



**HEALTH CARE COSTS AND INSTABILITY OF INSURANCE: IMPACT ON
PATIENTS' EXPERIENCES WITH CARE AND MEDICAL BILLS**

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EXECUTIVE SUMMARY

The recent reports of uninsured patients struggling to pay exorbitant hospital bills have lent a human face to a health care system under enormous strain. Growing numbers of Americans are experiencing gaps in their insurance coverage—gaps that expose them to the routine costs of preventive care as well as the catastrophic costs associated with serious accidents and illnesses. The number of people without health insurance climbed to 43.6 million in 2002, nearly 4 million more than two years before. At the same time, national health care spending grew at a rate of 9.3 percent in 2002, the highest annual increase in a decade. Health insurance premiums rose even more rapidly, increasing by 13.9 percent in 2003, the third consecutive year of double-digit inflation.

Employers are responding to rising premiums by sharing more of their costs with employees and offering new insurance products that shift more financial risk to workers. A severe fiscal crisis has led many state governments to restrict eligibility for public programs such as Medicaid and the Children's Health Insurance Program (CHIP)—a development that is likely to increase the number of people without coverage.

The Commonwealth Fund Biennial Health Insurance Survey, a nationally representative survey of more than 4,000 adults, interviewed people about the extent and quality of their health insurance coverage in late 2003. The survey revealed growing instability in insurance coverage, particularly among people with low incomes and minorities. It also found evidence of an erosion in the quality of benefits received by people who have health insurance. Gaps in insurance coverage and rising health care costs are preventing large shares of both uninsured and insured Americans from getting the health care they need. In addition, the survey found high rates of medical bill problems, among the insured and uninsured alike. Many families with medical debt face stark trade-offs between life necessities like food and rent and paying down their debt.

Key findings from the survey include:

- The share of working-age adults (ages 19 to 64) who experienced a time without insurance coverage increased to 26 percent in 2003, up from 24 percent in 2001, the last year the Commonwealth Fund survey was conducted. In 2003, 17 percent of adults said that they were uninsured at the time of the survey, while an additional 9 percent had coverage at the time of the survey but had been uninsured for part of the previous 12 months.
- Insurance coverage was most unstable among those with the lowest incomes and among minorities. More than half (52%) of adults ages 19 to 64 in households earning less than \$20,000 per year were uninsured for some time during 2003. The erosion of health insurance was most marked for families with incomes between \$20,000 and \$35,000—35 percent were without coverage during the year, up from 28 percent in 2001. Nearly half (47%) of all Hispanics experienced a time uninsured, and coverage for African Americans worsened considerably—the share of those with a time uninsured rose from 27 percent in 2001 to 38 percent in 2003.

- In addition to eroding insurance coverage, the survey found evidence of a decline in the quality of coverage among those who are insured. Nearly half (49%) of those who were insured all year through private coverage said that they had experienced either an increase in the amount they pay for their premiums, an increase in their share of medical bills, or cutbacks or new limits in their health benefits.
- Nearly everyone with private coverage pays something out-of-pocket when they obtain health care services. The survey asked adults how much they paid out-of-pocket over the last 12 months, excluding premiums, for their own personal prescription medicines, dental and vision care, and all other medical services, including doctors, hospitals, and tests. Two of five adults (41%) with employer-sponsored coverage paid less than \$500 annually in out-of-pocket costs; a third (36%) paid between \$500 and \$2,000 per year; 13 percent paid \$2,000 or more per year; and 10 percent did not respond or did not know. People with coverage in the individual market paid more than those with employer sponsored coverage—23 percent had annual out-of-pocket costs of \$2,000 or more.
- Adults with low or moderate incomes spend the greatest share of their earnings on out-of-pocket health care costs. Of those with private coverage who had annual incomes of less than \$20,000, 29 percent spent 5 percent or more of their income on out-of-pocket costs and 17 percent spent 10 percent or more. More than one-fifth (23%) of those in the next income bracket (\$20,000 to \$34,999) spent 5 percent or more of their income on out-of-pocket costs. Among those with annual incomes of \$60,000 or more, just 2 percent spent that much on out-of-pocket costs.
- Erosion in insurance coverage appears to be impeding Americans' ability to get health care. The share of people who reported problems getting the health care they needed because of cost increased from 29 percent in 2001 to 37 percent in 2003. Those problems included: not filling a prescription; having a medical problem but not going to a physician or clinic; skipping a medical test, treatment, or follow-up visit recommended by a doctor; or not seeing a specialist when a doctor or the respondent thought it was needed.
- Access problems were most severe among those who experienced a period without health insurance in the previous 12 months. Around three of five of those who had a time uninsured said they had problems getting the care they needed because of cost. But even those with coverage all year reported problems. Three of 10 (29%) of those who were continuously insured reported that they did not get the care they needed because of cost, up from 21 percent in 2001.
- Many Americans are having problems paying their medical bills. In the survey, two of five adults (41%) ages 19 to 64—more than 70 million people—said they had problems with their medical bills in the last 12 months or were paying off medical debt accrued over the last three years. Problems included: having difficulty paying or being unable to pay medical bills, being contacted by a

collection agency concerning outstanding medical bills, or being forced to make significant life changes in order to pay such bills.

- Medical bill problems were most common among those who experienced a time uninsured, with around 60 percent reporting problems with bills or were paying off debt. But even those who were continuously insured cited problems—more than a third (35%) said that they had either a medical bill problem or were paying off debt over time. Individuals who were continuously insured and had incomes under \$35,000 were particularly affected, with 45 percent of this group citing such problems. Moreover, among those with bill problems or past debt, nearly two-thirds (62%) said the bills had been incurred either for themselves or for a family member who had been insured at the time.
- Medical bills are creating financial hardship among many families. Among those who said they had a medical bill problem in the last 12 months or were paying off accrued medical debt, more than a quarter (27%) reported that they had been unable to pay for basic necessities like food, heat, or rent because of medical bills. More than two of five (44%) said they had used all or most of their savings to pay their medical bills; one-fifth (20%) said that they had run up large credit card debts or had to take out loans against their homes in order to pay these bills.

The recent conflict between uninsured patients and hospitals over payment is a symptom of two underlying trends in the U.S. health care system: growing instability in health insurance coverage and rapid growth in health care costs. Health insurance has become both less available and more expensive to workers and their families, and health care itself continues to become more expensive. Indeed, health care cost growth is expected to outpace the growth rate in the economy by a wide margin for the foreseeable future. Against this backdrop, patients, providers, employers, workers, labor unions, and federal, state, and local governments are struggling to solve serious problems that stem from a far greater crisis.

The practice of hospitals billing uninsured patients more than negotiated rates with insurers is troublesome and will only increase access and medical debt problems for uninsured families. And some hospitals' methods to attempt to recover medical debt from patients—charging high interest rates, having collection agencies harass them, and placing liens on their homes—are simply deplorable. Developing policies that would discourage hospitals from either practice is necessary. But in the meantime, the pressures that gave rise to this conflict will continue to grow apace. In the end, small policy changes will need to be accompanied by broad policy solutions that address the root cause of the affordability crisis in U.S. health care—policies that would expand access to affordable health insurance and reduce the rate of health care cost inflation.

