with hospitals' fears over uncompensated services, will force some to finance the costs of their care, a financially risky choice.

In 2011 alone, [over \\$40 billion](#) of hospital care went unpaid, accounting for nearly 6 percent of hospitals' total expenses that year. Since 2000, the American Hospital Association finds that "hospitals of all types have provided more than \$367 billion in uncompensated care to their patients." As deductibles increase, Americans will become responsible for paying a larger proportion of their medical costs on an out-of-pocket basis. Doctors and hospitals, fearful that higher deductibles will increase the rate of nonpayment by those receiving health services, are beginning to collect deductibles and other out-of-pocket costs [upfront](#).

Faced with having to pay, for example, a \$5,000 deductible prior to receiving care, some patients may turn to financing companies to cover the upfront costs of care. With many people already concerned about the affordability of insurance premiums, financing deductibles could place some in precarious financial positions. Medical lines of credit, many guaranteeing credit approval, often carry high interest rates, in some instances upwards of 20 to 30 percent.

For someone financing a \$5,000 deductible over a period of 24 months, monthly payments average \$249.00 across examined annual percentage rates (APR). For that same period of repayment, the amount of interest paid on the principle averages \$967.50. While payments under a 48-month term, the repayment option likely attractive to lower income enrollees, average \$146.50, average interest paid over the term balloons to \$2,007.50. As a result of these large interest payments, those already struggling to pay their premiums may find their credit damaged should they be unable to afford the finance payments. Examples such as this demonstrate the wide-ranging negative affects the ACA's cost-increasing provisions will have upon consumers.

| <u>24 Month Repayment</u> | <u>10%</u> | <u>15%</u> | <u>20%</u> | <u>25%</u> |
|---------------------------|-------------|-------------|-------------|-------------|
| Monthly Payment | \$ 231.00 | \$ 243.00 | \$ 255.00 | \$ 267.00 |
| Total Interest Paid | \$ 538.00 | \$ 819.00 | \$ 1,108.00 | \$ 1,405.00 |
| Total Payments | \$ 5,538.00 | \$ 5,819.00 | \$ 6,108.00 | \$ 6,405.00 |

| <u>48 Month Repayment</u> | <u>10%</u> | <u>15%</u> | <u>20%</u> | <u>25%</u> |
|---------------------------|-------------|-------------|-------------|-------------|
| Monthly Payment | \$ 127.00 | \$ 140.00 | \$ 153.00 | \$ 166.00 |
| Total Interest Paid | \$ 1,088.00 | \$ 1,680.00 | \$ 2,304.00 | \$ 2,958.00 |
| Total Payments | \$ 6,088.00 | \$ 6,680.00 | \$ 7,304.00 | \$ 7,958.00 |