Shifting Health Care Financial Risk to Families Is Not a Sound Strategy: The Changes Needed to Ensure Americans’ Health Security

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Subcommittee on Health
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A Broken System:
The Growing Numbers of Uninsured
Health Insurance Coverage

Uninsured (15%)

Employer (55%)

Medicaid (10%)

Medicare (13%)

Individual (5%)

Military (1%)

Uninsured (17%)

Employer (62%)

Medicaid (11%)

Medicare (2%)

Individual (6%)

Military (1%)

Total population

Under-65 population

Percentage of Uninsured Children Has Declined Since Implementation of SCHIP While Uninsured Working-Age Adults Have Increased, 1994–2007

Uninsured Rates, by State, Two-Year Average, 2006–07

Inadequate Coverage: The Rise of the Underinsured
25 Million Adults Underinsured in 2007, Up from 16 Million in 2003

*Underinsured defined as insured all year but experienced one of the following: medical expenses equaled 10% or more of income; medical expenses equaled 5% or more of income if low-income (<200% of poverty); or deductibles equaled 5% or more of income.

Almost Three-Fourths of Low-Income Adults Ages 19–64 Are Uninsured and Underinsured, 2007

* Underinsured defined as insured all year but experienced one of the following: medical expenses equaled 10% or more of income; medical expenses equaled 5% or more of incomes if low-income (<200% of poverty); or deductibles equaled 5% or more of income.

Data: 2007 Commonwealth Fund Biennial Health Insurance Survey (Schoen et al. 2008).
An Estimated 116 Million Adults Were Uninsured, Underinsured, Reported a Medical Bill Problem, and/or Did Not Access Needed Health Care Because of Cost, 2007

Adequate coverage and no bill or access problem 61.4 million 35%
Medical bill/debt problem 17.7 million 10%
Cost-related access problem 25.9 million 15%
Medical bill/debt and cost-related access problem 54.4 million 31%
Uninsured anytime during the year or underinsured 17.6 million 10%

177 million adults, ages 19–64

Uninsured and Underinsured Adults Report High Rates of Cost-Related Access Problems

Percent of adults ages 19–64 who had cost-related access problems in the past 12 months

- Did not fill a prescription
- Did not see specialist when needed
- Skipped medical test, treatment, or follow-up
- Had medical problem, did not see doctor or clinic
- Any of the four access problems

Sixty Percent of Adults Who Were Underinsured or Uninsured Reported Medical Bill Problems or Debt

Percent of adults ages 19–64

- Not able to pay medical bills: 13%, 43%, 48%
- Contacted by collection agency*: 8%, 23%, 29%
- Had to change way of life to pay medical bills: 8%, 31%, 32%
- Medical bills being paid off over time: 19%, 47%, 36%
- Any medical bill problem or outstanding debt: 26%, 61%, 61%

* Includes only those individuals who had a bill sent to a collection agency when they were unable to pay it.

Insured Adults with Less Comprehensive Coverage and Benefit Limits Are More Likely to Face Medical Bill and/or Debt Problems

Percent of continually insured adults ages 19–64 with bill and/or debt problems

- Has both Rx and Dental Coverage: 29%
- Has neither Rx nor Dental Coverage: 44%
- Deductible is less than 5% of income: 33%
- Deductible is more than 5% of income: 53%
- Annual premium is less than 10% of income: 30%
- Annual premium is 10% or more of income: 59%
- No expensive bills for services not covered: 22%
- Had expensive medical bills for services not covered by insurance: 65%
- MD did not charge more than insurance covered: 24%
- MD charged more than insurance would pay; patient paid difference: 56%
- Health plan does not limit total dollar amount: 27%
- Health plan limits total dollar amount: 43%

Underinsured Adults Report Higher Rates of Health Insurance Plan Problems than Adults with Adequate Insurance

Percent of adults ages 19–64 who were insured all year and had problems with health insurance plan

- Had expensive medical bills for services not covered by insurance
- Doctor charged more than insurance would pay and you had to pay difference
- Had to contact insurance company because they did not pay a bill promptly or denied payment
- Any problem with health plan

