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The Growing Cost Burden of Employer Health Insurance for U.S. Families and Implications for Their Health and Economic Security

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Invited Testimony

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Subcommittee on Select Revenue Measures
Hearing on “How Middle-Class Families Are Faring in Today’s Economy”

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EXECUTIVE SUMMARY

Thank you, Mr. Chairman, members of the Subcommittee, for this invitation to testify today on how middle-class families are faring in today's economy. My comments will focus on the current status of health insurance coverage among people in the United States who get their insurance through employers.

Employer health insurance continues to be the primary source of insurance coverage for the majority of the U.S. population. More than half of U.S. residents under age 65—about 158 million people—get their health insurance through an employer, either their own or a family member's.

Two recent studies by the Commonwealth Fund indicate that families' costs for employer health insurance are rising faster than median income. Moreover, even as costs climb, families aren't receiving higher-quality insurance. The amount they have to spend out of pocket before their insurance coverage kicks in also continues to climb. Consequently, our research indicates that a growing share of people with employer coverage have such high out-of-pocket costs and deductibles relative to their income that they can be considered "underinsured".

People across the United States are not experiencing health care costs equally. This variation stems from differences in the size of employer premiums across states, how much employees are required to contribute to premiums, deductible amounts, and the widening disparity in median incomes across the country. We have found that families who could potentially spend the greatest amount of their incomes on insurance costs and deductibles are concentrated in the South.

Higher costs for insurance and health care have implications. People with low and moderate incomes may simply decide to go without insurance if it competes with other critical living expenses like housing, food, and education.

Likewise, people who maintain their coverage but who are underinsured may make similar tradeoffs between getting timely health care and meeting other budget demands. Commonwealth Fund surveys find that underinsured adults are much more likely to skip needed health care, like filling prescriptions or going to the doctor when they are sick, than are those who are not underinsured.

In addition, people who are underinsured are much more likely to report problems paying medical bills or say they are paying off medical debt over time. Many moderate- and low-income families simply do not have the assets or savings to pay for an unexpected medical bill—from an accident or acute illness and subsequent emergency room visit, for example—they may experience because of a high-deductible health plan. A recent Commonwealth Fund survey asked moderate- and low-income adults with employer coverage whether they would have the money to pay for an unexpected \$1,000 medical bill; half said no.

Paying off accumulated medical bills over time affects other aspects of people's lives. A recent Commonwealth Fund survey found that many adults with medical bill or debt problems reported serious subsequent financial problems: 43 percent had used up all their savings to pay their bills, 43 percent had received a lower credit rating as a result of their debt, 32 percent racked up debt on their credit cards, 18 percent said they had delayed education or career plans. People with lower incomes were particularly affected: 37 percent said they were unable to pay for basic necessities like food, heat or rent as a result of their bills.

Take as an example, Robert and Tiffany Cano of San Tan Valley, Ariz., who were recently profiled by Kaiser Health News in its series with National Public Radio on consumers' medical bills. Both Robert and Tiffany work full time and have a combined income of about \$100,000 a year. At the time of the story, the Canos had a family health plan through Robert's job as a manager at a large chain retail store. They were spending about \$7,000 in premiums annually for a plan with a \$3,000 deductible. The birth of their son a year ago and some subsequent health problems has left them with \$12,000 in medical debt that they are struggling to

pay off. Robert has taken on three additional part-time jobs and they have projected it will take about two more years to pay off their debt. Concerned about accumulating more debt, they have postponed needed health care for themselves and their baby. Tiffany, who works for a regional bank, has used a prosthetic limb most of her life because of birth defect that required her leg to be amputated below the knee as a child. She now needs a replacement prosthesis to accommodate changes in her body since her pregnancy. Although she has difficulty walking and suffers from blisters, she is concerned about whether they could afford their share of the cost of a new prosthesis.

The personal pain and financial stress suffered by families coping with high medical costs present a fundamental dilemma for employers. To the extent that they are designing benefits to shift increasing amounts of their insurance costs to their employees, they are potentially undermining the productivity of their own workforces.

More broadly, the growing number of underinsured people in the United States could have long-term implications for the nation's economic health. Research indicates that human capital is key to countries' long-term economic growth. In its landmark study in 2003, the Institute of Medicine (IOM) concluded that people who lack adequate health insurance all their lives have fundamentally different life experiences and less economic opportunity than those who are adequately insured, including lower educational attainment, lifetime earnings, and life expectancy. At the time of the study, it estimated that the aggregate, annualized cost of uninsured people's lost capital and earnings from poor health and shorter lifespans fell between \$65 billion and \$130 billion annually.

The U.S. has insured 20 million more people since the IOM study through the Affordable Care Act's coverage expansions. But with 28 million people still uninsured and an estimated 44 million more underinsured, the country continues to squander billions of dollars every year in people's lost capital and earnings. The subcommittee is to be commended for investigating this timely issue.

Thank you.

The Growing Cost Burden of Employer Health Insurance for U.S. Families and Implications for Their Health and Economic Security

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Thank you, Mr. Chairman, members of the Subcommittee, for this invitation to testify today on how middle-class families are faring in today's economy. My comments will focus on the current status of health insurance coverage among people in the United States who get their insurance through an employer.

Employer health insurance continues to be the primary source of insurance coverage for the majority of the U.S. population. More than half of U.S. residents under the age of 65—about 158 million people—get their health insurance through an employer, either their own or a family member's.¹

Two recent studies by the Commonwealth Fund indicate that families' costs for employer health insurance are rising faster than median income.² Moreover, even as costs climb, families aren't receiving higher-quality insurance. The amount they have to spend out of pocket before their insurance coverage kicks in also continues to climb.

Consequently, our research indicates that a growing share of people with employer coverage have such high out-of-pocket costs and deductibles relative to their income that they can be considered "underinsured." We find that underinsured adults are much more likely to skip needed health care, like filling prescriptions or going to the doctor when they are sick, than are those who are not underinsured. In addition, people who are underinsured are much more likely to report problems paying medical bills or say they are paying off medical debt over time.

¹ Analysis of the 2018 Current Population Survey by Ougni Chakraborty and Sherry Glied of New York University for the Commonwealth Fund.

