

Uninsured Stats Continue to Climb

Background – The number of uninsured and underinsured people has been on the upswing in recent years. An estimated 45 million people, or 15.6 percent of the American population, were without health insurance in 2003, up from 43.6 million people, or 15.2 percent, in 2002, according to the Census Bureau. In Pennsylvania, 1.4 million individuals were uninsured in 2003. The percent of uninsured Pennsylvanians grew from 7.3 percent to 11.4 percent between 2000 and 2003 (U.S. Census Bureau). The Pennsylvania Insurance Department is conducting a study of people without health insurance in Pennsylvania, including an estimate of the uninsured adult and child population at the state and county levels. The results will be reported in 2005.

The number of uninsured is higher when counting persons who lacked insurance for part of the year. About 85 million Americans went without health insurance for all or part of the two-year period 2003-2004, an increase of 12.7 million from 1999-2000, according to the consumer group Families USA. The number of Pennsylvanians under age 65 without insurance at some point during 2003-2004 was 2.8 million, up from 2.3 million in 2002-2003. More than three-fourths (75.8 percent) of uninsured Pennsylvanians were workers and members of working families.

Still others are “underinsured.” There were 1.96 million people under age 65 who spent more than 10 percent of their pre-tax income on direct health care costs: premiums, deductibles, co-payments, coinsurance and uncovered services, including bills for services later written off as charity care after failure to collect, according to Kathleen Stoll, Director of Health Policy Analysis for Families USA, citing an October 2004 analysis by the Lewin Group. Of the 1.96 million, 1.69 million had health insurance and are underinsured.

Small businesses say health care costs are crippling them. Based on current projections, the average family coverage cost for small businesses in Southwestern PA will be almost \$30,000 annually by 2009 (SMC 2003 Policy and Practice Survey).

Causes – First, the cost of *health insurance* has been increasing faster than inflation, and the cost of *health care* has been increasing faster than inflation for at least five years (U.S. Department of Labor and the Center for Medicare and Medicaid Services). As a result, employers are passing a larger share of the costs onto employees by reducing the coverage offered to employees or asking employees to shoulder larger co-pays or higher deductibles. Employees cannot always afford their increasing share of the costs and may drop coverage altogether.

Furthermore, some employers are eliminating health insurance for their employees. Only 63 percent of Americans below age 65 had coverage through their employers in 2003, a decline from 67 percent in 2001 according to the Center for Studying Health System Change. Layoffs, temporary job loss, job elimination, or termination may lead to periods of temporary loss of insurance.

Consequences – Health care cost inflation is crushing the ability of purchasers to create and sustain jobs and health insurance. For individuals, being without health insurance even for brief periods of time can cause serious consequences to their health and their economic security. The uninsured are less likely than insured individuals to have a source of primary care outside a hospital. They may seek care in an emergency room where, according to the *New England Journal of Medicine*, charges typically exceed the charge for the same services in a doctor’s office. The uninsured often postpone or forego needed medical care or prescriptions until it becomes more urgent and more expensive.

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Delaying medical care can have serious consequences; the Institute of Medicine estimates that lack of health insurance leads to 18,000 deaths annually. The *Kaiser 2003 Health Insurance Survey* found cost barriers affected those who were uninsured far more often than those who were insured.

Impact on Hospitals – The level of *uncompensated care* (treatment provided as charity care or where payment is not received) has risen over the past several years and is likely to continue to rise as the number of uninsured grows. A Kaiser Commission study released May 10, 2004 found that the nation's uninsured may receive \$41 billion in hospital uncompensated care services this year. In fiscal year 2004, PHC4 data shows that Pennsylvania hospitals reported \$512 million in uncompensated care. As many hospitals struggle to remain in the black, these uncompensated care costs are likely to be passed on, at least in part, to purchasers of health care. Hospitals argue that uncompensated care is a major factor contributing to their financial problems. In fact, 34% of Pennsylvania's general acute care hospitals lost money in FY 2004, according to PHC4's statewide *Financial Preview*.

Some hospitals are facing lawsuits alleging that hospitals accept discounted payments from health insurance companies while pursuing higher payments, billed at full charges, from uninsured patients. Hospitals say that individual patients, even if uninsured, rarely pay full charges and that numerous programs exist to work out discounted rates and payment plans for the uninsured.

A Vicious Cycle – Some attempts to respond to the plight of the uninsured, including public sector support, have sought to minimize the problem by offering partial or limited solutions emphasizing more health care coverage. These options are not, of course, cost-free; in fact, federal and state budgets are heavily strained by increasing health care costs for both state employees and medical assistance recipients.

In Pennsylvania, the growth in the cost of the current Medical Assistance program, due to inflation in health care costs as well as expanded enrollment, has meant that it is increasingly difficult for the state to generate the revenues necessary to meet projected spending. The pressures to address these mounting costs have lead Pennsylvania to explore new ways to expand the revenues available to pay for services and to restrain costs. For example, through the

joint efforts of Governor Ed Rendell and Senator Arlen Specter, the Commonwealth took advantage of provisions in federal law allowing the state to impose an assessment on nursing homes and use that funding to draw down additional federal dollars. This will enable the state to pay for increased reimbursements to nursing homes that otherwise would have had to have been paid for with state tax dollars. This assessment and a similar one on HMOs helped the state afford to meet its obligations to these vital health care providers.

States have historically been the laboratories for solutions to some of our most intractable problems. The federal CHIP program, for example, was created on the model developed here in Pennsylvania in the early nineties. Today, states continue to model new solutions. The state of Maine has created a program that would allow employers to buy coverage for workers through the state's Medical Assistance program. This could enable companies to provide more comprehensive coverage at a better price because it would generate a match in funding from the federal government. Pennsylvania, and other states, are watching this experiment closely to see if it could help more small businesses provide coverage for their employees. In addition, Governor Rendell's Office of Health Care Reform (OHCR) has applied for a federal planning grant for technical assistance that could help make health care coverage more affordable to small employers.

The issue of the uninsured is a major component of the current vicious cycle of health care problems. Costs skyrocket. Purchasers are forced to increase co-pays, deductibles and cost sharing, limit benefits or drop coverage altogether. Increasingly purchasers can't afford to provide benefits, so more people lose benefits. This leads to more costly emergency room care and limited access to preventive and primary care, leading to more expensive treatment for increasingly severe illnesses. These costs rebound to hospitals in the form of uncompensated care, some of which is quietly shifted to paying purchasers and public sector programs like Medicare and Medical Assistance and some of which is undoubtedly absorbed by hospitals as losses.

Purchasers, providers, insurers, policy makers and other stakeholders will have to work together if solutions are to be found. One way or another, everyone pays and the pressures on the system only intensify.

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