Snapshots from the Kitchen Table: Family Budgets and Health Care

FEBRUARY 2009

THE HENRY J. KAISER FAMILY FOUNDATION

THE KAISER COMMISSION ON
Medicaid and the Uninsured

The Kaiser Commission on Medicaid and the Uninsured provides information and analysis on health care coverage and access for the low-income population, with a special focus on Medicaid's role and coverage of the uninsured. Begun in 1991 and based in the Kaiser Family Foundation's Washington, DC office, the Commission is the largest operating program of the Foundation. The Commission's work is conducted by Foundation staff under the guidance of a bipartisan group of national leaders and experts in health care and public policy.

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EXECUTIVE SUMMARY

Under normal economic conditions, low-income and middle-income working families struggle to meet the basic costs of living. Many in these families lack health insurance to help them with the costs of health care, a situation that contributes to the instability of their finances. Their margins to save for college, retirement, or a rainy day are narrow, often nonexistent. In a recession, these are the families most exposed to the impact of the economic decline and least cushioned against it. Their employment and income security are at risk, and because low income, poor health status, and the probability of being uninsured are all linked, their health is also a key area of vulnerability.

Interviews with the heads of household in 27 diverse working families across the U.S. provide a window into the family finances and concerns of low- and middle-income Americans trying to make ends meet. Several common threads can be seen in the accounts they give of the budget pressures they face and the health-related worries on their minds. Although all the families in the study included at least one full-time worker, economic concerns and a sense of job insecurity were pervasive. The basic costs of living were more than many families could afford on their income. Housing costs dominated their budgets, they juggled their monthly bills, in some cases covering everyday expenses and monthly utilities with credit cards, and few were able to save. Adding to their current financial pressures, many had large and growing debts for student loans, car loans, medical bills, and other obligations. Health care and how to pay for it were among families' primary worries. Lack of access to health insurance, high premiums and out-of-pocket costs and — especially for the uninsured and those with medical debt — avoiding care for financial reasons were all sources of anxiety and strain. These pressures are intensified in the deepening recession.

As a new Administration and Congress turn their attention to alleviating the hardships stemming from the recession and to structuring a durable economic recovery, this study highlights the narrow financial ledge on which millions of low- and middle-income working families stand, and urgent gaps in health coverage that make these families' finances even more precarious. The central place of health care in the equation for economic stability, both at the family and national level, suggests that reforms that assure affordable and meaningful coverage for all Americans will be an important part of any plan designed to strengthen the economy as a whole and working families in particular.

INTRODUCTION

Under normal economic conditions, low- and middle-income working families struggle to meet the basic costs of living. Many in these families are without health insurance to help them with the costs of health care, a situation that contributes to the instability of their finances. Their margins to save for college, retirement, or a rainy day are narrow, often nonexistent. In a recession, these are the families most exposed to the impact of the economic decline and least cushioned against it. Their employment and income security are at risk, and because low income, poor health status, and the probability of being uninsured are all linked, their health is also a key area of vulnerability.

To understand more about the circumstances and the financial and health care challenges facing low- and middle-income working families, the Kaiser Family Foundation designed a study based on in-depth interviews of such families across the nation. Although, by design, the families interviewed for the study varied along numerous dimensions, important common themes emerged from their narratives. This report provides a profile of the pressures and realities surrounding these families who, in telling their own stories, also offer a window into the lives of the millions of American working families like them.

OVERVIEW OF THE STUDY FAMILIES

The households recruited for this study included a mix of low-income and middle-income families. "Low-income" was defined as having family income below 200% of the federal poverty level (FPL), or $20,800 for an individual and $42,400 for a family of four in 2008. "Middle-income" was defined as having family income between 200% and 400% FPL. The study families had a wide range of health care needs, including needs for prenatal care, preventive care, dental and vision services, mental health care, prescription medications and care for chronic diseases such as asthma, diabetes, congestive heart failure, hypertension, and rehabilitation therapies for severe injuries. Their health insurance status varied. Some had private health coverage, some had public coverage, and some were uninsured. In some cases, parents and their children had different kinds of coverage, or some members of a family had coverage while others were uninsured.

MAIN THEMES

Working Hard in a Troubled Economy

In a difficult economy with rising unemployment, most of those interviewed for this study were grateful to have their jobs. In many households, two adults were working full-time; in others, the second adult worked part-time and/or cared for children at home. Some adults worked two or more jobs, or worked weekends or overtime to supplement their income. A number were working full-time, but in temporary or seasonal jobs. Instability in employment was common — numerous interviewees reported that someone in their household had recently lost a job.

Low- and middle-income workers are often employed in jobs with little or no security or promotion potential and no benefits.

The individuals participating in this research worked in a broad range of occupations spanning construction work and other manual labor, social services, office work, waitressing, retail, and other types of work. They included people employed by small businesses, government, and large corporations, as well as individuals who were self-employed in work as diverse as graphic design, day care, housecleaning, and merchandising; several had work that was physically risky. A number of participants worked for temp agencies, moving from job to job. Only a small number of those interviewed (or their spouses) had been in the same job or with the same employer for a considerable time. The large majority had been in their jobs less than a year.

Economic concerns and an overall sense of job insecurity were pervasive among the participants. Those in temporary or seasonal jobs did not know whether they would always have work. Some older individuals worried that they would be unable to keep up with the physical demands of their jobs. Many worked in places where there was limited, if any, opportunity for promotion.

More than half of those interviewed did not have job-based health insurance for themselves or any other family member, and receipt of other benefits through work was unusual. The temporary and seasonal workers — in addition to facing a high degree of job and income insecurity — received no benefits.

Transportation costs for work are a major burden.
Numerous participants cited that gas prices and other car expenses were making it increasingly difficult for them to afford just getting to work. Some had to travel long distances to their jobs from outlying areas with lower housing costs, and were weighing whether they should look for work closer to home to cut their transportation costs. Spending on transportation varied considerably, but about half the interviewees reported spending over $400 per month; costs were especially high in California. Expensive car repairs and maintenance had been financially devastating for some who were dependent on their vehicles not only for transportation, but also for their jobs. Those living outside cities cited that public transit was often lacking and commutes into the city for jobs were long and costly.