² Sara R. Collins, Herman K. Bhupal, and Michelle M. Doty, Health Insurance Coverage Eight Years After the ACA: Fewer Uninsured Americans and Shorter Coverage Gaps, But More Underinsured (Commonwealth Fund, Feb. 2019). <https://doi.org/10.26099/penv-q932>; Sara R. Collins and David C. Radley, The Cost of Employer Insurance Is a Growing Burden for Middle-Income Families (Commonwealth Fund, Dec. 2018). <https://doi.org/10.26099/mf87-p820>

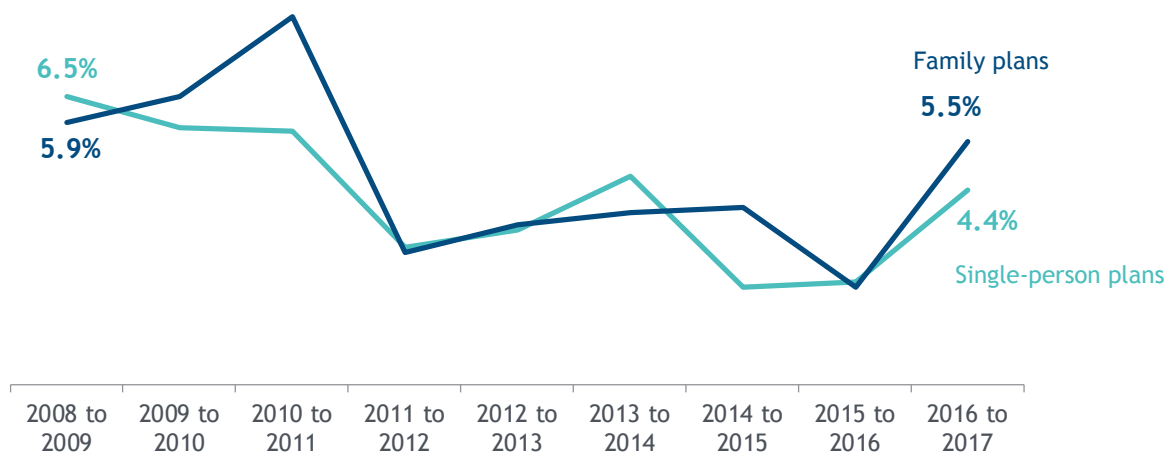
Families' costs for employer health insurance are rising faster than median income

According to a recent Commonwealth Fund state-by-state analysis of the most recent federal Medical Expenditure Panel Survey–Insurance Component,³ premiums for employer health plans ticked up in 2017 by 4.4 percent for single plans and 5.5 percent for family plans (Exhibit 1).⁴ Average single-person premiums increased in 45 states and the District of Columbia and family premiums increased in 44 states and D.C.

EXHIBIT 1

Premiums for employer health plans climbed in 2017

Average growth from previous year



Data: Medical Expenditure Panel Survey–Insurance Component (MEPS-IC), 2008–2017.
Source: Sara R. Collins and David C. Radley, *The Cost of Employer Insurance Is a Growing Burden for Middle-Income Families* (Commonwealth Fund, Dec. 2018).

Workers and their families contribute about one-quarter of the cost of employer premiums, on average. But in 14 states, people with family plans paid for 30 percent or more of

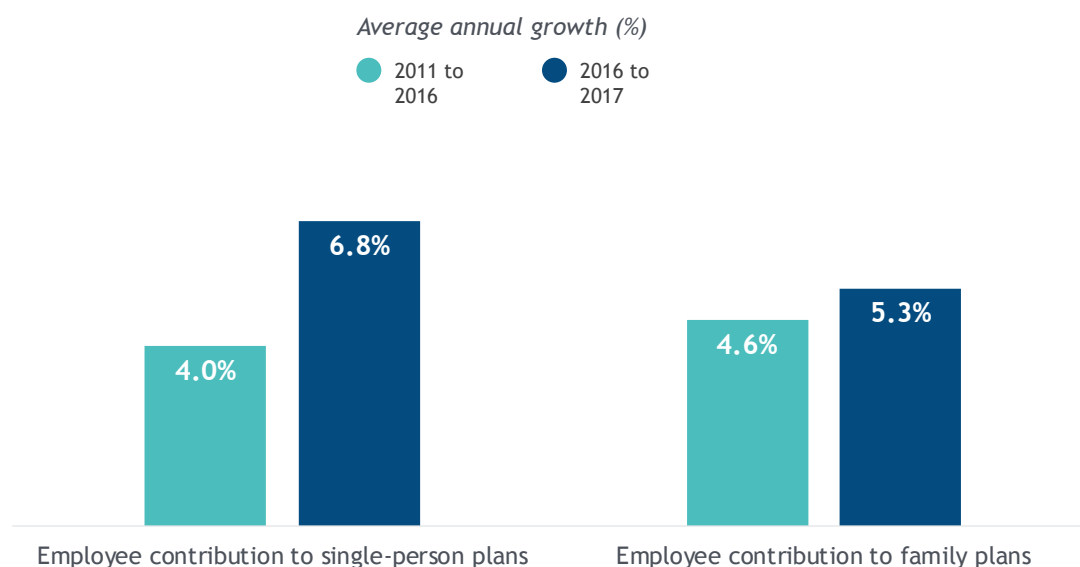
³ The Medical Expenditure Panel Survey–Insurance Component (MEPS-IC) is the most comprehensive survey of U.S. employer health plans. In 2017, the most recent year of the survey, the MEPS-IC surveyed more than 40,000 business establishments, with an overall response rate of 65.8 percent.

⁴ Sara R. Collins and David C. Radley, *The Cost of Employer Insurance Is a Growing Burden for Middle-Income Families* (Commonwealth Fund, Dec. 2018). <https://doi.org/10.26099/mf87-p820>

the cost of their insurance. While these percentages have not changed very much in recent years, because the rate of growth in employer premiums increased overall in 2017, the amount employees paid rose too (Exhibit 2). Between 2016 and 2017, average annual employee premium contributions nationally rose by 6.8 percent to \$1,415 for single-person plans and by 5.3 percent to \$5,218 for family plans.

EXHIBIT 2

Employer premiums have risen, so have employee contributions



Data: Medical Expenditure Panel Survey-Insurance Component (MEPS-IC), 2011, 2016, 2017.