HEALTH CARE COSTS AND INSTABILITY OF INSURANCE: IMPACT ON PATIENTS' EXPERIENCES WITH CARE AND MEDICAL BILLS

Sara R. Collins

Thank you, Mr. Chairman, for this invitation to testify today on the growing affordability crisis in the U.S. health care system. The recent reports of uninsured patients struggling to pay exorbitant hospital bills have lent a human face to a health care system under enormous strain.¹ Growing numbers of Americans are experiencing gaps in their insurance coverage—gaps that expose them to the routine costs of preventive care as well as the catastrophic costs of serious accidents and illnesses. The number of people without health insurance climbed to 43.6 million in 2002, nearly 4 million more than were uninsured two years before (Chart 1).² At the same time, national health care spending grew at a rate of 9.3 percent in 2002, the highest annual increase in a decade (Chart 2).³ Health insurance premiums rose even more rapidly, increasing by 13.9 percent in 2003, the third consecutive year of double-digit inflation (Chart 3).⁴ Employers are responding to rising premiums by sharing more of their costs with employees and offering new insurance products that shift more financial risk to workers (Chart 4).⁵ A severe fiscal crisis has led many state governments to restrict eligibility in public programs such as Medicaid and the Children's Health Insurance Program (CHIP)—a development that is likely to increase the number of people without coverage.⁶

¹ R. Abelson and J.D. Glater, "Nonprofit Hospitals Said to Overcharge Uninsured," *New York Times*, June 17, 2004; L. Lagnado, "Dunned for Old Bills, Poor Find Some Hospitals Never Forget," *The Wall Street Journal*, June 8, 2004; C. Pryor et al., *Unintended Consequences: How Federal Regulations and Hospital Policies Can Leave Patients in Debt* (New York: The Commonwealth Fund, June 2003); C. Pryor and B. Seifert, *Unintended Consequences: An Update on Consumer Medical Debt* (New York: The Commonwealth Fund, June 2004).

² R.J. Mills and S. Bandhari, *Health Insurance Coverage in the United States: 2002*, Current Population Reports (Washington, D.C.: U.S. Census Bureau, September 2003).

³ K. Levit et al., "Health Spending Rebound Continues in 2002," *Health Affairs* 23 (January/February 2004): 147–59; K. Davis, *Making Health Care Affordable for All Americans*, Invited testimony before the Senate Committee on Health, Education, Labor, and Pensions hearing on "What's Driving Health Care Costs and the Uninsured?" January 28, 2004.

⁴ J. Gabel et al., "Health Benefits in 2003: Premiums Reach Thirteen-Year High as Employers Adopt New Forms of Cost Sharing," *Health Affairs* 22 (September/October 2003): 117–26.

⁵ J. Gabel et al.; S.R. Collins, C. Schoen, M.M. Doty, and A.L. Holmgren, *Job-Based Health Insurance in the Balance: Employer Views of Coverage in the Workplace* (New York: The Commonwealth Fund, March 2004).

⁶ M. Nathansan and L. Ku, *Proposed State Medicaid Cuts Would Jeopardize Health Insurance Coverage for 1.7 Million People: An Update* (Washington, D.C.: Center on Budget and Policy Priorities, March 21, 2003).

The state of our nation's health care system is creating profound conflicts between providers, whose mission it is to care for patients, and patients, whose access to and trust in the health care system is crucial to the maintenance of a vital and productive society. Private and public health care providers spend an estimated \$35 billion a year on care for uninsured patients that goes uncompensated.⁷ At the same time, evidence from the recent Commonwealth Fund Biennial Health Insurance Survey shows that being uninsured or having gaps in insurance coverage interferes with people's ability to get the health care they need.⁸ The Institute of Medicine warns that leaving more than 40 million people without insurance coverage costs the U.S. economy an estimated \$65 billion to \$130 billion annually in lost productivity.⁹

Rising health care costs are also creating conflicts in the workplace, as U.S. companies, for lack of other options, shift more health care risk to employees in the form of increased deductibles, greater premium sharing, and higher copayments. Yet, Americans already pay more out-of-pocket for their medical care than people in any other industrialized country.¹⁰ Higher cost-sharing thus raises concerns that even people who have insurance coverage will forgo needed medical care, face out-of-pocket costs that might consume substantial shares of their income, or drop their coverage altogether.¹¹

The Commonwealth Fund Biennial Health Insurance Survey, a nationally representative survey of more than 4,000 adults, interviewed people about the extent and quality of their health insurance coverage in late 2003. The survey revealed growing instability in insurance coverage, particularly among people with low incomes and minorities. In addition, the survey found evidence of erosion in the quality of benefits among people who have health insurance. Gaps in insurance coverage and rising health care costs are preventing large shares of both uninsured and insured Americans from getting the health care they need. The survey also found high rates of medical bill

⁷ J. Hadley and J. Holahan, "How Much Medical Care Do the Uninsured Use, and Who Pays for It?" *Health Affairs* Web Exclusive (12 February 2003): W3-66–W3-81.

⁸ S.R. Collins et al., *The Affordability Crisis in U.S. Health Care: Findings from the Commonwealth Fund Biennial Health Insurance Survey* (New York: The Commonwealth Fund, March 2004).

⁹ Institute of Medicine, *Hidden Costs, Value Lost: Uninsurance in America* (Washington, D.C.: National Academy Press, 2003).

¹⁰ K. Davis, *Making Health Care Affordable for All Americans*, Invited testimony before the Senate Committee on Health, Education, Labor, and Pensions hearing on "What's Driving Health Care Costs and the Uninsured?", January 28, 2004.

¹¹ S. Trude, *Patient Cost-Sharing: How Much Is Too Much?* Issue Brief No. 72 (Washington, D.C.: Center for Studying Health System Change, December 2003).

problems among uninsured and insured alike. Many families with medical debt face stark trade-offs between life necessities like food and rent and paying down their debt. Key findings from the survey and other recent reports are discussed below.

Insurance Coverage Is Becoming Increasingly Unstable

The Commonwealth Fund Biennial Health Insurance Survey shows that health insurance coverage is becoming increasingly unstable. In the survey, respondents were asked whether they were insured at the time of the survey and whether they had lacked insurance at any time during the previous 12 months. Twenty-six percent of adults ages 19 to 64 had experienced at least some time uninsured in 2003: 17 percent were uninsured at the time of the survey, and 9 percent had been uninsured during part of the previous 12 months (Chart 5). In 2001, the last year that the Commonwealth Fund survey was conducted, 24 percent of respondents were uninsured for at least part of the year.¹²

Insurance instability is particularly acute among people with low incomes. More than half (52%) of adults ages 19 to 64 in households earning less than \$20,000 per year were uninsured for some time during 2003, up slightly from 49 percent in 2001.¹³ The erosion of health insurance was most marked for families with incomes between \$20,000 and \$35,000—35 percent were without coverage during the year, up from 28 percent in 2001.¹⁴ Sixteen percent of adults in households with incomes between \$35,000 and \$60,000 experienced a time without health insurance in 2003.

Minorities experience similarly high rates of instability in coverage. Nearly one-half (47%) of Hispanics were without health insurance at some point during the year in 2003, with more than one-third reporting that they were uninsured at the time of the survey (Chart 6). African Americans experienced a significant loss of coverage in the 2001–03 period: the share without coverage jumped from 27 percent in 2001 to 38 percent in 2003, with most of the increase attributable to an increase in those who were uninsured at the time of the survey (14% to 23%).¹⁵

Other recent analyses of surveys that track people over time shows that many low-income workers and minorities remain without coverage for years at a time.

¹² Increase statistically significant at $p < .05$.

¹³ Increase statistically significant at $p < .05$.

¹⁴ Increase statistically significant at $p < .05$.

¹⁵ Increase statistically significant at $p < .05$.

