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31 MILLION PEOPLE WERE UNDERINSURED IN 2014; MANY SKIPPED NEEDED HEALTH CARE AND DEPLETED SAVINGS TO PAY MEDICAL BILLS

New Report Finds Rising Deductibles Likely Factor In Underinsured Rates as Share of People With High Deductibles Relative to Incomes Has More Than Tripled Since 2003

New York, NY, May 20, 2015—Thirty-one million people with health coverage in the United States were underinsured in 2014, according to a new Commonwealth Fund report. The share of working-age adults who had health insurance all year but were underinsured was statistically unchanged since 2010, after nearly doubling, from 12 percent to 22 percent, between 2003 and 2010. People are considered underinsured if they have had health insurance for a full year, but have high deductibles or out-of-pocket expenses relative to their income.

The study, *The Problem of Underinsurance and How Rising Deductibles Will Make It Worse*, is based on The Commonwealth Fund's Biennial Health Insurance survey, which interviewed people 19-64 years old between July and December 2014. It could not separately assess the effects of the Affordable Care Act on underinsurance because people insured all year in the survey had coverage that began prior to the law's major insurance expansions going into effect.

According to the report, the financial consequences of being underinsured are significant. Half (51%) of those who were underinsured had problems paying medical bills or were paying off medical debt over time. More than one-third either had trouble paying or couldn't pay their medical bills (38%) and one-third had medical debt they were paying off over time (34%). More than one-fifth were contacted by a collection agency over unpaid medical bills (23%) or said they had to change their way of life in order to pay their medical bills (22%).

"The financial and health insecurity that comes from being underinsured is substantial and puts people's health and well-being at risk," said Commonwealth Fund President David Blumenthal, M.D. “If health insurance costs continue to be shifted to consumers at the rates we have seen over the past ten years, the problem will likely grow.”

Underinsured adults who had difficulties paying their medical bills reported the following consequences:

- Forty-four percent received a lower credit rating.
- Forty-seven percent used all of their savings.
- Thirty-four percent took on credit card debt.
- Nine percent took out a mortgage against their home or a loan.
- Seven percent declared bankruptcy.

In addition to financial strain, people who were underinsured also skipped needed health care—44 percent either didn’t go to the doctor when they were sick; did not fill a prescription; skipped a physician–recommended medical test or follow-up visit; or didn’t see a specialist when their doctor told them to do so.

Who Is Underinsured?

People with health insurance through their jobs are increasingly underinsured as employers, particularly firms with 100 or fewer employees, are sharing more of their health care costs with employees, especially in the form of higher deductibles. While people buying coverage on their own are still more likely to be underinsured than those with employer coverage (37% vs. 20%), the share of people with employer insurance who are underinsured has doubled since 2003, when it was 10 percent.

According to the report, underinsured rates were higher among those working in small firms with health benefits through their jobs—27 percent were underinsured compared to 14 percent in firms with 100 or more workers. Adults under age 65 who are disabled and covered by Medicare were underinsured at the highest rate of any group in the survey (42%).

People with health problems were more likely to be underinsured. Thirty percent of people in poor health or who had a chronic health problem or disability were underinsured, compared with 16 percent of those who were healthier.

Rising Deductibles Contribute to the Underinsured Rate

Over the past 10 years, deductibles have contributed to underinsured rates in two ways: more people than ever before have plans with deductibles, and those deductibles are taking up larger shares of people’s incomes. According to the report, in 2003, 40 percent of people with private health insurance had no deductible, while in 2014 just 25 percent didn’t have one. In 2014, 14 million people had deductibles that were 5 percent or more of their income, while only 4 million had deductibles that high in 2003. The impact has been substantial. While many people were underinsured because they had high out-of-pocket costs and high deductibles, 7 million people were underinsured due to deductibles alone in 2014.

When looking at high deductibles by type of insurance, the report found that 11 percent of people with employer plans and 24 percent with individual market plans had high deductibles in 2014, up from 2 percent and 7 percent respectively in 2003. People in small firms with insurance through their jobs were more likely to have a high deductible than those in larger firms (20% vs. 8%).