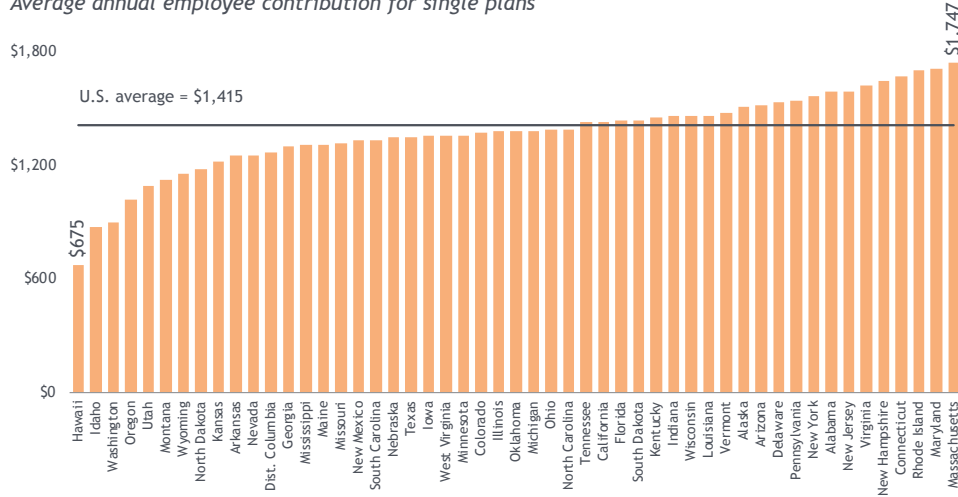
Source: Sara R. Collins and David C. Radley, *The Cost of Employer Insurance Is a Growing Burden for Middle-Income Families* (Commonwealth Fund, Dec. 2018).

Across the country, the amount that workers contribute for single-person plans increased in 32 states in 2017. Average payments for single plans ranged from a low of \$675 in Hawaii to a high of \$1,747 in Massachusetts (Exhibit 3). The amount that workers contribute for family plans increased in 35 states and the District of Columbia. These annual costs ranged from a low of \$3,646 in Michigan to a high of \$6,533 in Delaware (Exhibit 4).

EXHIBIT 3

Workers' premium payments for single plans range from \$675 in HI to \$1,747 in MA

Average annual employee contribution for single plans



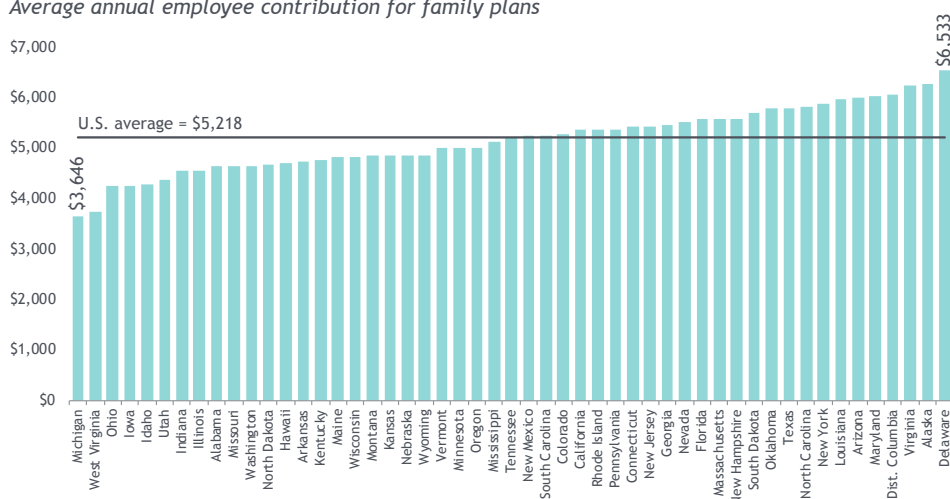
Data: Medical Expenditure Panel Survey-Insurance Component (MEPS-IC), 2017.

Source: Sara R. Collins and David C. Radley, *The Cost of Employer Insurance Is a Growing Burden for Middle-Income Families* (Commonwealth Fund, Dec. 2018).

EXHIBIT 4

Workers' premium payments for family plans range from \$3,646 in MI to \$6,533 in DE

Average annual employee contribution for family plans



Data: Medical Expenditure Panel Survey-Insurance Component (MEPS-IC), 2017.

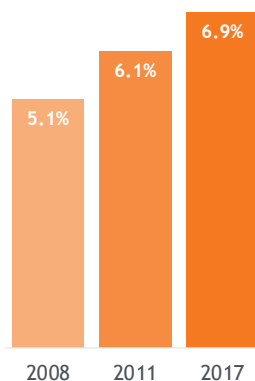
Source: Sara R. Collins and David C. Radley, *The Cost of Employer Insurance Is a Growing Burden for Middle-Income Families* (Commonwealth Fund, Dec. 2018).

To understand what these insurance costs mean for people with incomes in the middle range of the U.S. income distribution (about \$62,000 a year), the Commonwealth Fund study looked at the ratio of employee premium contributions to median income in the 50 states and D.C. The average employee premium cost across single and family plans amounted to nearly 7 percent of median income in 2017 (Exhibit 5). This is up from 5.1 percent in 2008. In 11 states (Arizona, Delaware, Florida, Georgia, Louisiana, Mississippi, Nevada, New Mexico, North Carolina, Oklahoma, Texas), premium contributions were 8 percent of median income or more, with a high of 10.2 percent in Louisiana.

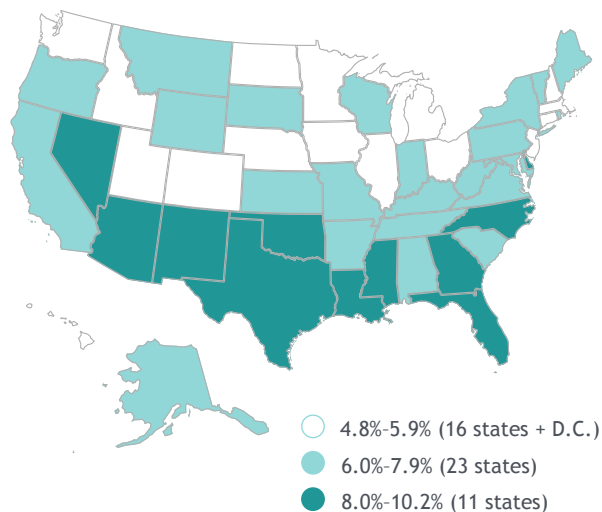
EXHIBIT 5

Worker payments for employer coverage are growing faster than median income

Employee premium contribution as share of median income



Average employee premium contribution as percent of median state income in 2017



Notes: Estimates of median household income used in the denominator for this ratio come from the Current Population Survey (CPS), which revised its income questions in 2013. The denominator in our ratio estimates prior to 2014 is derived from the traditional CPS income questions, while ratio estimates from 2017 are estimated from the revised income questions. Household incomes have been adjusted for the likelihood that people in the same residence purchase health insurance together.

Data: Employee premium contribution: Medical Expenditure Panel Survey-Insurance Component (MEPS-IC), 2008, 2011, 2017; Median household income: Current Population Survey, 2008-09, 2011-12, 2017-18.

Source: Sara R. Collins and David C. Radley, *The Cost of Employer Insurance Is a Growing Burden for Middle-Income Families* (Commonwealth Fund, Dec. 2018).