Research by Pamela Farley Short and colleagues found that from 1996 to 2000, 42 percent of children and adults under age 65 with incomes less than 200 percent of poverty had been uninsured for more than one year, and nearly 3 of 10 (28%) were uninsured more than two years.¹⁶ Michelle Doty and Alyssa Holmgren of The Commonwealth Fund found that 37 percent of Hispanic workers with incomes under 200 percent of poverty who had been employed full-time in the 1996–2000 period were uninsured for the full four years.¹⁷

Insurance instability is also a serious problem among young adults ages 19 to 29. In the Commonwealth Fund survey, 40 percent of young adults said that they were without coverage at some point during the year. This is nearly twice the rate found for those ages 30 to 64 who experienced a time without coverage in 2003. Age 19 is a critical turning point in insurance eligibility among both privately and publicly insured young adults. Nearly 60 percent of employers who offer health benefits stop covering dependent children at age 18 or 19 if they do not go on to college.¹⁸ The Medicaid and CHIP programs reclassify all children as adults at age 19, meaning that most low-income young adults become ineligible for public coverage, since eligibility for adults generally is restricted to very low income parents or disabled adults. Jobs available to young adults are usually low wage or temporary—the type that generally do not come with health benefits. A recent Commonwealth Fund report found that more than half of high school graduates who do not go on to college experience a time uninsured in the year following graduation (Chart 7).¹⁹ Among those who do go on to college, graduation also marks a break in coverage—nearly two of five college graduates experience a time uninsured in the year following graduation.

Workers without insurance coverage are concentrated in small firms, which face greater costs for coverage than do large employers and higher financial risks from

¹⁶ P.F. Short and D.R. Graefe, “Battery-Powered Health Insurance? Stability in Coverage of the Uninsured,” *Health Affairs* 22 (November/December 2003): 244–55; P.F. Short, D.R. Graefe, and C. Schoen, *Churn, Churn, Churn: How Instability of Health Insurance Shapes America’s Uninsured Problem* (New York: The Commonwealth Fund, November 2003).

¹⁷ M.M. Doty and A.L. Holmgren, *Unequal Access: Insurance Instability Among Low-Income Workers and Minorities* (New York: The Commonwealth Fund, April 2004).

¹⁸ S.R. Collins, C. Schoen, M.M. Doty, and A.L. Holmgren, *Job-Based Health Insurance in the Balance: Employer Views of Coverage in the Workplace* (New York: The Commonwealth Fund, March 2004).

¹⁹ S.R. Collins, C. Schoen, K. Tenney, M.M. Doty, and A. Ho, *Rite of Passage? Why Young Adults Become Uninsured and How New Policies Can Help* (New York: The Commonwealth Fund, May 2004).

providing benefits to only a small pool of workers.²⁰ But the long-term shift away from manufacturing in the U.S. economy, coupled with declines in the rate of unionization in the workforce, has led to an increase in the share of uninsured workers employed in large firms. A recent Commonwealth Fund report by researchers Sherry Glied, Jeanne Lambrew, and Sarah Little found that from 1987 to 2001, the proportion of uninsured workers who were employed by firms with more than 500 employees grew from 25 percent to 32 percent (Chart 8).²¹

The Quality of Health Benefits Is Eroding

In addition to declining insurance coverage, the Commonwealth Fund Biennial Health Insurance Survey also finds evidence of erosion in the quality of coverage among those with health insurance. Working-age Americans reported that they were now paying more for their insurance coverage and more for their medical care than they were one year ago. Two of five (43%) adults under age 65 with private coverage who contribute to their premiums said that the amount they pay for premiums had increased by a moderate amount or a lot in the past year, with nearly one of five (19%) saying the amount had increased a lot (Chart 9, Table 1). More than half (58%) of those with coverage in the individual insurance market said that their premiums had risen by a moderate amount or a lot, with a third (34%) saying that their premiums had gone up a lot. More than a quarter (28%) of people with employer or individual coverage said that their share of medical bills had risen by a moderate amount or a lot.

In addition to paying more for their care, many privately insured adults also reported that their health plans are cutting back or placing new limits on covered benefits. The survey asked whether people had experienced reductions in the benefits covered by their insurance plans. Reductions could be dropping coverage for prescription drugs, dental care, vision care, or mental health, or placing limits on benefits. About one-fifth (21%) of people with private coverage said that their benefits had been curtailed.

Taken together, increased premium shares, increased cost-sharing, and limits on benefits affected large percentages of the privately insured. Nearly half of those (49%)

²⁰ J. Gabel and J.D. Pickreign, *Risky Business: When Mom and Pop Buy Health Insurance for Their Employees* (New York: The Commonwealth Fund, April 2004).

²¹ S. Glied, J.M. Lambrew, and S. Little, *The Growing Share of Uninsured Workers Employed by Large Firms* (New York: The Commonwealth Fund, October 2003).

insured all year with private coverage said that they had experienced at least one of these erosions in the quality of benefits. People with coverage through the individual market were particularly hard-hit—61 percent reported a decrease in the quality of their benefits (Table 1). Among adults with employer coverage, erosion of health insurance benefits appeared to be most common among those in the highest income category, with 56 percent of those earning \$60,000 or more reporting a decline in the quality of their coverage.

Many Americans Spend Substantial Shares of Their Earnings on Health Care

Depending on their insurance status or the particular provisions of their health plans, Americans pay different amounts for their health care and their insurance coverage. Most people with private insurance (employer-sponsored or individual) contribute to their health insurance premiums. According to the Commonwealth Fund survey, more than 75 percent of those with employer-sponsored coverage pay part of their premiums, with 10 percent of single policy holders and a quarter (26%) with family plans paying \$2,500 or more annually (Table 2). Without an employer to shoulder part of their premium costs, and without the benefit of risk pooling in group plans, people with individual coverage pay much more for their premiums. One-third (34%) of single policy holders in the individual market pay \$2,500 or more a year in premiums, and 15 percent have annual premiums of \$5,000 or more. More than half (52%) of single policy holders in the individual market spend 5 percent or more of their income on premiums, and a quarter (26%) spend more than 10 percent.

Most (66%) adults with private insurance coverage have a deductible. Of those with employer-sponsored coverage, 15 percent have deductibles of \$500 or more per year and 5 percent have deductibles of \$1,000 or more (Table 2). Three-quarters of adults with coverage in the individual market pay a deductible: 44 percent have deductibles of \$500 or more and 30 percent have deductibles of \$1,000 or more.

Nearly everyone with private coverage pays something out-of-pocket when they obtain health care services. The Commonwealth Fund survey asks adults how much they had to pay out-of-pocket over the last 12 months, excluding premiums, for their own personal prescription medicines, dental and vision care, and all other medical services, including doctors, hospitals, and tests. Two of five (41%) adults with employer-

sponsored coverage pay less than \$500 annually in out-of-pocket costs, a third (36%) pay between \$500 and \$2,000 per year, 13 percent pay \$2,000 or more per year, and 10 percent did not respond or did not know (Table 3). People with coverage in the individual market pay more than those with employer-sponsored coverage—23 percent have annual out-of-pocket costs of \$2,000 or more.

Adults with low or moderate incomes spend the greatest share of their earnings on out-of-pocket health care costs. Of those with private coverage who had annual incomes of less than \$20,000, 29 percent spent 5 percent or more of their income on out-of-pocket costs and 17 percent spent 10 percent or more (Chart 10). More than one-fifth (23%) of those in the next income bracket (\$20,000 to \$34,999) spent 5 percent or more of their income on out-of-pocket costs. Among those with annual incomes of \$60,000 or more, just 2 percent spent that much on out-of-pocket costs.

