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POLICY BRIEF:

The Effects of Smoking on Health Insurance Decisions Under the Affordable Care Act

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Key Findings

- The Affordable Care Act (ACA) allows insurance companies to add a premium surcharge of up to 50% based on smoking status. This surcharge is not subsidy-adjusted for low-income consumers.
- Higher smoking rates have been correlated with other vulnerability factors, such as socioeconomic status and chronic health conditions.
- The tobacco surcharge may limit the Marketplace health insurance options for low-income smokers. Even if they can afford premiums, smokers are unlikely to be able to afford premiums for plans providing adequate coverage.

Introduction

Approximately 27% of uninsured adults in the United States are smokers, compared to 17% of the overall adult population.[1] According to the ACA, monthly health insurance premiums can be up to 50% higher for smokers than for nonsmokers due to tobacco premium surcharges.[2] High premiums may make health insurance unaffordable for a large percentage of the population. If so, the ACA may fail to provide affordable health care coverage for many smokers who find that they are unable to pay premiums to obtain health insurance.

Families subject to tobacco surcharges may be forced to spend up to 10% of their income just to obtain health insurance.[3] From 2004 to 2014, the cost of deductibles rose 256%, yet average workers' wages only rose 32% in the same time frame, making many of these high-deductible, low-premium plans a poor value.[4] While the ACA seeks to alleviate the financial burden on families for whom the lowest cost coverage available would cost more than 8% of their income by exempting them from the coverage mandate, in so doing, it fails to provide for their health care needs.[3]

Smokers often have chronic health needs from conditions such as COPD, emphysema, asthma, and others.[5] As a result, smokers spend an average of 21% more on inpatient and outpatient care, and spend 28% more on medications than non-smokers. Consequently, although high-deductible plans with lower premiums may be all that low-income smokers can afford, these plans do not provide enough coverage for their care.[6]

Tobacco users are able to reduce premiums through participation in smoking cessation and wellness programs.[7] However, some programs are not fully covered by health insurance policies, require co-payments, or require prior authorization for enrollment, which may deter smokers from utilizing such programs. Given the tobacco premium surcharge, smokers may seek to obscure their tobacco use, refrain from utilizing tobacco cessation programs, or avoid buying health insurance altogether.[8] Studies have found, however, that covering tobacco cessation pays for itself in medical care savings.[9] Not only is the surcharge preventing people from quitting and preventing them from buying coverage, it is financially unnecessary as well.

Smokers already pay high taxes on cigarettes. A study conducted on the Behavioral Risk Factor Surveillance System found that compared to those smokers who were not forced to pay the tobacco surcharge, smokers subject to a medium to high tobacco surcharge saw a reduction in health insurance coverage and were no more likely to quit smoking than those who were not subject to the tobacco surcharge.[10] While the tobacco surcharge on health insurance premiums is meant to help recoup some of the additional costs that smokers incur, in actuality it discourages them from contributing toward their own healthcare costs, thereby counteracting any benefits to public health.

Data and Methods

In this analysis, we explored the financial effects of the tobacco surcharge on smokers seeking health insurance in the ACA marketplace in a state that did not expand Medicaid. Participants were part of a larger randomized study evaluating a decision tool to support individuals' health insurance marketplace choices. In this brief, we describe the health insurance plans smokers and non-smokers intended to choose, the percent of their income they would need to spend on health insurance premiums to obtain the insurance plan, and how much coverage those plans provide relative to smokers' health needs.

Results

In a sample of 229 individuals, 36% of participants were either smokers or had a dependent smoker in the household. Almost 66% of those participants were uninsured. More than 87% had incomes <250% of FPL. Smokers selected silver plans at a greater rate than non-smokers (Table 1), perhaps due to the subsidies within these plans or their broader coverage. On average, smokers were more likely to have a higher number of chronic conditions than non-smokers (Figure 1). Participants who smoked would have to spend an average of 23.7% of their annual income on their preferred plan's annual premiums. Participants that were <100% FPL would need to spend an average of 164.7% of their annual income on their preferred annual plans (Table 2) and an average of 146.1% of their annual income on the lowest cost annual plans (Table 3).

Table 1. Characteristics of smokers and non-smokers

		Smokers (N=82)	Non-Smokers (N=147)
Race/Ethnicity	African Americans only	50 (61.0%)	79 (53.8%)
	White only	22 (26.8%)	40 (27.2%)
	Mixed, Other	10 (12.2%)	28 (19.0%)
Percent of Federal Poverty Level	<100	42 (51.2%)	69 (46.9%)
	100-249	30 (36.6%)	52 (35.4%)
	250-399	6 (7.3%)	12 (8.2%)
	400+	4 (4.9%)	14 (9.5%)
Education Level of Participant Surveyed	Less than high school	10 (12.2%)	7 (4.7%)
	High school diploma or GED	63 (76.8%)	88 (59.9%)
	College degree or more	9 (11.0%)	52 (35.4%)
Metal Level of insurance plan selected by participant*	Catastrophic/ Bronze	22 (27.8%)	63 (44.1%)
	Silver or higher**	57 (72.2%)	80 (55.9%)
Uninsured rates	Insured	28 (34.1%)	80 (54.4%)
	Uninsured	54 (65.9%)	67 (45.6%)

*N=79 for smokers (all participants), N=143 for non-smokers (all participants)
**Only 2 participants selected gold plans, both were non-smokers

Figure 1. Chronic conditions of smokers and non-smokers (includes self and dependents)