Even though premium costs are rising many families are not getting better plans

In many states, even though premium costs are rising, people are not getting insurance that offers them better protection. This is because deductibles are also increasing. Deductibles are the

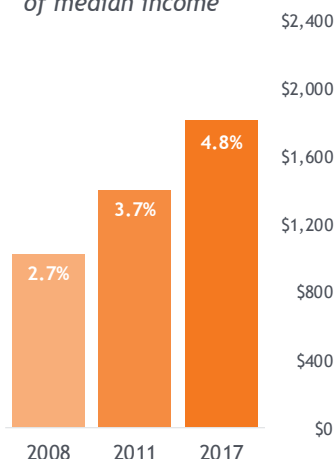
amount of health care services people must pay for out of pocket before their insurance coverage kicks in.

In 2017, the average deductible for single-person policies rose by 6.6 percent to \$1,808. Average deductibles increased in 35 states and the District of Columbia. Deductibles ranged in size from a low of \$863 in Hawaii to a high of about \$2,300 in Maine and New Hampshire (Exhibit 6). Among families who spend enough on health care during the year to meet their deductibles, those at the midrange of the income distribution would spend 4.8 percent of their income on average before their coverage kicked in.⁵ This is up from 2.7 percent of income in 2008.

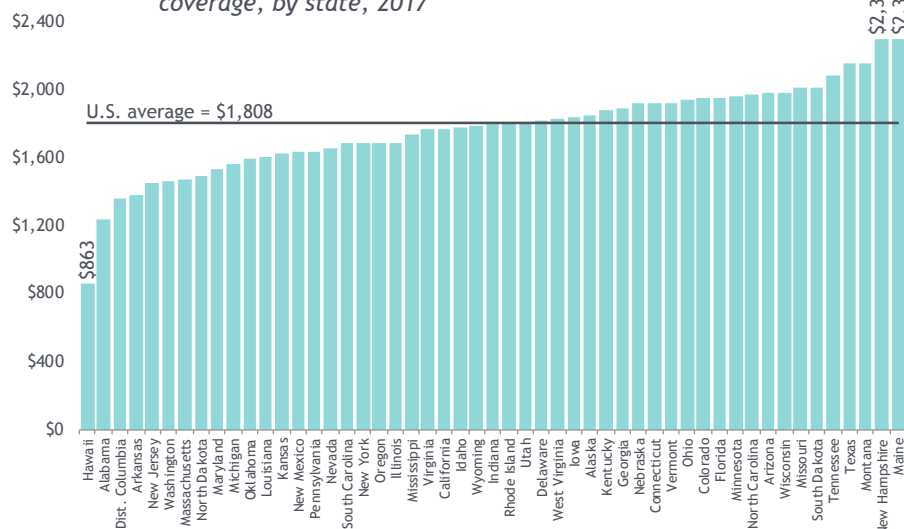
EXHIBIT 6

Average deductibles are also outpacing growth in median income

Deductible as share of median income



Average single-person deductibles for employer coverage, by state, 2017



Note: Estimates of median household income used in the denominator for this ratio come from the Current Population Survey (CPS), which revised its income questions in 2013. The denominator in our ratio estimates prior to 2014 is derived from the traditional CPS income questions, while ratio estimates from 2017 are estimated from the revised income questions. Household incomes have been adjusted for the likelihood that people in the same residence purchase health insurance together.

Data: Deductible: Medical Expenditure Panel Survey-Insurance Component (MEPS-IC), 2008, 2011, 2017; Median household income: Current Population Survey, 2008-09, 2011-12, 2017-18.

Source: Sara R. Collins and David C. Radley, *The Cost of Employer Insurance Is a Growing Burden for Middle-Income Families* (Commonwealth Fund, Dec. 2018).

⁵ Not everyone with a deductible has enough medical expenses in a given year to meet the deductibles; some services are covered by plans before people meet deductibles. By law, preventive care services and many cancer screens must be covered pre-deductible without cost-sharing. And many plans also cover certain prescription drugs and other services before the deductible is met.

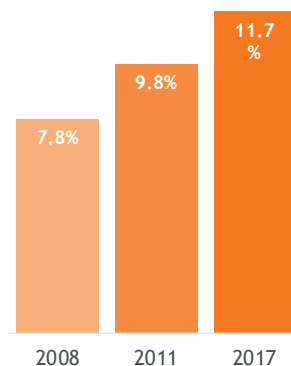
Added together, the total cost of premiums and potential spending on deductibles, averaged across single and family policies, climbed to \$7,240 in 2017. This combined cost ranged from a low of \$4,664 in Hawaii to a high of more than \$8,000 in eight states (Alaska, Arizona, Delaware, New Hampshire, North Carolina, South Dakota, Texas, and Virginia).

For people with middle incomes, total spending on premiums and potential out-of-pocket costs amounted to 11.7 percent of median income in 2017 (Exhibit 7). This is up from 7.8 percent a decade earlier. Costs were 12 percent or more of median income in 18 states. In Louisiana and Mississippi, these combined costs rose to 15 percent or more of median income.

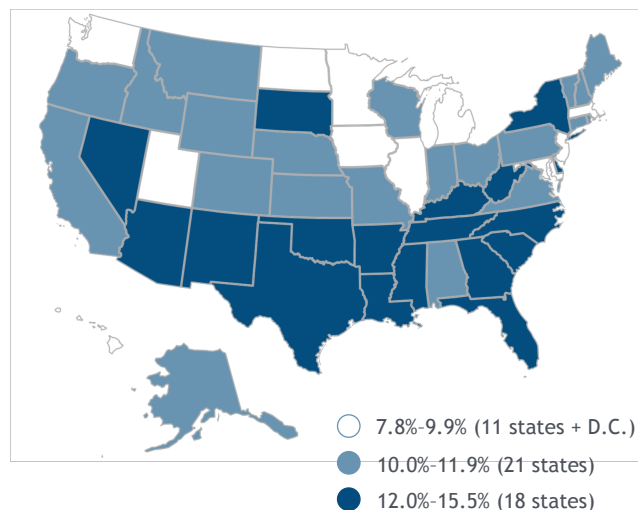
EXHIBIT 7

Premium and deductible costs amounted to nearly 12 percent of median income in 2017

Combined employee premium contribution and deductible as share of median income



Average employee premium contribution plus average deductible as percent of median state income in 2017



Note: Estimates of median household income used in the denominator for this ratio come from the Current Population Survey (CPS), which revised its income questions in 2013. The denominator in our ratio estimates prior to 2014 is derived from the traditional CPS income questions, while ratio estimates from 2017 are estimated from the revised income questions. Household incomes have been adjusted for the likelihood that people in the same residence purchase health insurance together.