The out-of-pocket costs of those who experienced a time uninsured are very different from those who were continuously insured by an employer. Nearly a quarter (23%) of those who were uninsured at the time of the survey had no out-of-pocket costs, while only 6 percent of those with employer coverage had no out-of-pocket costs (Table 3). This indicates that many of those without coverage did not access the health system, or received care that was partly or wholly subsidized. Still, for many of the uninsured, out-of-pocket payments account for a large share of their income: a third had annual out-of-pocket costs comprising 5 percent or more of their income, and 18 percent had costs of 10 percent or more. Those who were insured at the time of the survey but had experienced a time uninsured in the past year also spent large shares of their incomes on out-of-pocket costs. Nearly a quarter (23%) spent 5 percent or more of their income on out-of-pocket costs.

People who are insured by public insurance programs incur much lower out-of-pocket costs than do those in private plans. A third (31%) of those insured continuously by public insurance programs said they had no out-of-pocket costs. Another third (34%) had costs amounting to less than \$500 per year. Yet, even low health care costs can figure prominently as a share of a tight household budget. One-fifth (19%) of those with public insurance coverage and household incomes under 200 percent of poverty spent 5 percent or more of their incomes on out-of-pocket costs. Those with employer-sponsored

coverage in that income range fared somewhat worse: a quarter (26%) spent that much of their income on out-of-pocket costs.

Increasing Shares of People with and Without Insurance Report Problems Getting Needed Health Care Because of Cost

The decline in the quality of private health benefits and the increasing instability of coverage may be making it harder for people to access health care. The Commonwealth Fund survey asked respondents whether, in the last 12 months, they had not pursued medical care because of cost. Respondents were asked if they had not filled a prescription; had a medical problem but did not go to a doctor or clinic; skipped a medical test, treatment, or follow-up visit recommended by a doctor; or did not see a specialist when a doctor or the respondent thought it was needed. The share of people who reported any one of these problems increased from 29 percent in 2001 to 37 percent in 2003 (Chart 11). Those who were uninsured or who reported a gap in coverage were most at risk of encountering these access problems (Chart 12). Around 60 percent of this group reported that they did not get the care they needed because of cost. But those with insurance coverage also reported deteriorating access to care. Nearly three of 10 (29%) of those who were insured all year reported that they did not get the care they needed because of cost, up from 21 percent in 2001.²²

Problems accessing the health care system also are related to income, even among those with health coverage. Nearly two of five (39%) adults who were insured all year with household incomes less than \$35,000 said that they did not get the care they needed over the last 12 months because of cost. Obtaining prescription drugs appeared to be a particular problem in this income group (Table 4). But even a quarter (24%) of people with coverage in higher income brackets reported that they did not get needed health care because of cost.

Medical Bills and Lingering Medical Debt Are Undermining the Financial Security of American Families

Out-of-pocket costs for health care are negatively affecting the finances of those who have gaps in coverage as well as those who are continuously insured. The

²² Increase statistically significant at $p < .05$.

Commonwealth Fund survey asked people about their ability to pay their medical bills in the last 12 months, including whether there were times when they had difficulty or were unable to pay their bills, whether they had been contacted by a collection agency concerning outstanding medical bills, or whether they had to change their lives significantly in order to meet their obligations. People who reported no medical bill problems in the last 12 months were asked if they were currently paying off medical debt that they had incurred in the last three years.

The survey found that 41 percent of adults under age 65 either had medical bill problems in the last 12 months or were paying off accrued medical debt (Chart 13). The problem was most severe among those who were uninsured at the time of the survey or had experienced a time uninsured in the past year (Chart 14). Women were more likely to say that they were coping with medical bills or debt than men—70 percent of uninsured women reported medical bill problems or accrued debt (Chart 15).

But even those adults who were insured continuously over the last 12 months cited problems. More than a third (35%) reported that they had experienced problems with medical bills or were paying off accrued debt (Table 4). Moreover, among those with bill problems or past debt, three of five (62%) said the bills were incurred for themselves or a family member who had been insured at the time.

Among those who had medical bill problems or outstanding debt, 27 percent reported that they had been unable to pay for basic necessities, including food, heat, or rent because of medical bills (Chart 16). Two of five (44%) said that they used all or most of their savings in order to meet their obligations. One-fifth reported that they had run up large debts on their credit cards or had taken out loans against their homes in order to pay their bills. People who were uninsured for a time and/or had low incomes were the most severely affected (Table 4). More than half (51%) of those earning less than \$35,000 a year—regardless of insurance status—said that they had used all or most of their savings to pay their bills. Forty-five percent of those who were uninsured in that income category had been unable to pay for basic living necessities.

Conclusion

The recent conflict between uninsured patients and hospitals over payment is a symptom of two underlying trends in the U.S. health care system: growing instability in health

insurance coverage and rapid growth in health care costs. Health insurance has become both less available and more expensive to workers and their families, and health care itself continues to become more expensive. Indeed, health care cost growth is expected to outpace the growth rate in the economy by a wide margin for the foreseeable future.²³ Against this backdrop, patients, providers, employers, workers, labor unions, and federal, state and local governments are struggling to solve serious problems that stem from a far greater crisis. The practice of hospitals billing uninsured patients more than negotiated rates with insurers is troublesome and will only increase access and medical debt problems experienced by uninsured families.²⁴ And some hospitals' methods to attempt to recover medical debt from patients—charging high interest rates, having collection agencies harass them, and placing liens on their homes—are simply deplorable. Developing policies that would discourage hospitals from either practice is necessary. But in the meantime, the pressures that gave rise to this conflict will continue to grow apace. In the end, small policy changes will need to be accompanied by broad policy solutions that address the root cause of the affordability crisis in U.S. health care—policies that would expand access to affordable health insurance and reduce the rate of health care cost inflation. Thank you for the opportunity to be here today.

²³ B.C. Strunk and P.B. Ginsburg, "Tracking Health Care Costs: Trends Turn Downward in 2003," *Health Affairs* Web Exclusive (9 June 2004): W4-354–W4-362.

²⁴ R. Abelson and J.D. Glater, "Nonprofit Hospitals Said to Overcharge Uninsured," *New York Times*, June 17, 2004; L. Lagnado, "Dunned for Old Bills, Poor Find Some Hospitals Never Forget," *The Wall Street Journal*, June 8, 2004; C. Pryor et al., *Unintended Consequences: How Federal Regulations and Hospital Policies Can Leave Patients in Debt* (New York: The Commonwealth Fund, June 2003); C. Pryor and B. Seifert, *Unintended Consequences: An Update on Consumer Medical Debt* (New York: The Commonwealth Fund, June 2004).



