



Trends in Underinsurance and the Affordability of Employer Coverage, 2004–2007

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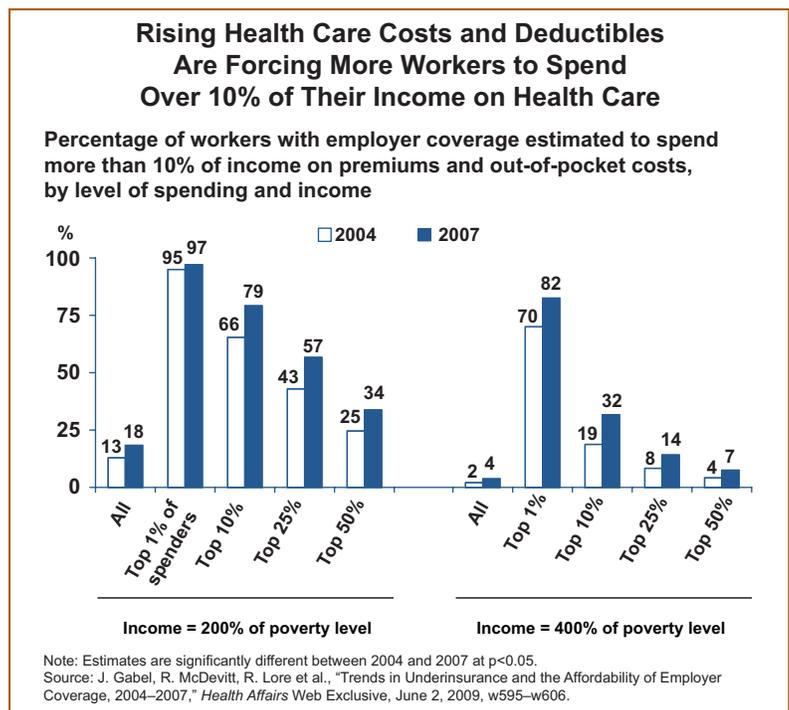
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Synopsis

A study of trends in employer-sponsored health insurance found that plan enrollees’ out-of-pocket expenses grew by more than one-third between 2004 and 2007, affecting some 161 million Americans in all types of plans. Those who are sicker and poorer are often underinsured.

The Issue

For many workers, health insurance is becoming prohibitively expensive, with premium shares and out-of-pocket medical expenses steadily rising. Some economists and actuaries claim, however, that employees do not have enough “skin in the game”—that higher patient cost-sharing is needed to prevent overuse of health services and keep health costs under control. Jon Gabel and colleagues analyzed medical claims and health benefits survey data to better understand changes in the financial protection workers with insurance have, their out-of-pocket expenses, the affordability of coverage, and underinsurance rates.



Key Findings

- Among adults with employer-sponsored health coverage, out-of-pocket (OOP) spending—including premium shares, deductibles, copayments, and coinsurance—increased by 34 percent between 2004 and 2007, from \$545 to \$729. Out-of-pocket spending rose 42 percent for the 1 percent of adults with the greatest medical expenses.

- The number of individuals living at 200 percent of the federal poverty level whose expected OOP spending on premiums and medical services exceeded 10 percent of income (an affordability threshold used for the study) rose from 13 percent to 18 percent. Affordability decreased at all incomes levels between 2004 and 2007.
- Gabel and colleagues considered individuals underinsured if their OOP spending on medical services (excluding premiums) would be expected to exceed 5 percent or 10 percent of income. For people at 200 percent of the poverty level, about 20.3 percent of those with ESI exceeded the 5 percent threshold in 2007, up from 16.5 percent in 2004.
- Fifty-seven percent of the increase in workers' OOP payments was attributable to higher cost-sharing for medical services and 43 percent to higher premium contributions.
- While most of the increase in OOP costs resulted from growth in overall health care spending, the actuarial value of employer-sponsored insurance declined slightly as the percentage of plans with deductibles—and the average size of deductibles—grew.

Addressing the Problem

Many health plans provide adequate financial protection for individuals with higher incomes. But for people with moderate to low incomes, particularly the poor and the sick, the rise in overall health care costs is making insurance—and care itself—unaffordable. The study's findings highlight the need for public policies aimed at controlling health care costs and ensuring that everyone has access to affordable health coverage.

"In America, if you are sick and earn a modest income, then you are probably underinsured—even with employer-based health coverage."

About the Study

The researchers simulated health plan and out-of-pocket spending from 2004 to 2007 using medical claims from the MarketScan database, which includes some 10 million individuals with employer-based insurance. These data were used to calculate what members would pay for the same services under each kind of plan: HMO, point-of-service plan, preferred provider organization, and high-deductible plan with savings options. Plan information came from the 2007 Kaiser Family Foundation/Health Research and Educational Trust health benefits survey.

The Bottom Line

A growing number of Americans enrolled in employer-sponsored health plans are dealing with substantially higher premium and other out-of-pocket costs, largely because of the growth in health care costs overall. Even if benefit packages hold steady, without health system reform, more people will be underinsured or unable to afford any coverage at all.

Citation

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