Data: Employee premium contribution and deductible: Medical Expenditure Panel Survey-Insurance Component (MEPS-IC), 2008, 2011, 2017; Median household income: Current Population Survey, 2008-09, 2011-12, 2017-18.

Source: Sara R. Collins and David C. Radley, *The Cost of Employer Insurance Is a Growing Burden for Middle-Income Families* (Commonwealth Fund, Dec. 2018).

People across the U.S. are not experiencing employer health insurance costs equally

People across the United States are not experiencing health care costs equally. This variation stems from differences in the size of employer premiums across states, how much employees are

required to contribute to premiums, deductible amounts, and the widening disparity in median incomes across the country. For example, of the 18 states where potential cost burdens are above the national average, average contributions to family premiums exceeds the national average in 13. All 18 states have median incomes that are below—in some cases well below—the national average.

Families who could potentially spend the greatest amount of their incomes on insurance costs and deductibles are concentrated in the South. In Mississippi, for example, people on average spend 15 percent of their incomes on premiums and meeting deductibles. The overall premium for a family policy is below the national average, but families are asked to contribute 30 percent of the cost, which is higher than the national average. Further, Mississippi has one of the lowest median incomes in the country (\$42,500). In contrast, people in New Hampshire pay more per year for their insurance and deductibles, but median income is among the highest in the country (\$75,000).

The share of adults in employer plans who are underinsured has nearly tripled this century

The Commonwealth Fund has been measuring and tracking the number of underinsured adults since 2003 with its Biennial Health Insurance Survey. The purpose of this measure is to gauge the quality and cost protectiveness of a person's health plan relative to income. We do not include premiums in the measure. Our underinsured measure is based on a continuously insured adult's reported out-of-pocket costs over the course of a year and his or her health plan deductible. Someone who is insured all year is defined as 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 their income is under 200 percent of poverty (\$24,120 for an individual or \$49,200 for a family of four); or
- health plan deductible comprises 5 percent or more of household income.

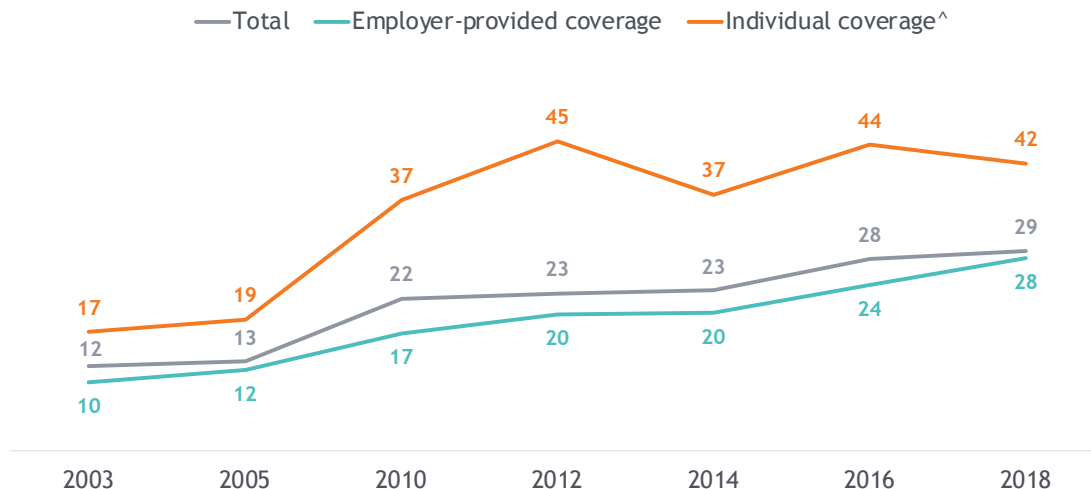
In the most recent Commonwealth Fund Biennial Health Insurance Survey, an estimated 44 million working age adults, or 29 percent of those who were continuously insured, were

deemed underinsured because of high out-of-pocket costs and deductibles.⁶ This is up from an estimated 29 million, or 22 percent, in 2010 (Exhibit 8). People who buy plans on their own through the individual market—including the ACA marketplaces—are underinsured at the highest rates. However, the greatest growth in the share of underinsured adults is occurring among those in employer health plans.

Exhibit 8

More adults are underinsured, with the greatest growth occurring among those with employer coverage

Percent of adults ages 19-64 insured all year who were underinsured



Notes: "Underinsured" refers to adults who were insured all year but experienced one of the following: out-of-pocket costs, excluding premiums, equaled 10% or more of income; out-of-pocket costs, excluding premiums, equaled 5% or more of income if low-income (<200% of poverty); or deductibles equaled 5% or more of income. Total includes adults with coverage through Medicaid and Medicare. Respondents may have had another type of coverage at some point during the year, but had coverage for the entire previous 12 months. ^ For 2014 and 2016, includes those who get their individual coverage through the marketplace and outside of the marketplace.

Data: Commonwealth Fund Biennial Health Insurance Surveys (2003, 2005, 2010, 2012, 2014, 2016, 2018).

Source: Sara R. Collins, Herman K. Bhupal, and Michelle M. Doty, *Health Insurance Coverage Eight Years After the ACA: Fewer Uninsured Americans and Shorter Coverage Gaps, But More Underinsured* (Commonwealth Fund, Feb. 2019).

The share of adults covered by employer plans who are underinsured has nearly tripled this century, rising from 10 percent in 2003 to 28 percent in 2018 (Exhibit 9). Growth in both the proliferation and size of deductibles in employer plans, along with stagnant wages, are the key culprits in this phenomenon. The share of working-age adults with employer plans whose deductibles are 5 percent or more of their income has grown by a factor of eight, from just 2 percent in 2003 to 16 percent in 2018.