Health Care Costs and Instability of Insurance: Impact on Patients' Experiences with Care and Medical Bills

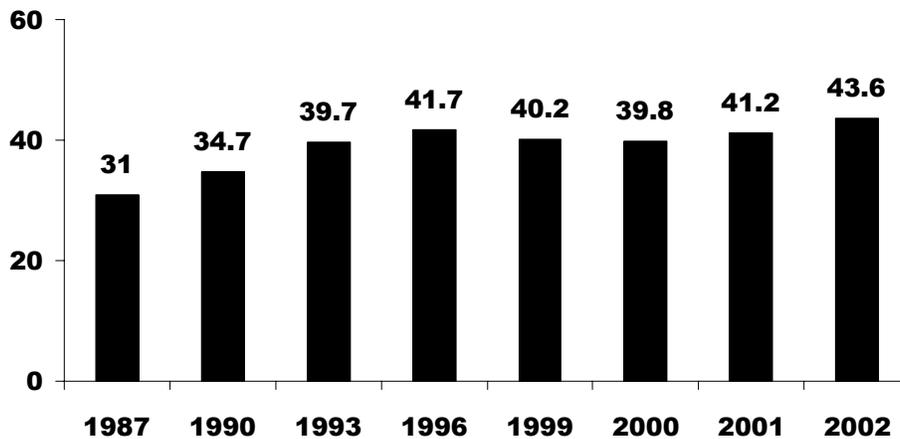
Sara R. Collins, Ph.D.
Senior Program Officer, The Commonwealth Fund
June 24, 2004

Hearing on "A Review of Hospital Billing and Collection Practices"
U.S. House of Representatives
Committee on Energy and Commerce
Subcommittee on Oversight and Investigations

Chart 1

Uninsured Up by Nearly 4 Million People in Past Two Years

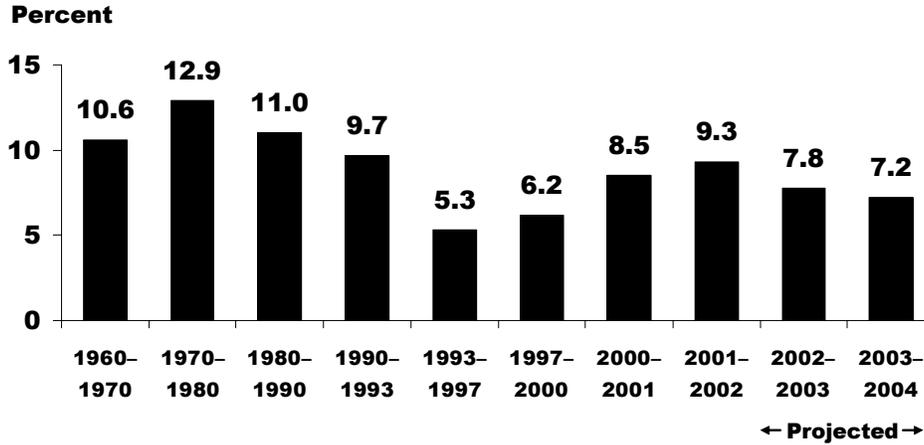
Millions uninsured, 1987-2002



Source: U.S. Census Bureau, March CPS Surveys March 1988 to March 2003. Years 1999 and on adjust for new question and for 2000 population weights.

National Health Expenditures' Average Annual Percentage Growth, Selected Calendar Years, 1960–2004

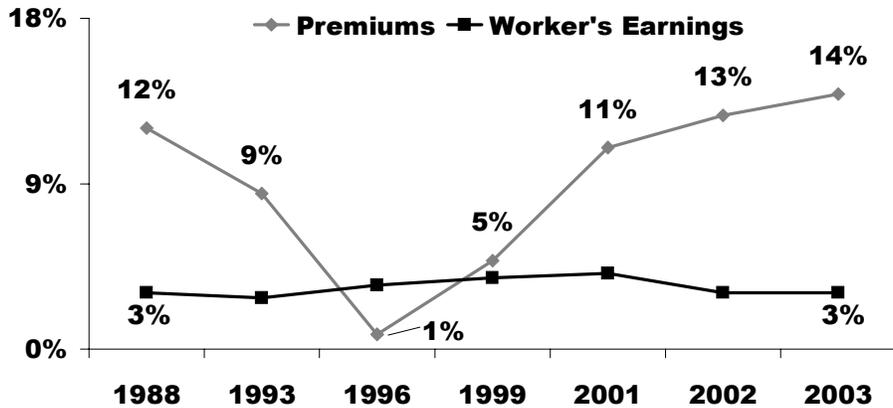
Chart 2



Source: The Commonwealth Fund, based on K. Levit et al., "Health Care Spending Rebound Continues in 2002," *Health Affairs* 23 (Jan./Feb. 2004): 147–59; and S. Heffler et al., "Health Spending Projections Through 2013," *Health Affairs* Web Exclusive (11 Feb. 2004): W4-79–W4-93.

Growth in Employment-Based Insurance Premiums Percent change in health insurance premiums and workers' earnings from previous year

Chart 3

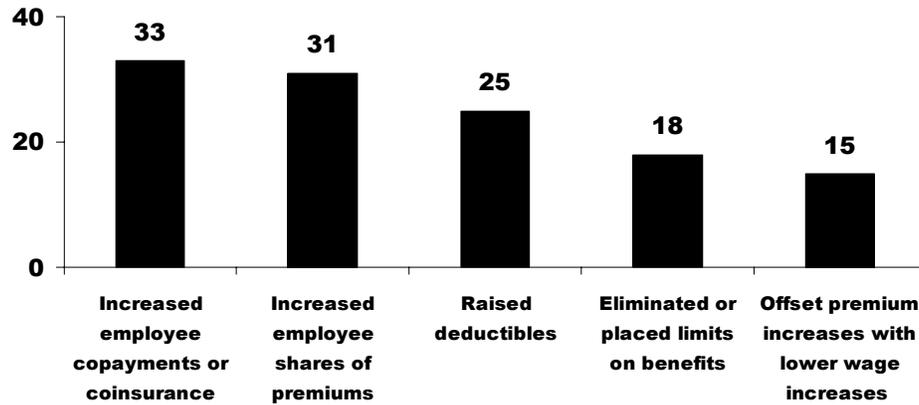


Source: J. Gabel et al., "Health Benefits in 2003: Premiums Reach Thirteen Year High as Employers Adopt New Forms of Cost Sharing," *Health Affairs* (Sept./Oct. 2003): 117–26.

Chart 4

Percent of Employers with Increases in Cost-Sharing, Reductions in Benefits

Percent of firms offering coverage

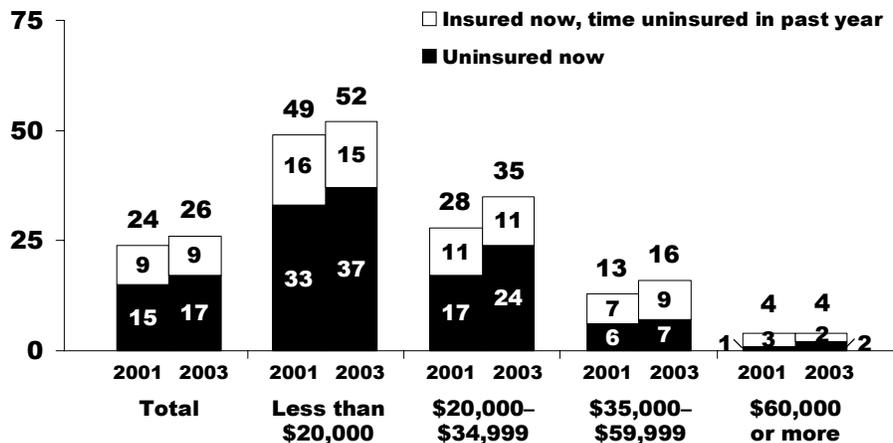


Source: S.R. Collins et al., *Job-Based Health Insurance in the Balance: Employer Views of Coverage in the Workplace* (New York: The Commonwealth Fund, March 2004).