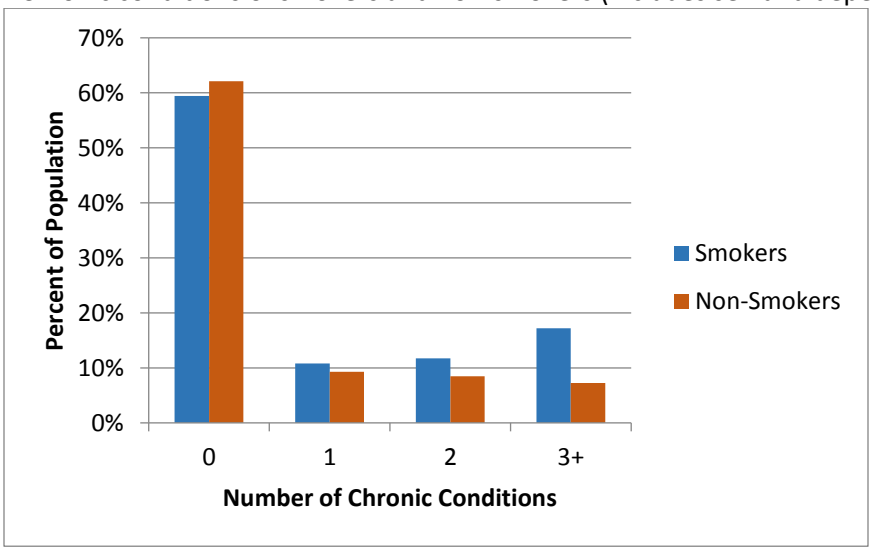

Table 2. Annual Premium of Preferred Plan as Percent of Annual Income for Tobacco User (Self or Dependent) Participants[1]

		Overall (n=77)	< 100% FPL (n=40)	100% - 249% FPL (n=28)	250% - 399% FPL (n=6)	> 400% FPL (n=3)
Annual Premium as % Annual Income	**Median**	23.7%	164.7%	5.2%	6.8%	8.5%
	Range[2]	0.0% - 1339200.0%	17.2% - 1339200.0%	0.0% - 10.7%	5.6% - 8.2%	7.4% - 9.4%

[1]Plan choice data was not available for 10 participants in < 100% FPL income bracket.

[2]Range includes 16 participants reporting annual income < $1000. In MO where Medicaid was not expanded, an adult without children cannot qualify for Medicaid due to income alone.

Table 3. Annual Premium of Lowest Annual Cost Plan as Percent of Annual Income (Self or Dependent) Participants

		Overall (n=82)	< 100% FPL (n=42)	100% - 249% FPL (n=30)	250% - 399% FPL (n=6)	> 400% FPL (n=4)
Annual Premium as % Annual Income	**Median**	17.9%	146.1%	2.2%	6.7%	5.9%
	Range[3]	0.0% - 1046400.0%	17.2% -1046400.0%	0.0% - 9.2%	4.9% -7.2%	5.1% -10.1%

Discussion

Smokers may suffer from chronic conditions that require greater care. They are more likely to suffer from chronic obstructive pulmonary disorder (COPD), emphysema, chronic bronchitis, asthma, and lung cancer than non-smokers.[5] Given their health care needs (mean number of conditions is 1.1, range 0-9 in this study), it is imperative for smokers to have health insurance plans that cover health care costs and procedures. Silver plans provide the best value for individuals with health needs, and are thus the most affordable plan that would cover the health care costs of smokers. However, it is unlikely that smokers are able to afford silver plans since most have lower income levels.[11] Though subsidies based on income are tied to the second lowest silver plan in the ACA Marketplace, tobacco premium surcharges are not subsidy-adjusted.

The median annual premium for the lowest cost plan as a percent of annual income for a smoker making below 100% of FPL was 146% of FPL (Table 3). At that cost, health insurance is unattainable for the majority of smokers, most of whom fall below 100% of the federal poverty level. In a non-expansion state such as Missouri, these smokers would not qualify for Medicaid. Although the ACA's mandated coverage provision is not enforced when the lowest cost coverage exceeds 8% of one's income, forgoing health insurance coverage comes at the price of poorer health outcomes.[12]

In this study, smokers preferred plans they were unable to afford given their annual income. In the marketplace, this could lead individuals to refrain from buying health insurance altogether.[8] The ACA will not reach its full potential if vulnerable individuals with health care needs are unable to afford health insurance and either select suboptimal insurance or forgo purchasing insurance.

Policy Recommendations

This study suggests the tobacco premium surcharge may dissuade smokers from purchasing health insurance rather than encourage them to stop using tobacco products. Smokers may forgo health insurance due to the exorbitant costs that are not subject to subsidies for those of low-income. This places a burden on smokers to cover the cost of potentially frequent health care needs. It also leaves other taxpayers and the health care system to bear the health care costs (e.g., procedures, medications, emergency room visits) of smokers who are uninsured. If insured by a marketplace plan, smokers would pay for at least a portion of this care themselves; if uninsured, they would be unlikely to do so. It is more beneficial, both for the health and wellness of the smoker and for the health care system, for smokers to be supported in the process of quitting smoking through

coverage of tobacco cessation programs and products. In addition, economic disincentives such as taxes on tobacco products can discourage non-smokers from starting and encourage current smokers to quit. Health insurance costs should not be structured in a way that makes insurance unattainable for smokers.

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