⁶ Sara R. Collins, Herman K. Bhupal, and Michelle M. Doty, *Health Insurance Coverage Eight Years After the ACA: Fewer Uninsured Americans and Shorter Coverage Gaps, But More Underinsured* (Commonwealth Fund, Feb. 2019). <https://doi.org/10.26099/penv-q932>

EXHIBIT 9

Underinsured indicators among adults with employer coverage

<i>Underinsured indicators among adults ages 19-64 insured all year, with employer coverage at the time of the survey*</i>	2003	2005	2010	2012	2014	2016	2018
Out of pocket medical expenses equal 10% or more of family annual income	6%	8%	11%	13%	12%	14%	14%
Out of pocket medical expenses equal 5% or more of income if low income [^]	6%	5%	7%	7%	8%	8%	7%
Cumulative percent/millions, using two indicators above	9%	11%	14%	15%	15%	16%	17%
Deductible equals 5% or more of income	2%	2%	6%	8%	11%	13%	16%
Cumulative percent/millions, using all three indicators ^{^^}	10%	12%	17%	20%	20%	24%	28%



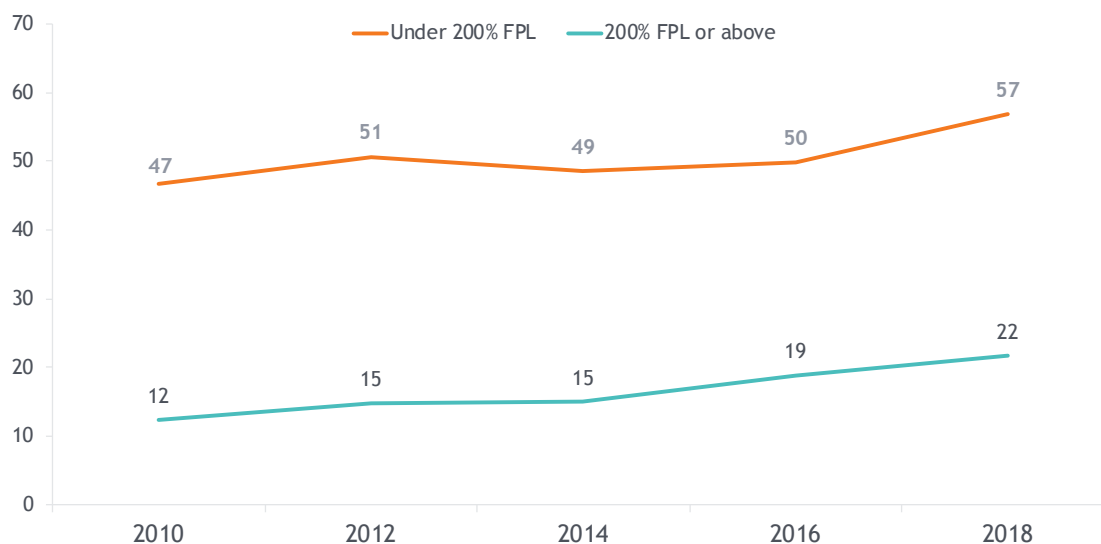
* Respondents may have had another type of coverage at some point during the year, but had coverage for the entire previous 12 months.
[^] Less than 200% of the Federal Poverty Level. ^{^^} Underinsured defined as insured all year but experienced one of the following: out of pocket expenses, excluding premiums, equaled 10% or more of income; out of pocket expenses, excluding premiums, equaled 5% or more of income if low income (<200% of poverty); or deductibles equaled 5% or more of income.
 Data: Commonwealth Fund Biennial Health Insurance Surveys (2003, 2005, 2010, 2012, 2014, 2016, and 2018).

People with modest incomes in employer plans are underinsured at the highest rates. More than half (57%) of adults in employer plans with incomes under 200 percent of poverty (\$24,120 for individual or \$49,200 for a family of four) were underinsured in 2018, more than twice the rate of those with incomes above that level (Exhibit 10). Underinsured rates have also climbed steadily among adults in employer plans with incomes of 200 percent of poverty or more, and are now nearly double what they were in 2010.

EXHIBIT 10

Underinsured rates among people in employer plans are highest among lower-income adults

Percent of adults ages 19-64 insured all year, with employer coverage at time of survey, who were underinsured



Notes: "Underinsured" refers to adults who were insured all year but experienced one of the following: out-of-pocket costs, excluding premiums, equaled 10% or more of income; out-of-pocket costs, excluding premiums, equaled 5% or more of income if low-income (<200% of poverty); or deductibles equaled 5% or more of income. Respondents may have had another type of coverage at some point during the year, but had coverage for the entire previous 12 months.
Data: Commonwealth Fund Biennial Health Insurance Surveys (2010, 2012, 2014, 2016, and 2018).

Higher premiums and greater cost sharing have implications

Higher costs for insurance and health care have implications. People with low and moderate incomes may simply decide to go without insurance if their premium costs compete with other critical living expenses like housing, food, and education. In 2017, average per-person expenditures on food in the U.S. amounted to 13 percent of median income and housing costs were 32 percent.⁷

Likewise, people who maintain their coverage but are underinsured may make similar tradeoffs between getting timely health care and other budget demands. Our survey research finds that that underinsured adults are much more likely to skip needed health care than are those who are not underinsured. Among underinsured adults in employer plans, 40 percent reported

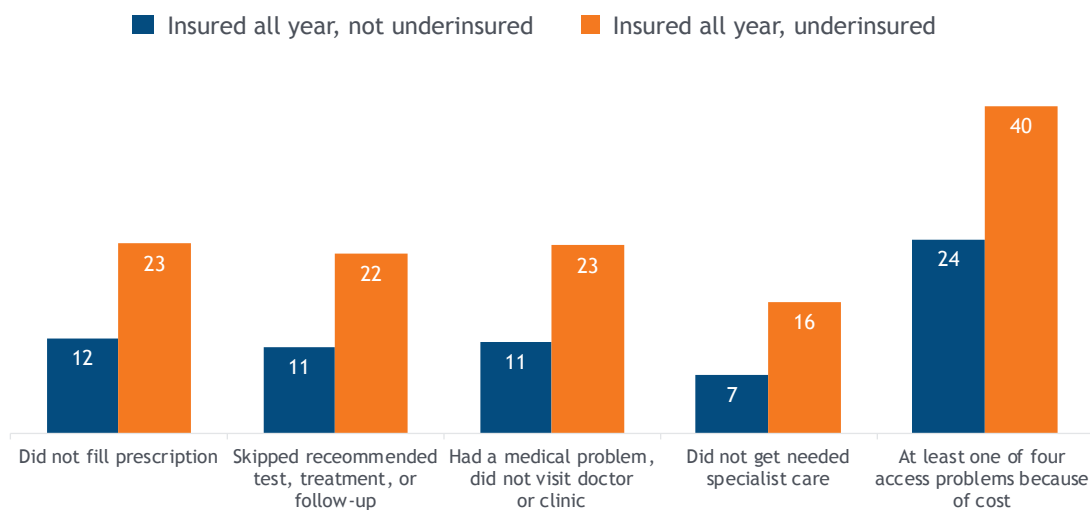
⁷ Bureau of Labor Statistics, "Consumer Expenditures — 2017," news release (U.S. Department of Labor, Sept. 11, 2018). <https://www.bls.gov/news.release/pdf/cesan.pdf>

that they had not received needed health care because of cost in the prior year (Exhibit 11).⁸ These adults reported that over the last 12 months, because of the cost, they had either not filled a prescription (23%); skipped a medical test, treatment or follow up visit recommended by a doctor (22%); had a medical problem but did not go to a doctor or clinic (23%), or did not see a specialist when their doctor thought they needed to (16%).