Chart 5

More than One-Quarter of Adults Uninsured: Rates Highest Among Adults with Low Incomes, 2001–2003

Percent of adults ages 19–64

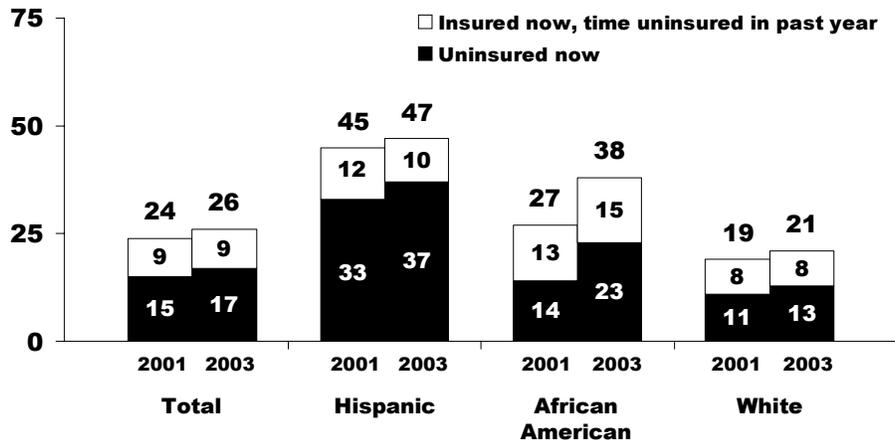


Note: Income groups based on 2002 household income.
 Source: The Commonwealth Fund Health Insurance Surveys (2001 and 2003).

Chart 6

Uninsured Rates Highest Among Hispanics and African Americans, 2001–2003

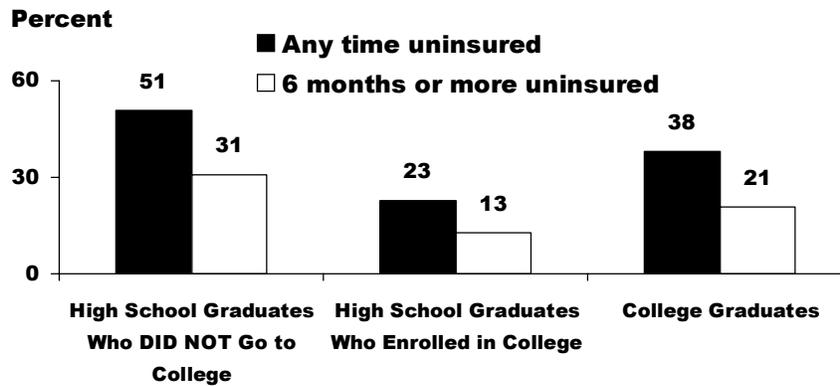
Percent of adults ages 19–64



Source: The Commonwealth Fund Health Insurance Surveys (2001 and 2003).

Chart 7

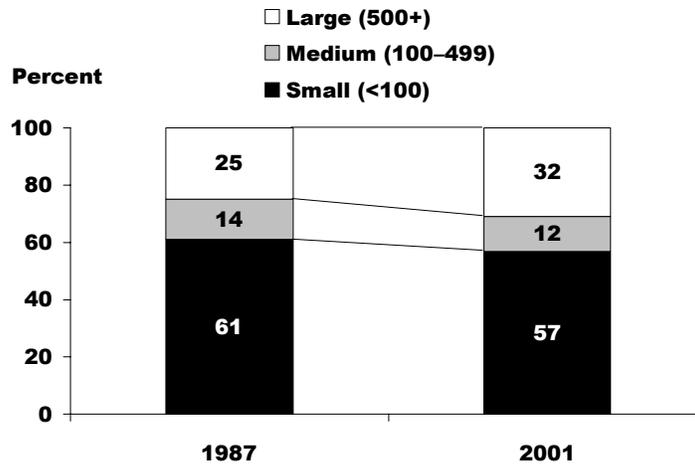
Percent of Graduates with Gaps in Insurance Coverage in Year Following Graduation, by Student Status 1996–2000*



* People who graduated from high school or college during 1996–2000.
 Source: S.R. Collins et al., *Rite of Passage? Why Young Adults Become Uninsured and How New Policies Can Help* (New York: The Commonwealth Fund, May 2004).

Chart 8

Share of Uninsured Workers by Firm Size, 1987–2001

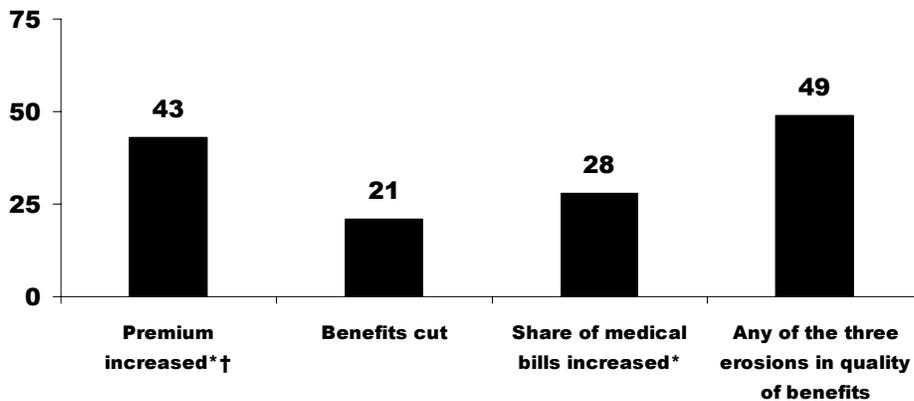


Source: S. Glied, J.M. Lambrew, and S. Little, *The Growing Share of Uninsured Workers Employed by Large Firms* (New York: The Commonwealth Fund, October 2003).

Chart 9

Nearly Half of Adults with Private Health Insurance Report Erosions in Their Benefits

Percent of adults 19–64 with continuous coverage throughout past year



* Increased a lot or a moderate amount.

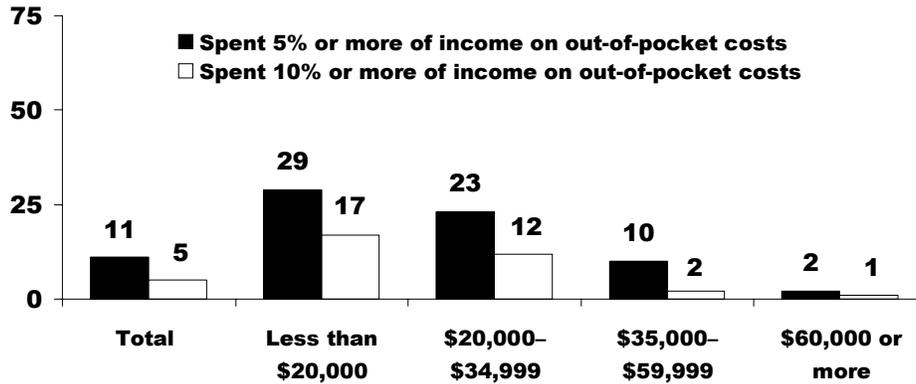
† Among those who pay any premium.

Source: The Commonwealth Fund Biennial Health Insurance Survey (2003).