> "Any time something happens to our vehicle, it's a catastrophe at our house… My job requires that I have a car. I have to keep it up. I had two blowouts in February... We're trying to get them fixed to get by."
>
> —*Lee-ann*

Child care needs constrain family work choices.
In several families profiled in this study, one parent stayed at home to care for young children. In some cases, the stay-at-home parent wished to work and the family needed the second income, but the parent could not find work that would pay enough to cover the family's child care costs. Some who stayed at home voiced concern that their lack of job experience would be a disadvantage when they tried to re-enter the workforce when their children got older. Child care considerations were also a factor among parents who did work. Several women had chosen work in low-paying settings, such as restaurants and child care centers, because they provided flexibility needed to meet child care demands.

Managing Family Finances With Little Or No Margin

Despite working hard and living frugally, nearly all those participating in this research, whether they were low-income or middle-income, described tight and uncertain family finances. After paying their monthly rent or mortgage and utilities, families economized and often struggled to meet other basic costs. Many cited the pressure of rising gas and food prices on their budgets. While some viewed their strained financial circumstances as temporary and transitional, others expected that no matter how hard they worked, they would not be able to catch up financially — never mind get ahead — and worried that one large bill could ruin them.

> "The final straw for us was when we had no heat in the house and it was getting around 30 degrees in the house at night and Katie was only 5 months old."
>
> —*Carmen*

Housing costs dominate low- and middle-income families' budgets.
Housing costs are sharply higher in some areas of the U.S. than in others. The other costs of living also tend to be higher in expensive housing markets, compounding the affordability pressures on households in these areas. As mentioned above, some of those interviewed faced long commute times and high transportation costs because, to keep their housing costs down, they had to live far from their workplaces. A few spoke of wanting to move to a state where the cost of living is lower.

The families profiled in this research included both homeowners and renters. The proportion of monthly family income allocated to rent or mortgage payments varied widely. Many were spending around a third of their take-home pay on housing, but several paid far more — even as much as 70% of their income. On top of these costs, families had utilities to pay, and homeowners also had the costs of repairs. Across the board, when asked how they prioritized their bills, participants put housing first. Even so, a few reported that they had sometimes been unable to make their monthly payments on time. In many cases, after paying their rent or mortgage, families had insufficient funds to pay their other bills.

Food costs take a major bite out of family budgets.
In addition to housing costs, rising food prices were a major strain on budgets, particularly in larger families. Many families tried to budget strictly for food, used coupons, and made food purchase decisions based on what was on sale that week. Several said that affording healthy and fresh foods was difficult, and that they bought cheaper canned or frozen fruits and vegetables instead, or went without these items.

> "I have to tell my kids you can only have milk at mealtimes and that's it. If milk isn't on sale at one place, I go to another place because it's cheaper. I really try to watch the price of things."
> —*Nancy*

Basic costs of living frequently exceed monthly take-home pay.
On top of housing and food, the cumulative costs of gas and car payments or bus fare, student loan payments, health care, phone service, and other bills were more than many low- and middle-income families' paychecks could cover. Unexpected costs — for a car repair or an emergency room visit, for example — had led to additional financial stress for many. Some families reported that they had lost their phone service or had their electricity turned off because they missed a payment. Some managed by prioritizing their bills, juggling which ones they paid each month and, when possible, making arrangements to defer the others. Some families had had to borrow money from other family members and friends. Several indicated that their tax refunds and the Earned Income Tax Credit had helped them make ends meet. However, many families were dealing with the gap between their earnings and their costs by purchasing their groceries and financing other basic expenses on credit. While solving the immediate problem, this strategy had engendered a worrisome new problem for low- and middle-income families — mounting credit card debt and worsening financial pressure.

Few low- and middle-income families are able to save.
Most of the households profiled for this study struggled to get by day-to-day and bill-to-bill. Few had savings. Even with careful budgeting, saving was impossible for those who were unable to afford all their bills each month. Families who were saving generally did so through automatic deductions from their paychecks to a 401(k) plan. The lack of any financial cushion was a major concern for households without savings, particularly for older couples approaching retirement. For many of the families who had little or no "rainy day" funds, unexpected events such as job loss, a divorce, a necessary home repair, a car crash, and a child's emergency room visit, had had severe and ongoing financial repercussions. Moreover, one adverse event often triggered a cascade of problems for them — for example, loss of a job resulted in loss of health insurance as well, and car trouble caused individuals to miss work or lose a job.

> "It's just everything is coming down at once. When you turn there's another bill or some reason that you have to pay another something."
> —*Japera*

Many families face large and growing debts.

Debt was a major problem among the study families. Most had debt from student loans, car loans, medical bills, personal loans, and/or credit cards, and many were accumulating more debt as interest charges on unpaid balances mounted up each month and families experienced budget shortfalls on an ongoing basis. Most families were paying off their debt slowly. Some had negotiated payment plans with collection agencies and mortgage companies. Families often made only the minimum payment on their credit cards to ensure they had enough funds to meet other costs. Some received help from family members, although those helping were sometimes low-income themselves. Some participants were deep in debt and expressed hopelessness that they would ever have enough money to pay everything off. Everyone with debt expressed stress and anxiety about it.

> "We've got creditors just hounding us left and right. We get nasty letters two or three times a week….that they're going to start taking legal action, they're going to go on our credit. They can put it on our credit, what are we going to do? We can't just go out and pick money off the tree."
>
> *—Carmen*

Worrying About Family Health and Health Costs

The working individuals and families included in this study were diverse with respect to their health status and needs, their health insurance situations, and the burden of health care costs on their finances. All families had needs for preventive and primary care. In addition, many were dealing with serious chronic or ongoing health problems that require treatment and medicines, including asthma, hypertension, developmental disabilities, mental illness, and others. Health care was a major concern for families across the board, regardless of the particulars of their circumstances.

Having health coverage is a primary concern of working families.

Among those who had health coverage through their employers, most considered it the most important benefit of their job. The majority of those with job-based coverage found the cost a strain and many cited gaps in the benefits covered, but families were grateful to have any coverage at all. Those without access to coverage through their work considered it a major drawback, and changing jobs to get health insurance was on many of their minds. All those who were uninsured or had uninsured family members had tried unsuccessfully to obtain coverage or were unable to afford it, and most said they worried about how to afford care they needed or might need.