Prescription Drug Cost-Sharing, Average Copayments Among Covered Workers, 2000–2007

Source: Kaiser Family Foundation/Health Research and Educational Trust, Employer Health Benefits, 2007 Annual Survey.
Annual Outpatient Visits Coverage Among Workers with Mental Health Coverage, 2006

Source: Kaiser Family Foundation/Health Research and Educational Trust, Employer Health Benefits, 2007 Annual Survey.
Uninsured and Underinsured Adults with Chronic Conditions Are More Likely to Visit the ER for Their Conditions

Percent of adults ages 19–64 with at least one chronic condition*

- Total
- Insured all year, not underinsured
- Insured all year, underinsured
- Insured now, time uninsured in past year
- Uninsured now

Skipped doses or did not fill prescription for chronic condition because of cost**

- Total: 33%
- Insured all year, not underinsured: 15%
- Insured all year, underinsured: 46%
- Insured now, time uninsured in past year: 62%
- Uninsured now: 64%

Visited ER, hospital, or both for chronic condition

- Total: 26%
- Insured all year, not underinsured: 19%
- Insured all year, underinsured: 32%
- Insured now, time uninsured in past year: 43%
- Uninsured now: 33%

* Hypertension, high blood pressure; heart disease; diabetes; asthma, emphysema, or lung disease.
** Adults with at least one chronic condition who take prescription medications on a regular basis.
Coverage Is Eroding in Small Firms
Employer Coverage Continues to Erode for Employees of Small Firms

Three of Five Workers with Any Time Uninsured Are Self-Employed or in Firms with Fewer than 100 Workers

Full-time or part-time working adults ages 19–64 with any time uninsured, by employer size (27.5 million)

Single Premium by Size of Firm, Adjusted for Actuarial Value

Small-Firm Workers More Likely than Large-Firm Workers to Contribute Large Share of Premium for Family Coverage

Deductibles Have Risen Sharply, Especially in Small Firms, Over 2000–2007

Mean deductible for single coverage (PPO, in-network)

PPO = preferred provider organization. PPOs covered 57 percent of workers enrolled in an employer-sponsored health insurance plan in 2007.
Deductible for Single Coverage by Plan Type and Firm Size, 2007

Source: Kaiser Family Foundation/Health Research and Educational Trust, Employer Health Benefits, 2007 Annual Survey.

The diagram shows the deductible amounts for single coverage for different plan types (HMO, PPO, POS, HDHP) and firm sizes (Large Firms, Small Firms) for the year 2007. The data is sourced from the Kaiser Family Foundation/Health Research and Educational Trust, Employer Health Benefits, 2007 Annual Survey.
### People with ESI* Who Say That Employers Do a Good Job Selecting Quality Insurance Plans

<table>
<thead>
<tr>
<th>Percent</th>
<th>74</th>
<th>68</th>
<th>75</th>
<th>69</th>
<th>70</th>
<th>75</th>
<th>76</th>
</tr>
</thead>
<tbody>
<tr>
<td>% FPL</td>
<td></td>
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<td>Total</td>
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<tr>
<td>&lt;200%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>200%+</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;20</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20–99</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>100–499</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>500+</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

*ESI = employer-sponsored insurance. FPL = federal poverty level.

Note: Based on respondents age 19-64 who were covered all year by their own employer’s insurance.

Individual Insurance Market Works Less Well than Employer Coverage
## Individual Market Is Not an Affordable Option for Many People