Chart 10

Adults with Low and Moderate Incomes Spend Greatest Share of Income on Out-of-Pocket Costs

Percent of adults ages 19–64 insured all year with private insurance

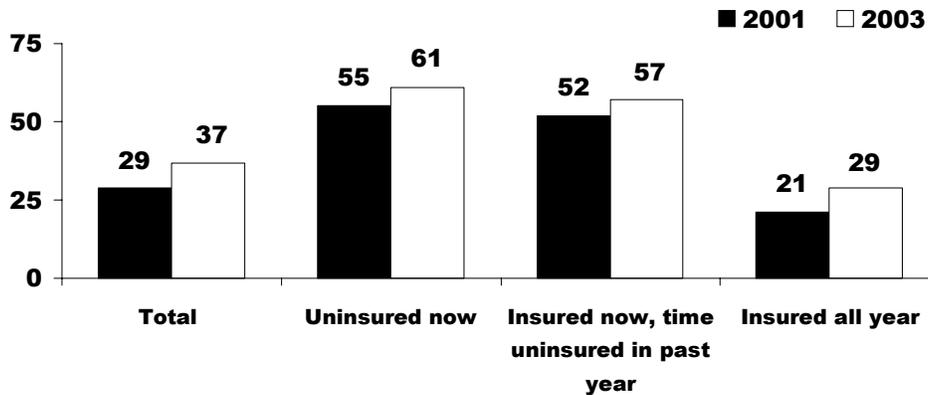


Note: Income groups based on 2002 household income.
 Source: The Commonwealth Fund Biennial Health Insurance Survey (2003).

Chart 11

Cost-Related Access Problems Have Increased, 2001–2003

Percent of adults ages 19–64 who had any of four access problems* in past year because of cost

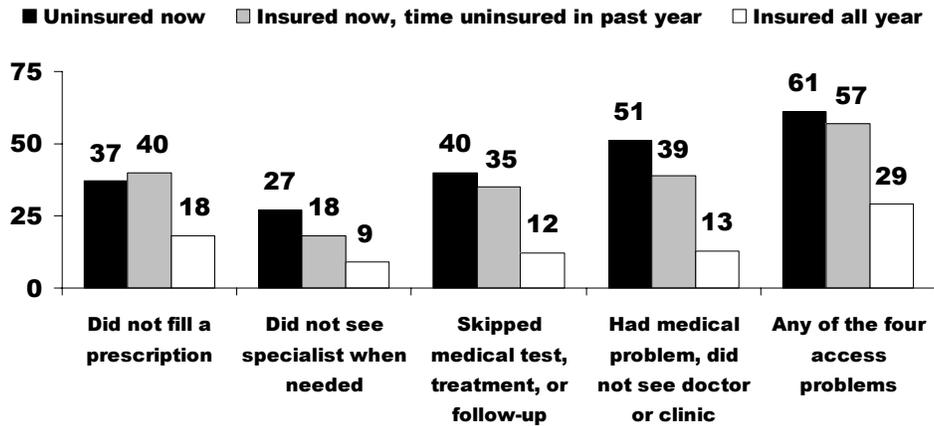


* Did not fill a prescription; did not see a specialist when needed; skipped recommended medical test, treatment, or follow-up; had a medical problem but did not visit doctor or clinic.
 Source: The Commonwealth Fund Health Insurance Surveys (2001 and 2003).

Chart 12

Lacking Health Insurance for Any Period Threatens Access to Care

Percent of adults ages 19–64 reporting the following problems because of cost:

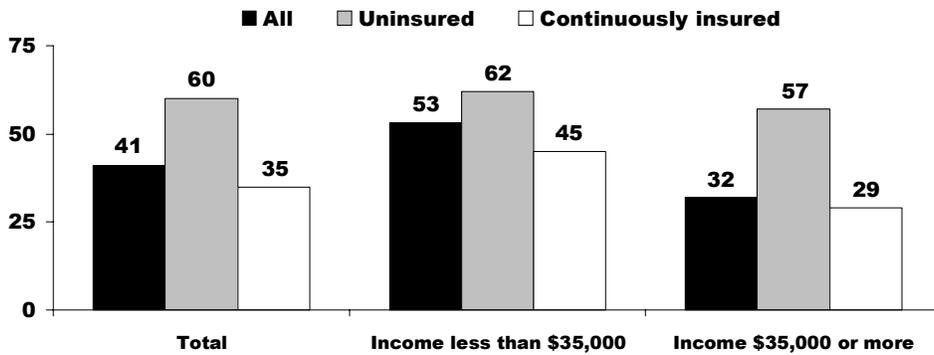


Source: The Commonwealth Fund Biennial Health Insurance Survey (2003).

Chart 13

Two of Five Adults Have Medical Bill Problems or Accrued Medical Debt:* Uninsured and Low Income Most at Risk

Percent of adults ages 19–64 with any medical bill problem or outstanding debt



* Problems paying/not able to pay medical bills, contacted by a collection agency for medical bills, had to change way of life to pay bills, or has medical debt being paid off over time.

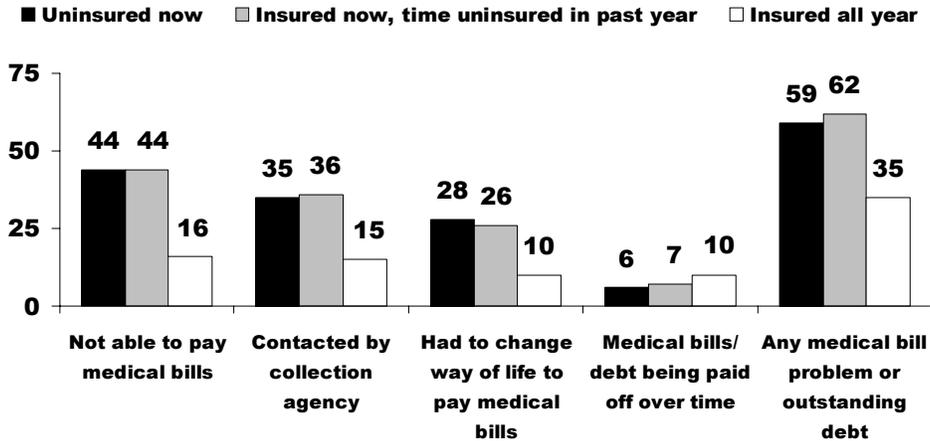
Note: Income groups based on 2002 household income.

Source: The Commonwealth Fund Biennial Health Insurance Survey (2003).

Chart 14

Adults with Any Time Uninsured Have High Rates of Medical Bill Problems

Percent of adults ages 19–64 who had the following problems in past year:

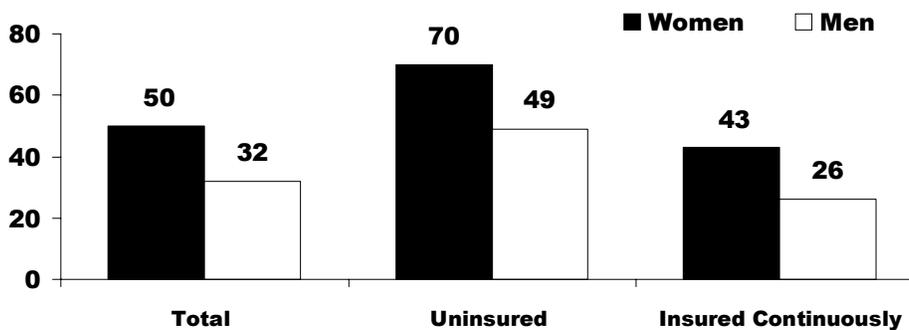


Source: The Commonwealth Fund Biennial Health Insurance Survey (2003).

Chart 15

Half of Adult Women Have Medical Bill Problems or Accrued Medical Debt,* Uninsured at Highest Risk

Percent of adults ages 19–64 with any medical bill problem or outstanding debt



* Problems paying/not able to pay medical bills, contacted by a collection agency for medical bills, had to change way of life to pay bills, or has medical debt being paid off over time.

Source: The Commonwealth Fund Biennial Health Insurance Survey (2003).