Health care costs are a strain on family budgets, even for families with coverage.

In numerous cases, families had monthly health care bills totaling hundreds of dollars — a significant share of their earnings. Families with health insurance often struggled to afford the combination of premiums, copays, deductibles, and costs for services not covered by their plan, and they saw all these costs rising. Frequently, private insurance did not cover dental and vision care, and dental care, in particular, had saddled families with large expenses. Some insured families, despite having coverage, avoided using services because they could not afford the out-of-pocket costs. Costs often mounted up quickly, especially when a member of a family had ongoing needs for prescription drugs or care, and in families of larger size. Even in generally healthy families, one-time health crises like a broken arm or hospitalization had resulted in large, sometimes staggering, bills. Families without insurance were still worse off, having to pay all their medical bills out of pocket.

> "Our medical bills are just crazy. The copays on our prescriptions [were] $741 in February."
>
> *—Lee-ann*

SNAPSHOT

Ron, 59, and his wife live in Wichita. His wife suffers from congestive heart failure and diabetes. Last year, Ron was diagnosed with diverticulitis. Subsequently, a sonogram and CAT scans revealed a mass on his kidney, raising concern that he had cancer. As a result, he had to have surgery. Ron has worked for the same company for 26 years and has health insurance through his job. However, between a $4,750 deductible, copays for his wife's six prescription medications every month, and unexpected and costly medical needs for himself and his wife in recent years, they have very high out-of-pocket costs. They also have substantial medical debt for previous hospital and doctor care. Facing aggressive collection, Ron borrowed money from his 401(k) plan to pay thousands of dollars owed for a hospitalization six years ago when his wife got pneumonia.

Postscript: Ron has been laid off from his job.

Medical debt deters families from seeking care.

Frequently, families with medical debt put off getting care because of the additional costs they would face, even though they understood the health risks of doing so and the possibility that far larger medical costs could ultimately result. Another barrier to care reported by families who owed on medical bills was unwillingness on the part of some providers to see them until they had paid their bills off.

Medical debt adds to current spending pressures and constrains future opportunities.

In addition to their current health care costs, families reported having large medical debts. Both insured and uninsured families had substantial unpaid bills for medical care — some owed tens of thousands of dollars. Most families with medical debt were trying to pay it off in small amounts like $5 or $25 or $50, month by month or when they could; they were unsure how they would manage to pay it all back. One couple had begun to use retirement savings to pay down their medical debts; another family had considered filing for bankruptcy. Beyond the burden of the medical debt itself, the debt also prevented those who were relatively new to the workforce from getting established financially, and compromised families' credit and ability to borrow and save, jeopardizing their hopes and plans for the future — for example, to purchase a home, or retire.

"They wanted $160 a month and they just weren't going to take "no" for an answer. I sent them $25…They just kept calling and saying, "We got to have our money, we got to have our money." So I went and borrowed it out of my 401(k). Now they are saying it's not a good deal to borrow money from your 401(k), especially at my age…"
—*Ron*

Struggling with Health Coverage Gaps and Needs

Lack of access to workplace coverage and affordability barriers leave many in working families — especially adults — uninsured. The uninsured commonly delay or go without care because of the cost and when any member of a family is uninsured, the whole family is affected. Working families that do have health coverage through their jobs or purchased individually report that out-of-pocket costs impose increasing strains on their family budgets, and that they, too, sometimes avoid seeking care due to cost. Finally, Medicaid and the State Children's Health Insurance Program (SCHIP) are key sources of coverage for children, but uninsured parents with children in these programs wished that they could also be covered. All uninsured parents expressed worry about staying healthy themselves and about the prospect that a health crisis could leave them unable to provide and care for their children.

Many working families lack access to private health coverage.

Many of those interviewed (or their spouses) did not have access to job-based health insurance. The families without access to coverage through the workplace included both low-income and middle-income families. Sometimes, the employer, such as a temp agency or retailer, did not offer health insurance to its employees. In other cases, workers had part-time jobs and were not eligible for coverage, or they worked for themselves. In most families without access to employer-based coverage, the adults were uninsured, but many of the children qualified for public coverage. In some middle-income families, the children, who could not qualify for public coverage, were uninsured as well.

SNAPSHOT

Iris, 23, lives in New York City and was working at a temp agency that did not offer her any health benefits. Iris had Medicaid coverage until her 19th birthday, when she was no longer eligible. She has severe allergies, asthma, and back pain from a car accident, but she cannot afford to go to the doctor. She relies on over-the-counter medication and an old asthma pump. Iris has $7,500 in medical debt, most of it from a short hospital stay, but she cannot afford to pay this debt. Iris is concerned that having so much debt at a young age will hurt her credit, which may prevent her from buying a house or a car in the future.

Delays and disruptions in job-based coverage cause lengthy uninsured spells for some families.

Among families with some connection to job-based coverage, delays and disruptions in coverage in association with job losses and changes were common. One family was in a 15-month wait to become eligible for coverage at a new job: after completing a 3-month probationary period of employment, the family had to wait for the next open enrollment period, which would not take place for another 12 months. A parent in another family was ineligible for any benefits until she finished 6 months of employment. For families that were without health insurance during transitions in employment, these kinds of waiting periods for coverage at new jobs meant additional months without health insurance. Divorce and extended disability leave had caused others who previously had job-based coverage to become uninsured.

Affordability is a large barrier to private coverage.

Some families were offered coverage by their employers, but could not afford the premium, or could afford it only for the worker. COBRA coverage, sometimes an option for people who become unemployed, was out of reach financially for those who had looked into it. Finally, those who had investigated buying individual (non-group) coverage — whether they were low-income or middle-income — found the premiums prohibitively expensive and even more costly if they had pre-existing health problems. Even families with significant health concerns, including pregnancy and chronic conditions requiring medical management, had determined they could not afford insurance on their budgets.