<table>
<thead>
<tr>
<th>Adults ages 19–64 with individual coverage or who thought about or tried to buy it in past three years who:</th>
<th>Total</th>
<th>Health Problem</th>
<th>No Health Problem</th>
<th>&lt;200% Poverty</th>
<th>200%+ Poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Found it very difficult or impossible to find coverage they needed</td>
<td>34%</td>
<td>48%</td>
<td>24%</td>
<td>43%</td>
<td>29%</td>
</tr>
<tr>
<td>Found it very difficult or impossible to find affordable coverage</td>
<td>58</td>
<td>71</td>
<td>48</td>
<td>72</td>
<td>50</td>
</tr>
<tr>
<td>Were turned down or charged a higher price because of a pre-existing condition</td>
<td>21</td>
<td>33</td>
<td>12</td>
<td>26</td>
<td>18</td>
</tr>
<tr>
<td>Never bought a plan</td>
<td>89</td>
<td>92</td>
<td>86</td>
<td>93</td>
<td>86</td>
</tr>
</tbody>
</table>

Adults with Employer Coverage Give Their Health Plans Higher Ratings Than Those in the Individual Market

Health Care Costs Concentrated in Sick Few—Sickest 10% Account for 64% of Expenses

Distribution of health expenditures for the U.S. population, by magnitude of expenditure, 2003

Risk Pooling and Employer Premium Contributions Lower the Cost of Health Benefits for Adults with Employer Coverage Relative to Those with Individual Market Coverage

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

<table>
<thead>
<tr>
<th></th>
<th>Annual out-of-pocket premium $6,000 or more</th>
<th>Annual out-of-pocket premium $3,000–$5,999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>20</td>
<td>13</td>
</tr>
<tr>
<td>Employer</td>
<td>18</td>
<td>13</td>
</tr>
<tr>
<td>Individual</td>
<td>54</td>
<td>22</td>
</tr>
</tbody>
</table>

Public Programs Work
Only Two Percent of Premiums in Medicare and Medicaid Are Spent on Non-Medical Expenditures

Percent of premiums spent on non-medical expenditures

- Non-group: 25–40%
- Small group: 15–25%
- Large group: 5–15%
- Medicaid: 2%
- Medicare: 2%

Medicaid’s Spending on Health Services Is Lower Than That of Private Coverage

Expenditures ($) on health services for people without health limitations in private coverage and Medicaid

Percent Annual Per Enrollee Growth in Medicare Spending and Private Health Insurance and FEHBP Premiums for Common Benefits

Medicare Extra Plan Would Lower Annual Premiums for Individuals and Families

Medicare Beneficiaries Have Better Access to Physician Services than Privately Insured People, 2005

Never had a delay to appointment

- Routine care: Medicare 74%, Privately Insured 67%
- Illness/injury: Medicare 83%, Privately Insured 75%
- Primary care: Medicare 75%, Privately Insured 75%
- Specialist: Medicare 89%, Privately Insured 86%

No problem finding physician

Rising Premiums and Insurance Administrative Costs
Increases in Health Insurance Premiums Compared with Other Indicators, 1988–2006


* Estimate is statistically different from the previous year shown at p<0.05.

^ Estimate is statistically different from the previous year shown at p<0.1.

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four. Historical estimates of workers’ earnings have been updated to reflect new industry classifications (NAICS).
Cumulative Changes in Annual National Health Expenditures and Other Indicators, 2000–2007

Percent change

- **Net cost of private health insurance administration**
- **Family private health insurance premiums**
- **Personal health care**
- **Workers earnings**

Notes: Data on premium increases reflect the cost of health insurance premiums for a family of four/the average premium increase is weighted by covered workers. * 2006 and 2007 private insurance administration and personal health care spending growth rates are projections.

Percentage of National Health Expenditures Spent on Insurance Administration, 2005

Net costs of health insurance administration as percent of national health expenditures

<table>
<thead>
<tr>
<th>Country</th>
<th>% 2004</th>
<th>% 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finland</td>
<td>1.9</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>2.3</td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>2.8</td>
<td></td>
</tr>
<tr>
<td>United Kingdom</td>
<td>3.3</td>
<td></td>
</tr>
<tr>
<td>Austria</td>
<td>3.9</td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>4.2</td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td>4.3</td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>4.8</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>5.6</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>6.9</td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>7.5</td>
<td></td>
</tr>
</tbody>
</table>

* Includes claims administration, underwriting, marketing, profits, and other administrative costs; based on premiums minus claims expenses for private insurance.