“People with health insurance should be able to get the health care they need without depleting their savings accounts or worrying about potential bankruptcy,” said Sara Collins, vice president for Health Care Coverage and Access at The Commonwealth Fund and the report’s lead author. “Changing the way we design health insurance benefits to keep rising deductibles in check could help keep health care affordable.”

Additional Report Findings

- **Underinsured rates in the four largest states.** In the four largest states, the underinsured rate varied from 19 percent in California and 22 percent in New York to 29 percent in Florida and 31 percent in Texas.
- **Slight decline in underinsured rate among low-income people.** Forty-two percent of people who were insured all year and had incomes below 200 percent of the federal poverty level ($22,980 for an individual, $47,100 for a family of four) were underinsured in 2014, compared with 49 percent in 2010.
- **Health insurance problems among the underinsured.** Thirty-six percent of underinsured adults reported expensive medical bills under their current health plans that were not covered by insurance; 37 percent said their doctor had charged them more than the insurance would pay and they had to pay the difference; 25 percent said their health plan denied payment for medical care they had received; and 20 percent said a doctor’s office told them they did not accept their insurance.

Moving Forward

Even among families with health insurance, the report demonstrates how the growing share of health care costs that families must pay themselves has a substantial impact on their ability to afford the care they need. Changes in health insurance design that keep deductibles from rapidly increasing could help consumers. In addition, policies that eliminate gaps in health plans could alleviate the unexpected costs many families face—for example, when they are unknowingly treated by out-of-network physicians in in-network hospitals. Finally, system-wide efforts to lower the underlying rate of medical cost growth and share any resulting savings with consumers are needed.

When the embargo lifts, the full report will be available at http://www.commonwealthfund.org/publications/issue-briefs/2015/may/problem-of-underinsurance

Methodology

This report is based on data from the Commonwealth Fund Biennial Health Insurance Survey, 2014, which was conducted by Princeton Survey Research Associates International from July 22 to December 14, 2014. The survey consisted of 25-minute telephone interviews in either English or Spanish and was conducted among a random, nationally representative sample of 6,027 adults ages 19 and older living in the continental United States. A combination of landline and cellular phone random-digit dial samples was used to reach people. In all, 3,002 interviews were conducted with respondents on landline telephones and 3,025 interviews were conducted on cellular phones, including 1,799 with respondents who live in households with no landline telephone access. This report limits the analysis to respondents ages 19 to 64 (n=4,251), and much of the report focuses on adults who have been insured all year (n=3,032). An oversample of the four largest states, California, Florida, New York, and Texas, was collected until December 27, 2014.

The weighted sample is representative of the approximately 182.8 million U.S. adults ages 19 to 64. The survey has an overall margin of sampling error of +/– 2 percentage points at the 95 percent confidence level. Estimates are also reported from the 2003, 2005, 2010, and 2012 Commonwealth Fund Biennial Health Insurance Surveys.

In this analysis, we use a measure of underinsurance that takes into account an insured adult's reported out-of-pocket costs over the course of a year, not including premiums, and the health plan deductible. The measure was developed by Cathy Schoen and first used in The Commonwealth Fund's 2003 Biennial Health Insurance Survey. These actual expenditures and the potential risk of expenditures, as represented by the deductible, are then compared with household income. Specifically, someone who is insured all year is underinsured if:

- out-of-pocket costs, excluding premiums, over the prior 12 months are equal to 10 percent or more of household income; or
- out-of-pocket costs, excluding premiums, are equal to 5 percent or more of household income if income is under 200 percent of the federal poverty level ($22,980 for an individual and $47,100 for a family of four); or
- deductible is 5 percent or more of household income.

The out-of-pocket cost component of the measure is only triggered if a person uses his or her plan. The deductible component provides an indicator of the financial protection the plan offers and the risk of incurring costs even before a person uses the plan. The definition does not include people who are at risk of incurring high costs because of other design elements, such as exclusion of certain covered benefits and copayments. It therefore provides a conservative measure of underinsurance in the United States.