EXHIBIT 11

Underinsured adults in employer plans report more cost-related problems getting needed care

*Percent of adults ages 19-64 with employer coverage who had any of four access problems in past year because of cost**



Notes: * Includes any of the following because of cost: did not fill a prescription; skipped recommended medical test, treatment, or follow-up; had a medical problem but did not visit doctor or clinic; did not see a specialist when needed. "Underinsured" refers to adults who were insured all year but experienced one of the following: out-of-pocket costs, excluding premiums, equaled 10% or more of income; out-of-pocket costs, excluding premiums, equaled 5% or more of income if low-income (<200% of poverty); or deductibles equaled 5% or more of income. Respondents may have had another type of coverage at some point during the year, but had coverage for the entire previous 12 months.

Data: Commonwealth Fund Biennial Health Insurance Survey (2018).

In addition, people who are underinsured are much more likely to report problems paying medical bills or say they are paying off medical debt over time. Many moderate- and low-income families simply do not have the savings or assets to pay for unexpected medical bills they may experience — from an accident or acute illness and subsequent emergency room visit, for example — because of a high-deductible health plan. In a recent Commonwealth Fund survey, we asked working-age adults about potentially experiencing an unexpected medical event that

⁸ In this measure, people have been insured continuously over the prior 12 months. The insurance source is at the time of the survey. In our sample, 89% of people with employer coverage who were underinsured had had the same plan for one year or longer.

left them with a \$1,000 bill. Among those with employer coverage, one-half of moderate- and low-income adults (less than \$30,150 for an individual or \$61,500 for a family of four) said they would not have the money to pay the bill within 30 days (Exhibit 12).

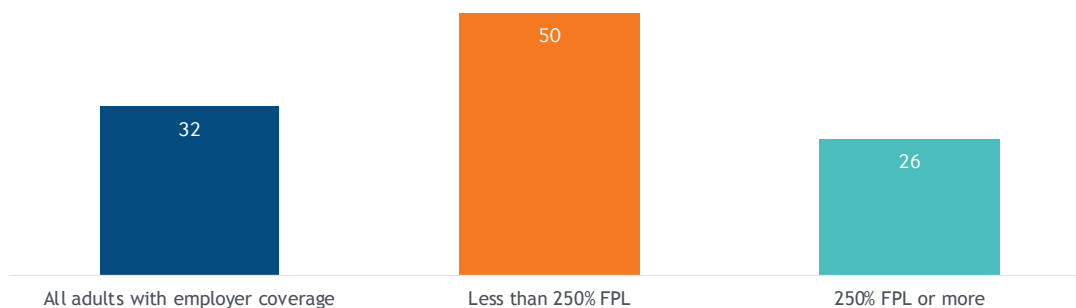
EXHIBIT 12

One of third of adults with employer coverage say they would not have the money to pay an unexpected \$1,000 medical bill within 30 days



If you were to experience an unexpected medical event in 2018 that left you with a bill for \$1,000, would you have the money to pay the bill within 30 days?

Percent of adults ages 19-64 with employer coverage who responded “no”



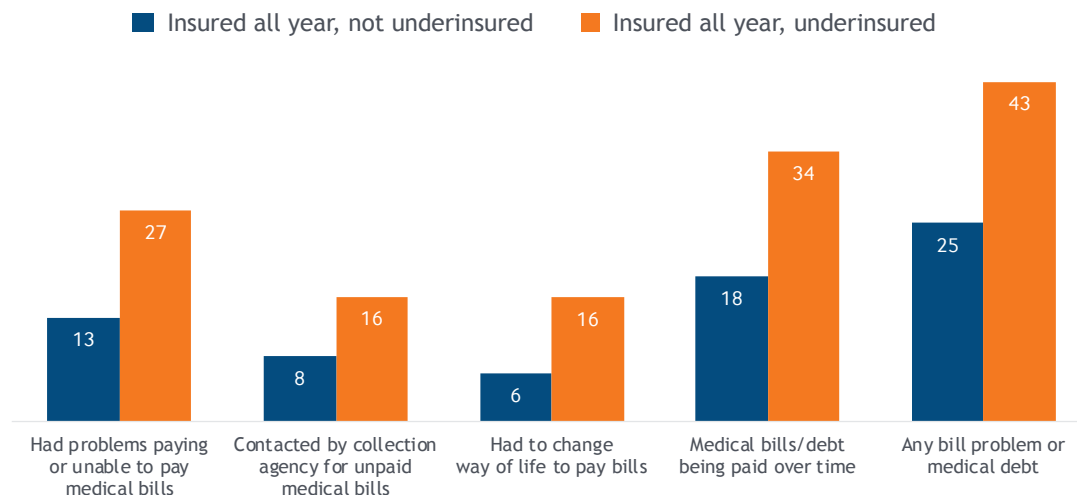
Data: Commonwealth Fund Affordable Care Act Tracking Survey, Feb.-Mar. 2018.

Nationally, underinsured adults are much more likely to report struggling with medical bills than are those who are not underinsured. Among people in employer plans, 43 percent of those who were underinsured reported problems with medical bills (Exhibit 13). These included problems paying or being unable to pay a medical bill (27%), being contacted by a collection agency about an unpaid medical bill (16%), having to change their way of life significantly in order to pay their bills (16%), or paying off medical bills over time (34%).

EXHIBIT 13

Underinsured adults in employer plans report more problems paying medical bills

Percent of adults ages 19-64 with employer coverage who had medical bill or debt problems in past year*



Notes: * Includes any of the following: had problems paying or unable to pay medical bills; contacted by collection agency for unpaid medical bills; had to change way of life to pay bills; medical bills/debt being paid over time. "Underinsured" refers to adults who were insured all year but experienced one of the following: out-of-pocket costs, excluding premiums, equaled 10% or more of income; out-of-pocket costs, excluding premiums, equaled 5% or more of income if low-income (<200% of poverty); or deductibles equaled 5% or more of income. Respondents may have had another type of coverage at some point during the year, but had coverage for the entire previous 12 months.