> "I was looking into trying to get some health insurance. It's so expensive. With my budget now, I don't know how I am going to be able to pay a monthly plan with health insurance… My friends are like why don't you try this health insurance, but when I look at the money, I'm like how am I supposed to afford this?"
>
> —*Iris*

Out-of-pocket costs can be steep even for families with private coverage.

In several cases, families that had private coverage through their jobs or on their own faced copays, deductibles, and out-of-pocket costs for care not covered by the insurer that posed a severe financial strain. While copays for prescription drugs and doctor visits were often nominal on a unit basis, families that had ongoing or multiple needs were confronted with large cumulative costs. Deductibles reaching as high as $6,000 exposed some families to medical costs their budgets could not absorb, resulting in large medical debts. When private insurers limited coverage, as for mental health care or prescription drugs, or excluded particular services, such as dental care, families — although insured — were uninsured for this care, and like the uninsured (discussed below), avoided seeking care due to cost.

Medicaid and SCHIP provide a valued safety-net of coverage, but many in working families — mostly uninsured adults — are left out.

Families with children in Medicaid or SCHIP and families in which all members were covered by Medicaid considered the programs invaluable. They praised the coverage, they were grateful for the access and financial protection it provided, and they gained peace of mind from knowing they could get the care their children and/or they needed. Many participants said that without the programs, they would have been unable to afford the care.

Medicaid and SCHIP reached many children in the study families, but left out many adults, including a young adult who lost Medicaid coverage when she turned 19, and numerous low- and middle-income parents whose children were covered by the programs. In some of the lowest-income families, parents were covered along with their children in Medicaid, but many parents with children in either Medicaid or SCHIP had no access to private coverage but also were not eligible for public coverage due to income. Across the board, these uninsured parents wished that the programs would cover them as well, and they stressed the fundamental connection between their own health and their ability to provide for the health and well-being of their family.

SNAPSHOT

Andrea, 31, lives with her three children in Wichita, where she is a waitress at a local restaurant. Her children have Medicaid, which covers their regular check-ups and all their specialist care. Although her children qualify for Medicaid, Andrea's $13,500 income is too high for her to qualify. She has been uninsured for her entire adult life, except when Medicaid covered her during her pregnancies. Eight years ago, Andrea needed gall bladder surgery, which resulted in $15,000 of medical debt that she managed to pay off in three years. Because she is uninsured, Andrea does not go to the doctor or the dentist. She relies on over-the-counter medication when she is sick. "I put a lot of things off for me because there is no way. I mean, if I need to go to a doctor, I'm like 'Oh, I'm not really sick.'"

Uninsured families avoid seeking health care because of the cost.

Many uninsured adults reported delaying health care for themselves as long as possible and sometimes going without it entirely because they feared the cost. Some reported skipping recommended preventive care, such as mammograms and other screenings, and hoping they would stay healthy. A number with serious health concerns that required regular doctor visits and/or ongoing medication had put off the care or did not get it, risking worse or additional problems. To illustrate, one mother expecting another child in a few months had not seen a doctor since she learned she was pregnant. Another mother who had severe kidney problems experienced debilitating infections that made it difficult to care for her children, but she worried about running out of money if she bought the antibiotic she needed. An individual who suffered severe injuries in a car crash had stopped taking some of her medications to save money. When children were uninsured, parents were much less willing to put off care for them but reported trying over-the-counter medicines or home remedies first, hoping to avoid the cost of an office visit and a prescription.

"Thousands and thousands of dollars, I couldn't even tell you. Over $50,000. This is ten years of bills. We had our daughter when I didn't have insurance. We're still paying a little bit here and there on her and she's 18."

—*Lee-ann*

SNAPSHOT

Debra, 54, lives in Milwaukee and has two young adult sons, one of whom is in the military. Her divorce caused her to lose health insurance: "After having health care for 50-some years of my life, I was just thrown into a situation where suddenly it was unaffordable and unavailable." Debra shopped for insurance on her own, but could not afford the $550 monthly premium that she was offered in the individual market. While Debra was uninsured, she was in a serious car accident, which resulted in $55,000 of medical debt. She tries to pay the debt down by giving providers $10 to $20 every month, but she cannot afford to pay much on her annual income of $17,000. To save money, Debra has stopped taking some of her medications and stopped going to physical therapy. She receives no preventive care or screenings. "I can deal with pain. I can't deal with owing any more money."

When they could no longer delay care, uninsured families patched together free or low-cost health care. In some cases, if the problem escalated, they went to the emergency room where they incurred expensive bills that they struggled to pay off, as mentioned earlier. Universally, interviewees who were uninsured or had any uninsured family member expressed anxiety, stress, fear, and guilt as they tried to balance family health care needs against difficult family budget pressures.

POSTSCRIPT

Since the original interviews were conducted, the economic downturn already evident then has deepened sharply. Follow-up interviews in early December 2008 with the nine study participants who could be reached by telephone reveal that the recession is hurting working families, and that family anxieties about work, paying for basic necessities, affording needed health care, and saving for future needs are mounting.

Overall family finances.

Most families conveyed that their financial situations had worsened since March. A number were using savings to finance everyday expenses, and families without any savings were cutting back on daily costs wherever they could. Worry about dwindling or depleted retirement and other savings was high, and older workers said they would have to work years longer than planned. Although most families were still working, rising unemployment all around them was a source of growing anxiety about their own job security. Many spoke of how difficult the holidays would be this year because of the economic pressures on them.

Health.

Health care concerns had also sharpened. Two families were using savings to pay for needed medical care. In another family, the 39-year-old breadwinner obtained a new job, but during the six-month waiting period for health coverage, suffered permanent heart damage because he did not get care and medicine for his high blood pressure. Some privately insured families cited substantial increases in their deductibles and other out-of-pocket costs. Medical debt continued to be a source of worry among both privately insured and uninsured families. Families who had public coverage appeared to feel the least worried about affording needed care. Their coverage had not changed since March and they were shielded against high out-of-pocket costs.