More than Two of Five Adults with Medical Bill Burdens Used All or Most of Their Savings on Medical Bills

Percent of adults ages 19–64 with medical bill problems or accrued medical debt:

Percent of adults reporting:	Total	Uninsured now	Insured now, time uninsured during year	Insured all year
Unable to pay for basic necessities, such as food, heat, or rent	27%	39%	41%	18%
Used all or most of savings	44	53	46	39
Had large credit card debt, or had to take loan against home	20	21	30	18

Source: The Commonwealth Fund Biennial Health Insurance Survey (2003).

**Table 1. Changes in Health Benefits Among Insured Adults, 2003
(base: adults ages 19–64, insured all year with private insurance)**

	Insurance Source			Income Distribution* (base: employer-based insurance)			
	Total Private	Employer	Individual	Less than \$20,000	\$20,000– \$34,999	\$35,000– \$59,999	\$60,000 or more
Total in Millions (estimated)	108.4	100.8	7.6	9.7	13.6	30.8	36.3
Changes in Health Benefits in Past Year							
Cuts in benefits							
Yes	21%	22%	14%	14%	14%	22%	27%
No	75	75	84	77	81	75	70
Increases in paying share of medical bills							
None	56	55	66	61	67	54	48
Increased a lot	9	9	14	8	8	8	9
Increased a moderate amount	19	20	13	13	11	21	25
Increased only a little	15	16	6	17	13	15	18
Premium increases (base: respondents reporting paying any premiums)							
None	40	42	27	47	48	43	37
Increased a lot	19	18	34	19	15	15	21
Increased a moderate amount	24	24	24	21	21	22	25
Increased only a little	13	13	7	10	13	13	14
<i>One or more of the above changes in health benefits**</i>	49	48	61	36	38	47	56

Note: Columns may not sum to 100% because of rounding and because “Don’t know/Refused to answer” not shown.

* Among respondents reporting income.

** Respondents whose premiums increased a lot or a moderate amount, had cuts in benefits, or whose share of medical bills increased a lot or a moderate amount.

Source: The Commonwealth Fund Biennial Health Insurance Survey (2003).

**Table 2. Annual Deductibles and Insurance Premiums, 2003
(base: adults ages 19–64, insured by private insurance when surveyed)**

Deductibles and Insurance Premiums by Plan Type	Current Insurance Source		
	Total Private	Employer	Individual
Total in Millions (estimated)	119.0	109.8	9.2
Annual Deductible Per Person			
No deductible	34%	35%	25%
Less than \$100	6	7	6
\$100–\$499	27	28	11
\$500–\$999	10	10	14
\$1,000 or more	7	5	30
Undesignated	15	15	15
Annual Premium Costs			
Type of Plan			
Single/Individual Plan	38	36	57
Family Plan	59	61	40
Single/Individual Plan			
None	22	24	8
\$1–\$499	10	10	12
\$500–\$999	18	20	9
\$1,000–\$1,499	15	15	13
\$1,500–\$2,499	9	8	13
\$2,500 or more	13	10	34
Undesignated	13	13	12
<i>Spent 5% or more of income</i>	20	16	52
<i>Spent 10% or more of income</i>	7	5	26
Family Plan			
None	19	20	4
\$1–\$499	5	6	0
\$500–\$999	7	7	4
\$1,000–\$1,499	12	12	7
\$1,500–\$2,499	13	14	5
\$2,500 or more	28	26	65
Undesignated	15	15	14
<i>Spent 5% or more of income</i>	19	18	36
<i>Spent 10% or more of income</i>	5	5	13

Note: Columns may not sum to 100% because of rounding.

Source: The Commonwealth Fund Biennial Health Insurance Survey (2003).

**Table 3. Individual Out-of-Pocket Costs Among
Uninsured, Insured, and Low-Income Adults, 2003
(base: adults ages 19–64)**

	Continuity of Insurance				Continuously Insured*		
	Total Adults 19–64	Uninsured Now	Insured Now, Time Uninsured in Past Year	Continuously Insured	Employer	Individual	Public
Total Individual Out-of-Pocket Costs in Past 12 Months							
None	12%	23%	14%	10%	6%	6%	31%
\$1–\$499	33	27	37	34	35	23	34
\$500–\$999	18	16	12	19	21	23	7
\$1,000–\$1,999	13	10	8	14	15	15	8
\$2,000 or more	14	17	16	13	13	23	9
Undesignated	10	7	12	10	10	10	11
<i>Spent 5% or more of income</i>	17	33	23	12	10	18	22
<i>Spent 10% or more of income</i>	9	18	14	6	4	10	15
INCOME BELOW 200% POVERTY							
Total in Millions	59.4	20.5	8.7	30.2	16.6	1.9	9.7
Total Individual Out-of-Pocket Costs in Past 12 Months							
None	19	23	16	17	8	14	30
\$1–\$499	34	28	40	37	40	37	37
\$500–\$999	14	16	12	13	17	11	7
\$1,000–\$1,999	9	9	8	10	11	8	9
\$2,000 or more	14	18	13	12	13	20	7
Undesignated	9	6	11	11	11	10	10
<i>Spent 5% or more of income</i>	29	35	26	25	26	42	19
<i>Spent 10% or more of income</i>	17	20	19	14	15	23	12

* “Other” insurance category (including military or veteran’s coverage) not shown.

Source: The Commonwealth Fund Biennial Health Insurance Survey (2003).

**Table 4. Access Barriers and Medical Bill Burdens by Insurance and Income, 2003
(base: adults ages 19–64)**

Access and Cost Indicators	All Adults 19–64				Income Less than \$35,000		Income \$35,000 or More	
	Total	Continuously Insured	Insured Now, Time Uninsured in Past Year	Uninsured Now	Continuously Insured	Uninsured	Continuously Insured	Uninsured
Total in Millions (estimated)	171.9	126.5	15.6	29.8	40.0	33.8	77.7	8.7
Percent Distribution:	—	74%	9%	17%	34%	80%	66%	20%
Access Problems in Past Year								
Went without needed care in past year due to costs:								
Did not fill prescription	23	18	40	37	25	38	15	40
Did not get needed specialist care	13	9	18	27	13	24	7	24
Skipped recommended test or follow-up	19	12	35	40	17	38	10	42
Had a medical problem, did not visit doctor or clinic	22	13	39	51	20	50	10	39
<i>At least one of four access problems due to inability to pay</i>	37	29	57	61	39	61	24	58
Would have received better care if had been insured or had different insurance plan	38	30	58	61	34	61	28	53
Medical Bill Problems in Past Year								
Problems paying or not able to pay medical bills	23	16	44	44	26	46	11	40
Contacted by a collection agency for medical bills	21	15	36	35	23	37	12	33
Had to change way of life to pay bills	15	10	26	28	19	29	6	25
<i>Any bill problem</i>	32	25	55	53	37	56	19	49
Medical bills/debt being paid off over time	9	10	7	6	8	6	11	8
Base: Any bill problem or medical debt	41	35	62	59	45	62	29	57
Percent reporting that:								
Unable to pay for basic necessities (food, heat, or rent)	27	18	41	39	29	45	11	24
Used all or most of savings	44	39	46	53	51	51	30	52
Had large credit card debt/ Needed loan or debt against home	20	18	30	21	19	24	17	27
Insurance status of person/s at time care was provided								
Insured at time care was provided	62	83	42	20	74	24	92	41
Uninsured at time care was provided	32	11	52	73	17	69	5	52
Other insurance combination	3	2	4	4	2	4	2	2

Source: The Commonwealth Fund Biennial Health Insurance Survey (2003).