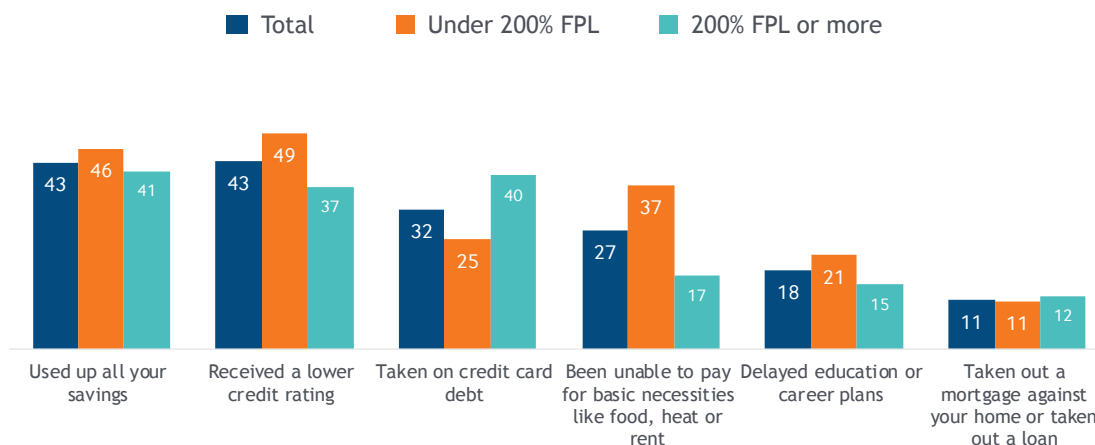
Data: Commonwealth Fund Biennial Health Insurance Survey (2018).

Paying off accumulated medical debt over time affects other aspects of people's lives. Our survey research finds that many adults with medical bill or debt problems have serious subsequent financial problems as a result. In 2018, among all U.S. working-age adults who reported any medical bill or debt problems, 43 percent said they had used up all their savings to pay their bills, 43 percent had received a lower credit rating as a result of their medical debt, 32 percent racked up debt on their credit cards, and 18 percent said they had delayed education or career plans (Exhibit 14). People with lower incomes were particularly affected: 37 percent said they were unable to pay for basic necessities like food, heat, or rent as a result of their bills.

EXHIBIT 14

Adults with medical bill problems had lingering financial problems

Percent adults ages 19-64 who reported the following happened in the past two years because of medical bill problems[^]



[^] Base: Respondents who reported at least one of the following medical bill problems in the past 12 months: had problems paying medical bills, contacted by a collection agency for unpaid bills, had to change way of life in order to pay medical bills, or has outstanding medical debt.
Data: Commonwealth Fund Biennial Health Insurance Survey (2018).

One family's struggle to pay off accumulated medical debt

For about a year, reporters at Kaiser Health News (KHN) and National Public Radio (NPR) have been interviewing people about their experiences with medical bills and featuring their stories in a series called “Bill of the Month.”⁹ In December 2018, the series featured a story about Robert and Tiffany Cano of San Tan Valley, Arizona.¹⁰

Both Robert and Tiffany work full-time. Tiffany is a compliance officer at a regional bank and Robert is a manager at a large chain retail store. The couple has one-year-old son and have a combined income of \$100,000 a year. At the time of the KHN story, the Canos were

⁹ Kaiser Health News and National Public Radio, Bill of the Month, <https://khn.org/news/tag/bill-of-the-month/>

¹⁰JoNel Aleccia, “Insured But Still In Debt: 5 Jobs Pulling In \$100K A Year No Match For Medical Bills; Kaiser Health News, December 28, 2018, <https://khn.org/news/insured-but-still-in-debt-5-jobs-pulling-in-100k-a-year-no-match-for-medical-bills/>.

insured by a family health plan through Robert's job. They were spending about \$7,000 in premiums annually for a plan with a \$3,000 deductible along with 40 percent coinsurance.

The birth of their son and some subsequent health problems have left the Canos with \$12,000 in medical debt that they are struggling to pay off. The cost of the delivery at an in-network hospital was nearly \$4,000 along with additional fees from the physician who performed the delivery and the anesthesiologist. At two months, their son was hospitalized for breathing problems related to asthma. The family has experienced other minor health problems and the bills have accumulated. As Tiffany told KHN, "It's been like \$300 here, \$700 there... We had a hospital bill for him being sick of \$1,800."

The couple has payment arrangements with the doctors and hospitals they owe and keep track of it on a spreadsheet. Combined, the cost of these payments and their premiums are almost as much as their \$1,300 monthly mortgage for their home, one hour outside Phoenix. Currently, they are spending 15 percent of their annual income on health care costs.

In addition to his full-time job, Robert has taken on three part-time jobs to help pay off the medical debt. He works as a substitute teacher, a nighttime security guard, and delivers sandwiches for a fast-food chain in Scottsdale. The couple projects it will take about two more years to pay off their medical debt.

Concerned about accumulating more debt, Robert and Tiffany have postponed needed health care for themselves and their baby. Tiffany has used a prosthetic limb most of her life because of a birth defect that required her leg to be amputated below the knee as a child. She now needs a replacement prosthesis to accommodate changes in her body since her pregnancy. Although she has difficulty walking and suffers from blisters, she is concerned about whether they could afford their share of the cost of a new prosthesis.

The couple has also decided to switch to the health plan offered by Tiffany's employer. Their premium costs will rise by \$150 per month to about \$7,800 a year but they will have a lower deductible (\$1,500) and coinsurance (10%). As Tiffany told KHN, "It is going to be a lot more per paycheck, which is going to hurt us. But after what just happened, I want to make sure we are prepared in case anything does occur."

Conclusion

The personal pain and financial stress suffered by families coping with high medical costs present a fundamental dilemma for employers. To the extent that they are designing benefits to shift increasing amounts of their insurance costs to their employees, they are potentially undermining the productivity of their own workforces.

More broadly, the growing number of underinsured people in the United States could have long-term implications for the nation's economic health. Research indicates that human capital is key to countries' long-term economic growth.¹¹ In its landmark 2003 study, the Institute of Medicine (IOM) concluded that people who lack adequate health insurance all their lives have fundamentally different life experiences and less economic opportunity than those who are adequately insured, including lower educational attainment, lifetime earnings, and life expectancy.¹² At the time of the study, it estimated that the aggregate, annualized cost of uninsured people's lost capital and earnings from poor health and shorter lifespans fell between \$65 billion and \$130 billion annually.

The U.S. has insured 20 million more people since the IOM study through the Affordable Care Act's coverage expansions. But with 28 million people still uninsured and an estimated 44 million more underinsured, the country continues to squander billions of dollars every year in people's lost capital and earnings. The subcommittee is to be commended for investigating this timely issue.

Thank you.

¹¹ Thomas Piketty, *Capital in the 21st Century*, The Belknap Press of Harvard University Press, 2014.

¹² Institute of Medicine, Committee on the Consequences of Uninsurance, *Hidden Costs, Value Lost: Uninsurance in America*, Washington, DC: National Academies Press, 2003, <https://www.ncbi.nlm.nih.gov/pubmed/25057665>