CONCLUSION

Working families struggling to manage on low or modest budgets almost a year ago are in a decidedly more insecure situation today. In the current economic crisis, the work they depend on is less certain, and for those who are insured through their jobs, so is their health coverage. The health care costs that burden many families continue to rise, consuming a growing slice of the family budget pie, worsening already difficult spending and debt pressures, and discouraging families from seeking needed medical care. Due to both underlying trends in private insurance and the current recession, more Americans are becoming uninsured and more are becoming underinsured. Low- and middle-income households are most vulnerable to this risk and least able to absorb the financial impact of it.

As a new Administration and Congress turn their attention to alleviating the hardships stemming from the recession and to structuring a durable economic recovery, this study highlights the narrow financial ledge on which millions of low- and middle-income working families stand and urgent gaps in health coverage that make these families' finances even more precarious. The central place of health care in the equation for economic stability, both at the family and national level, suggests that reforms that assure affordable and meaningful coverage for all Americans will be an important part of any plan designed to strengthen the economy as a whole, and working families in particular.

FAMILY PROFILES

FAMILY PROFILE

FAMILY: Andrea (31), single mother of three children ages 10, 12, and 16

EMPLOYMENT: Waitress at a local restaurant

LOCATION: Wichita, KS

ANNUAL INCOME: $13,500 (64% FPL)

HEALTH INSURANCE: Andrea is uninsured; her three children have Healthwave (Medicaid)

WORK: Andrea works 30-35 hours per week at a family-owned restaurant in Wichita. She has been working there for 12 years and is happy with her job. The restaurant does not offer her health benefits, but she values the flexibility she has in her schedule. However, when her kids are sick and she has to stay home with them and miss work, the financial challenges are difficult.

HEALTH AND HEALTH CARE: Andrea's three children are covered under the Kansas Medicaid program, Healthwave. Although her children qualify for Medicaid, Andrea herself cannot qualify because the income eligibility standards for parents are more restrictive. Andrea has been uninsured for all of her adult life, except during her pregnancies when Medicaid covered her. Andrea has chronic sinus problems and often gets strep throat. She does not go to the doctor or dentist and she relies on over-the-counter medication. When her sinus problems get severe enough and she thinks she needs antibiotics, Andrea goes to various free clinics for care.

Healthwave works well for her children, covering both regular check-ups and their specialist care, which includes asthma care and counseling. Andrea's youngest son has a benign cyst on his brain, which requires him to see the doctor frequently. He gets severe migraine headaches that cause him to miss a lot of school, which forces Andrea to miss work.

About eight years ago, Andrea had gallbladder surgery. She was uninsured at the time and had to pay the $15,000 medical bill on her own. It took Andrea three years to pay the bill off, which was a major financial challenge. Andrea has looked into buying private health insurance for herself, but cannot afford the $300-$400 monthly premiums. She wishes she could go to a doctor on a regular basis and is fearful that, if something were to happen to her, she would not be able to afford the medical bills.

BUDGET: Andrea keeps a strict budget for her family. She makes it work, but it is sometimes hard. After rent, transportation is Andrea's biggest budget item, consuming $400 per month. Food Stamps provide tremendous help in managing on her tight finances.

POSTSCRIPT: Andrea's budget has gotten even tighter — business at the restaurant has fallen off by half as the economy has worsened. She is now using her savings for everyday expenses. Recently, she had to go to the emergency room, and she still owes $400 on the $600 bill she received for that care. Andrea is nervous that things are going to get worse before they get better.

FAMILY PROFILE

FAMILY: Carmen (37), married with three children ages 2, 8, and 10

EMPLOYMENT: Stay-at-home mom. Husband has worked at Lowe's (home store) for the last year, and before that was a maintenance worker at their apartment complex

LOCATION: Dickinson, TX (about 40 miles outside of Houston)

ANNUAL INCOME: $22,000 (89% FPL)

HEALTH INSURANCE: Carmen and her husband are uninsured; their children have Medicaid

WORK: Carmen does not work because when she has looked for a job, she was offered only low-wage jobs that would not cover the costs of child care. Her husband used to do maintenance work at the apartment complex where they lived but broke his back on the job. There was no disability insurance or workers' compensation. The building owner tried to drop their health insurance coverage, so he took a job at Lowe's instead. Carmen's husband has been working at Lowe's for a year and plans to stay there.

HEALTH AND HEALTH CARE: The children have been covered by Medicaid for three and a half years. Initially, when the family had private insurance, Medicaid provided supplemental assistance for the children, but since Carmen's husband left his maintenance job and they have no private coverage, the children only have Medicaid. Carmen and her husband are uninsured. Because Lowe's requires a three-month probation period for new employees and the next open enrollment period will be 12 months later, Carmen and her husband face a 15-month wait for health coverage. They do not know if they will be able to afford to put Carmen and their children on the plan when they do become eligible.

Carmen and her husband pay $600-800 per year out-of-pocket on medical costs for themselves. This includes expenses for preventive care, prescriptions, and doctor's visits. All three of Carmen's children have allergies and her son has asthma and ADHD. Medicaid covers all of the care for these health problems.

BUDGET: With monthly take-home income of $1,600, Carmen and her husband struggle to pay their bills. When unexpected expenses arise, such as costs for car repairs, it is a major financial burden. They also have $5,000 in credit card and other debt, which seems insurmountable.

POSTSCRIPT: The hurricanes that hit the Gulf Coast during the summer of 2008 hit Carmen's family extremely hard financially. They were displaced for three weeks, during which time her husband was unable to work. The loss caused severe strains on the family's finances and all their savings have been wiped out. Their son is currently suffering from a dental abscess for which he is receiving care, but the family has accumulated approximately $4,000 in medical debt. Looking ahead, Carmen is gravely concerned about her family's ability to meet their everyday needs.

FAMILY PROFILE

FAMILY: Ron (59), married with one adult daughter and four grandchildren

EMPLOYMENT: Shipping and receiving clerk for a small paper packaging supplier

LOCATION: Wichita, KS

ANNUAL INCOME: $30,000 (214% FPL)

HEALTH INSURANCE: Ron and his wife have private coverage through his employer

WORK: Ron has worked for a small paper packaging company for over 26 years. He hopes to retire at age 65. His wife of 39 years has not worked outside of the home. Now, her health problems are a barrier to finding work.