Source: Commonwealth Fund National Scorecard on U.S. Health System Performance, 2008
Administrative Hassles Related to Medical Bills and Insurance Are Serious Problems for More Than a Quarter of Adults

Percent reporting serious problems spending time on paperwork or disputes related to medical bills and health insurance in past two years

Concentration of Managed Care Enrollment, 1988–2000

Two-thirds of managed care enrollees are enrolled in the nation’s 10 largest managed care firms.

Percent enrolled in 10 largest firms

Note: The largest national managed care firms include Blue Cross and Blue Shield plans, Aetna US Healthcare, Kaiser Permanente, United Health, and PacifiCare. HMO enrollment includes enrollees in both traditional HMOs and point-of-service plans.
Source: Centers for Medicare and Medicaid Services, CMS Chart Series, Table 1.17.

Note: No data are available for Alaska and Hawaii.

<table>
<thead>
<tr>
<th>Year</th>
<th>WellPoint (excluding Anthem)</th>
<th>Anthem</th>
<th>UnitedHealth Group</th>
<th>Aetna</th>
<th>CIGNA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>4.9</td>
<td>8.5</td>
<td>5.7</td>
<td>2.3</td>
<td>3.6</td>
</tr>
<tr>
<td>2001</td>
<td>6.6</td>
<td>5.1</td>
<td>6.7</td>
<td>-0.8</td>
<td>8.0</td>
</tr>
<tr>
<td>2002</td>
<td>7.1</td>
<td>6.6</td>
<td>8.7</td>
<td>3.2</td>
<td>5.9</td>
</tr>
<tr>
<td>2003</td>
<td>8.1</td>
<td>7.8</td>
<td>10.2</td>
<td>7.7</td>
<td>8.9</td>
</tr>
</tbody>
</table>

Note: Operating earnings = earnings before interest and taxes.
Massachusetts Connector Has Improved Choices and Lowered Premiums

Typical uninsured 37-year-old, pre- and post-reform

<table>
<thead>
<tr>
<th></th>
<th>Pre-reform</th>
<th>Post-reform</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly premium</td>
<td>$335</td>
<td>$184</td>
</tr>
<tr>
<td>Rx coverage</td>
<td>None</td>
<td>$100 deductible</td>
</tr>
<tr>
<td>Deductible</td>
<td>$5,000</td>
<td>$2,000</td>
</tr>
</tbody>
</table>

FEHBP Enrollment by Type of Plan

- Blue Cross/Blue Shield (PPOs)
  - 58%
  - 2.3 million

- Employee Organizations
  - generally PPOs
  - 17%
  - 0.7 million

- HMOs
  - 24%
  - 1 million

Note: Excludes an estimated 4 million dependents.
Source: Mark Merlis, Personal communication, September 16, 2008.
Rules to Improve Functioning of Insurance Markets

1. A standard benefit adequate is defined and available to all
2. Premiums to the enrollee for a standard plan are affordable regardless of income
3. Enrollees have and use comparable information
4. Marketing practices which mislead or discriminate against the sick are prohibited and strictly enforced
5. Market rules on guaranteed issue and renewal, community rating
6. Risk-adjustment of premiums
7. Insurers compete on the basis of value-added they bring in fostering quality and efficiency
8. Premiums are reasonable and have low administrative overhead
Conclusion

Action is needed to guarantee affordable coverage. This should include:

- Health insurance premium assistance to low-income and modest-income families who can not afford family premiums that now average over $12,000 even under employer plans.
- Strengthening not weakening employer coverage
- Setting national rules for the operation of individual health insurance markets
- Creating insurance connectors, such as the one in Massachusetts, that make affordable health insurance policies available to those without access to employer coverage
- Offering a public plan modeled on Medicare to small businesses and individuals would lower premiums by 30 percent and increase the stability of insurance coverage.
- Building on Medicare, Medicaid, and SCHIP to cover older adults, the disabled now in the Medicare two-year waiting period, and low-income adults as well as children. Private insurance markets do not serve these populations well.