HEALTH AND HEALTH CARE: Ron and his wife pay $96 per month for health, vision and dental care coverage. His insurance "used to be the best in town," but as his company downsized and its health care costs kept rising, the employer "cut our insurance back to where it's next to nothing." Their deductible almost doubled in a year, jumping from $2,200 in 2006 to $4,750 in 2007. Although his employer contributes $750 toward the deductible to provide some financial relief, Ron and his wife exhaust that amount in the first three months of the year.

Ron's main concern is for his wife, who has serious health problems. She takes six different prescription medications each month — for diabetes, heart disease, cholesterol, and glaucoma — for which they have to pay roughly $90 in copays. They recently found they could get their prescriptions at various discount stores for $4 each, much less than they cost when they use their insurance.

As a result of his wife's health problems, they currently owe $1,800 in medical bills, toward which he can only pay $25 per month. To pay earlier hospital bills of his wife's, Ron borrowed from his 401(k) and he laments that retiring in the near future is no longer an option.

BUDGET: With monthly take-home income of $1,815, Ron and his wife cannot cover all of their monthly expenses. When their monthly expenses exceed their monthly income, they put off paying some bills and charge some expenses to a credit card.

POSTSCRIPT: After working for the same company for 27 years, Ron was laid off on December 5, 2008.

FAMILY PROFILE

FAMILY: Anjanette (37), divorced with one daughter, age 13

EMPLOYMENT: Full-time case manager for the State of Georgia; part-time evening work as a custodian

LOCATION: Atlanta, GA

ANNUAL INCOME: $35,040 (250% FPL)

HEALTH INSURANCE: Anjanette and her daughter have private health coverage through her job

WORK: Anjanette works as a case manager for the State's Medicaid and SCHIP departments where she helps people apply for public health coverage. In addition to her day job, she works 5 nights a week as a custodian for an office building. Anjanette estimates that she works roughly 55-60 hours per week. She receives good benefits with her job, including health, dental, and legal insurance, and she is offered a 401(k) and short- and long-term disability. She enjoys her work and plans to stay at her job until she is able to save up enough money to start her own business.

HEALTH AND HEALTH CARE: Anjanette has had the same private health coverage for 8 years. She pays a premium of $275 per month for the insurance for herself and her daughter. She finds the premium expensive, especially because she and her daughter do not use much health care. Anjanette recently got sick, but her doctor's office was closed, so she went to the pharmacy. The pharmacist told her to go to the emergency room, where she paid $120 for the visit.

To avoid paying for expensive over-the-counter medicines, Anjanette uses home remedies to cure common ailments like cough and congestion. She feels lucky that she and her daughter are both healthy and that their health care costs are not currently a major problem.

BUDGET: Despite working two jobs and keeping to a strict budget each month, Anjanette occasionally has to ask her family to help her with unexpected costs. With two jobs that require her to drive a lot, car payments, car insurance, and gas are some her biggest budget items, totaling $610 per month. Overall, Anjanette is overwhelmed and works hard to make ends meet for her and her daughter.

FAMILY PROFILE

FAMILY: Debra (54), divorced mother of two sons, ages 17 and 22

EMPLOYMENT: Assistant to a physical therapist

LOCATION: Milwaukee, WI

ANNUAL INCOME: $17,140 (97% FPL)

HEALTH INSURANCE: Debra is uninsured; her sons have private insurance through their father

WORK: Debra works full-time for a physical therapist. She spends $260 per month on gas for on her 40-mile round-trip drive to work, which has motivated her to find a job closer to home. Debra says it will be hard to leave her employer, who held her job for her for four months, while she was recovering from severe, debilitating injuries from a serious car accident.

HEALTH AND HEALTH CARE: Debra has been uninsured since her divorce in 2004. Her employer does not offer her health insurance and she cannot afford to purchase it on her own. She has pre-existing health conditions, including diabetes and high blood pressure, and the cheapest health insurance premium she was able to find was $550 per month. In November 2007, Debra was badly hurt in a serious car accident. She now has over $55,000 in medical debt. She tries to pay $10 or $25 per month to multiple providers to keep up her credit rating, but she cannot afford to pay any more than that. To save money, she has stopped taking pain medication and stopped going to physical therapy. She also gets no preventive care.

Debra's children are insured through her ex-husband's employer. However, their insurance does not cover dental care, so Debra paid over $400 in dental costs for them last year, in addition to substantial orthodontia costs.

BUDGET: Debra's family lives on a very tight budget and has to cut back in many areas all the time. She prioritizes among her bills, paying the mortgage and utility bills first. Getting her medical debt under control seems impossible, and Debra also has $12,000 in credit card debt, incurred largely to meet basic living expenses. Money borrowed from friends and family and gifts received from them have helped Debra manage to just stay afloat.

HOUSING: Debra owns her home, paying roughly $1,100 toward her mortgage each month. She is worried that the myriad maintenance costs associated with owning an older home will eat up any equity she has in it. She believes that she may be driven to sell her house unless, with help from her sons, she can get it to a point where it is relatively maintenance-free.

POSTSCRIPT: Debra lost her job due to health issues arising from her car accident.

FAMILY PROFILE

FAMILY: Japera (27), married with three children ages 1, 2, and 5

EMPLOYMENT: San Mateo County Child Support Services. Husband works part-time at Costco

LOCATION: San Francisco, CA

ANNUAL INCOME: $54,700 (221% FPL)

HEALTH INSURANCE: Japera and her family are covered by the Medi-Cal "Share-of-Cost" program (public coverage)

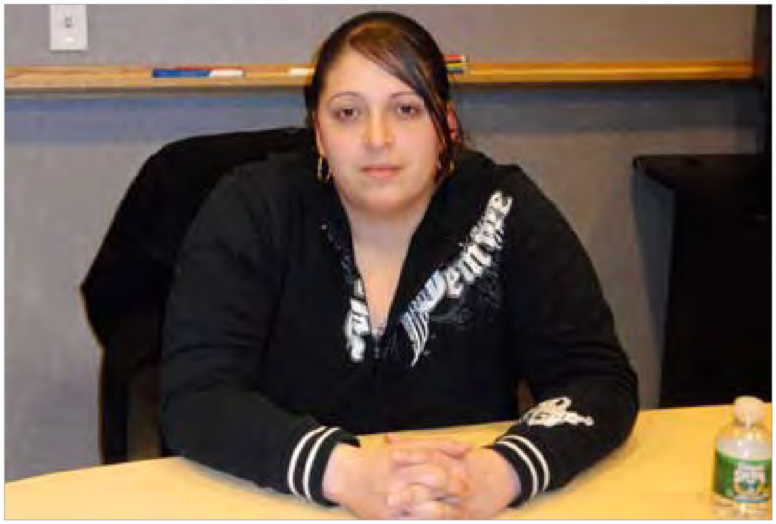
WORK: Japera recently started a new job with San Mateo County. However, she is not eligible for any benefits until she completes six months of employment. Her husband recently lost his job as a high school health education teacher and works part-time at Costco. He is also working toward becoming a policeman. While Japera is looking forward to having private health insurance for her family, she worries that state budget cuts will lead her position to be eliminated before she is eligible for benefits.

HEALTH AND HEALTH CARE: All members of Japera's family have health insurance through the Medi-Cal "Share-of-Cost" program. Under this program, her family has to pay a certain amount of their medical expenses each month before Medi-Cal pays for health services. The family has been enrolled in Medi-Cal for roughly five years, but did not always have the Share-of-Cost burden. When they had regular Medi-Cal, including during her pregnancies, Japera's family faced no out-of-pocket costs. In contrast, under Medi-Cal "Share-of-Cost," she never knows what costs to expect when someone in the family has to fill a prescription or visit a doctor. This is a cause of great stress for Japera, and it discourages both her and her husband from seeking regular preventive care and Japera from taking her blood pressure medication. In addition to hypertension, Japera suffers from occasional migraines. Her youngest son was born with an irregularly-placed kidney, which must be monitored with ultrasounds twice a year. Otherwise, the family is in good health.

BUDGET: Living in San Francisco with monthly take-home pay of $3,400, Japera and her husband are having a difficult time covering all of their expenses. Monthly expenses, including rent, utilities, and student loans often slide or are paid late. In Japera's own words, they are "always trying to catch up." Asked what she would do if they had $200 less each month, Japera says that they would "likely be homeless because there is nowhere left to cut back."

POSTSCRIPT: Japera lost her county job, but was subsequently rehired with health benefits.

FAMILY PROFILE



FAMILY: Iris (23), single

EMPLOYMENT: Temporary worker for a local transportation company, in the customer service department

LOCATION: New York, NY

ANNUAL INCOME: $24,908 (240% FPL)

HEALTH INSURANCE: Iris is uninsured

WORK: Iris is currently employed through a temp agency and works at a local transportation company. She has been with the company for 7 months, but knows that temporary jobs are not secure and that she could be let go any day. Iris receives no benefits through her job. Overall, she is happy with her job but wishes she would become a full-time employee of the company so that she could start receiving benefits, especially health insurance. She doubts this will happen because many of the employees at her company have remained under a temporary contract for years.

HEALTH AND HEALTH CARE: Iris has been uninsured for 4 years. Prior to being uninsured, she received public health coverage, but she became ineligible when she turned 19 years old. Her job does not offer health benefits and she cannot afford to buy it on her own. She applied for Medicaid but, as an adult without dependent children, she does not qualify. In 2007, Iris was hospitalized for several days, which led to $5,000 in hospital bills. On her tight budget, Iris has been unable to pay off any of that bill. She also has two other unpaid medical bills that total $2,500. Iris puts off seeking care for asthma and when she is sick, takes over-the-counter medication because she can't afford to go to the doctor. The last time she saw a dentist was 4 years ago when she had public coverage.

BUDGET: Iris's monthly expenses exceed her take-home pay. She depends on credit cards and help from family members to meet various expenses each month. Moreover, she has over $1,000 in credit card debt. Her goal is to purchase a house someday but with her bad credit and unpaid medical bills, Iris is concerned that she won't be approved for a home ownership loan.

FAMILY PROFILE

FAMILY: Lee-ann (36), married with two children, ages 15 and 18

EMPLOYMENT: County social worker. Husband, Jerry, works in hazardous waste removal

LOCATION: Wichita, KS

ANNUAL INCOME: $67,000 (316% FPL)

HEALTH INSURANCE: Lee-ann's family has private insurance through her employer

WORK: Lee-ann has worked as a county social worker for the past 10 years, specifically, as a case manager for a homeless program. Overall, she likes her job but it is very stressful. Her husband is a superintendent for a small hazardous waste removal company.

HEALTH AND HEALTH CARE: Lee-ann suffers from a degenerative disc, high blood pressure and bipolar disorder. Doctors also found and removed a cyst in her brain in 2007. In addition to a bad knee, Jerry suffered from an apparent heat stroke in 1999 that was initially misdiagnosed and possibly the cause of some brain damage and other subsequent health problems. He has been in and out of hospitals and is on numerous medications.

The whole family has private health insurance through Lee-ann's employer, which covers medical care, prescriptions, and dental and vision care. They also have life insurance and death benefits through her work. Lee-ann refers to her family's prescription copays as "crazy," totaling nearly $550 in a typical month. "It's killing us, but without them Jerry can't work, we can't go without that medicine. The medications have also given me my life back." Office visits cost them $50-$75 each, with specialists costing even more. Their medical bills continually mount up, to the point where the family once considered filing for bankruptcy. Today they owe more than $50,000 in medical bills — so much that Lee-ann doesn't even know the full amount. Fortunately, her children are healthy and do not currently require many health care services.

BUDGET: The medical debt looming over Lee-ann's family appears to drive their finances. In an effort to pay down some of this debt and just "get by" for a few months, Lee-ann and Jerry took out personal loans. "We're just trying to survive, but they hit you with the big interest," she says. Their credit is shot, they cannot afford to buy the new car they need, and they have to juggle their bills each month. Last October, a water main leak in their front yard set them back some more. Their moderate income is not sufficient to meet the costs of everyday living for a family of four while also facing ongoing high medical expenses and a huge medical debt burden.

APPENDICES

APPENDIX A: Methodology

During February and March 2008, the Kaiser Family Foundation engaged Lake Research Partners to conduct 27 interviews with the heads of low- and middle-income working families in six cities: Atlanta, Houston, Milwaukee, New York, San Francisco, and Wichita. All of the families represented included at least one full-time worker and all had family income below 400% of the federal poverty level (FPL). By design, the recruited households were diverse in terms of family structure, job type, health insurance status, and other policy-relevant characteristics. The six-city design served to illuminate some of the variation in the costs of living and economic conditions across the U.S.

All participants completed a detailed budget worksheet prior to the interview, providing information about their household income and major categories of spending in the previous month and over the previous year, as well as information about medical, credit card, and other debt. The interviews probed to learn more about families' work situations and about how they manage their bills and expenses, how health care costs fit in to their budgets, and what strains and tradeoffs they face.

At the time this report was nearing completion, the U.S. economy took a sharp downward turn, first as fuel prices spiked and the subprime mortgage crisis erupted, and subsequently as the impacts of the Wall Street meltdown reverberated throughout the American economy. To investigate the impact of these worsening economic conditions on families already operating with narrow financial margins, the Commission conducted follow-up telephone interviews in early December 2008 with the nine interviewees who could be reached.

APPENDIX B: Study Participants

	Age	Employment	Annual Household Income (% FPL)	Family	Health Insurance Status
Atlanta, Georgia					
Anjanette	37	Social worker for the state, part-time job at a custodial company	$35,040 (250% FPL)	Divorced; one daughter, age 13	Family: Private
Gayle	38	Runs her own cleaning, hairdressing, babysitting business from home	$38,400 (181% FPL)	Single; two children and one nephew, ages 9, 9, and 17	Family: Medicaid
Jerry	48	Temp worker- manual labor	$11,040 (79% FPL)	Engaged	Self and fiancée: Uninsured
Houston, Texas					
Carmen	37	Stay-at-home mom, husband works at Lowe's	$22,000 (89% FPL)	Married; three children, ages 2, 8, and 10	Children: Medicaid Parents: Uninsured
Karen	48	Temp worker	$21,600 (208%FPL)	Single	Self: Uninsured
Milena	38	Stay-at-home mom, husband is a maintenance worker	$21,000 (99% FPL)	Married; two children, ages 5 and 14	Children: Medicaid Parents: Uninsured
Milwaukee, Wisconsin					
Debra	54	Assistant to physical therapist	$17,140 (97% FPL)	Divorced; two sons, ages 17 and 22	Self: Uninsured Children: Private
Dominic	34	Full-time seasonal work, girlfriend is a part-time house cleaner	$71,000 (335% FPL)	Lives with girlfriend; two children, ages 8 and 12	Self and 1 child: Private Girlfriend and 1 child: BadgerCare Plus (Public)
Sarah	46	Runs daycare out of her home, husband is a graphic designer	$52,500 (248% FPL)	Married; two sons, ages 7 and 9	Family: Private
Toni	55	Stay-at-home foster mother, husband is a repairman	$61,600 (248% FPL)	Married; one adopted son, two foster children, ages 1 month, 3 months and 15	Foster children: Medicaid Parents and adopted son: Private
New York, New York					
Howard	43	Stay-at-home dad, wife is a real estate researcher	$65,000 (262% FPL)	Married; three children, ages 7 months, 3 and 8	Family: Private
Iris	23	Temp worker for a local transportation company	$24,900 (240% FPL)	Single	Self: Uninsured
Jonathan	47	Consultant in sales and business development	$60,000 (341% FPL)	Divorced; two children, both age 17	Family: Uninsured
Veronica	40	Stay-at-home mom, husband is a park maintenance worker	$13,000 (41% FPL)	Married; 5 children	Mother and children: Medicaid Husband: Uninsured

continued

APPENDIX B: Study Participants (continued)

	Age	Employment	Annual Household Income (% FPL)	Family	Health Insurance Status
San Francisco, California					
Catherine	32	Unemployed, formerly an executive assistant at a private equity firm, husband is a real estate agent who also works in property management	$65,000 (284% FPL)	Married; two sons, ages 4 and 13	Children: Healthy Families (Public) Parents: Uninsured
Cindy	55	Works at an elevator company, husband is a stay-at-home dad	$50,000 (284% FPL)	Married; one daughter, age 16	Family: Private
Denise	37	Non-profit development consultant, husband works at a water company and a retail store	$67,000 (380% FPL)	Married; one son, age 2, and pregnant	Family: Uninsured
Dwan	29	Project coordinator for a transit company, husband is a stay-at-home dad	$56,500 (228% FPL)	Married; three children, ages 5, 9 and 13	Family: Healthy Families (Public)
Japera	27	County employee, husband works at Costco	$54,700 (221% FPL)	Married; three children, ages 1,2 and 5	Family: Medi-Cal Share of Cost (Public)
Karen	47	Self-employed merchandiser, husband is a city bus driver	$78,000 (368% FPL)	Married; three children, ages 11, 18 and 20 (eldest not in household)	Family: Private
Mary	52	Casino worker, husband works at a school	$56,800 (323% FPL)	Married; one son, age 18	Family: Private
Robert	50	Special education teacher's aide at a high school	$23,000 (221% FPL)	Widower	Self: Private
Wichita, Kansas					
Andrea	31	Waitress at a local restaurant	$13,500 (64% FPL)	Single; three children, ages 10, 12 and 16	Children: Healthwave/ Medicaid (Public) Mother: Uninsured
Chanda	23	Daycare center worker, husband works in construction/welding	$41,000 (193% FPL)	Married; two sons, ages 14 months and 2	Mother: Uninsured Husband and children: Private
Lee-ann	36	County social worker, husband works in hazardous waste removal	$67,000 (316% FPL)	Married; two children, ages 15 and 18	Family: Private
Nancy	48	Customer service representative, husband is an electrical maintenance worker	$45,500 (183% FPL)	Married; three children, ages 9, 14, and 17	Family: Private
Ron	59	Shipping and receiving clerk; wife is not empoyed	$30,000 (214% FPL)	Married; one adult daughter and four grandchildren (not in household)	Self and wife: Private

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This report (#7849) is available on the Kaiser Family Foundation's website at www.kff.org.