Insurance Design Matters:
Underinsured Trends, Health and Financial Risks,
and Principles for Reform

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U.S. Senate Health, Education, Labor and Pensions Committee
Hearing on “Addressing the Underinsured and National Health Reform”

February 24, 2009
Health Insurance Coverage and Uninsured Trends

45.7 Million Uninsured, 2007

Uninsured Projected to Rise to 61 million by 2020

Percent of Adults Ages 18–64 Uninsured by State

1999–2000

2006–2007

25 Million Adults Underinsured in 2007, 60% Increase Since 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.

Two of Five Adults Uninsured or Underinsured
Percent Underinsured Triples for Middle Income

Percent of adults (ages 19–64) who are uninsured or underinsured

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Under 200% of poverty</th>
<th>200% of poverty or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uninsured</td>
<td>26</td>
<td>9</td>
<td>42</td>
</tr>
<tr>
<td>Underinsured</td>
<td>35</td>
<td>19</td>
<td>42</td>
</tr>
<tr>
<td>2007</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uninsured</td>
<td>28</td>
<td>13</td>
<td>14</td>
</tr>
<tr>
<td>Underinsured</td>
<td>42</td>
<td>24</td>
<td>19</td>
</tr>
</tbody>
</table>

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

Underinsured and Uninsured Adults at High Risk of Going Without Needed Care and Financial Stress

Percent of adults (ages 19–64)

- **Went without needed care due to costs***
  - Insured, not underinsured: 31%
  - Underinsured: 53%
  - Uninsured during year: 68%

- **Have medical bill problem or outstanding debt**
  - Insured, not underinsured: 21%
  - Underinsured: 45%
  - Uninsured during year: 51%

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* Did not fill prescription; skipped recommended medical test, treatment, or follow-up, had a medical problem but did not visit doctor; or did not get needed specialist care because of costs. ** Had problems paying medical bills; changed way of life to pay medical bills; or contacted by a collection agency for inability to pay medical bills.

Cost-Related Problems Getting Needed Care Have Increased Across All Income Groups, 2001–2007

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

<table>
<thead>
<tr>
<th>Income</th>
<th>2001</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>29</td>
<td>29</td>
</tr>
<tr>
<td>Low income</td>
<td>45</td>
<td>41</td>
</tr>
<tr>
<td>Moderate income</td>
<td>62</td>
<td>58</td>
</tr>
<tr>
<td>Middle income</td>
<td>43</td>
<td>43</td>
</tr>
<tr>
<td>High income</td>
<td>14</td>
<td>29</td>
</tr>
</tbody>
</table>

* 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.

Note: In 2001, low income is <$20,000, moderate income is $20,000–$34,999, middle income is $35,000–$59,999, and high income is $60,000+. In 2007, low income is <$20,000, moderate income is $20,000–$39,999, middle income is $40,000–$59,999, and high income is $60,000+.

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

Visited ER, hospital, or both for chronic condition

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

* 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.

RAND: Cost-Sharing Reduces Likelihood of Receiving Effective Medical Care

Probability of receiving highly effective care (when appropriate and necessary) for acute conditions as compared to individuals with no cost-sharing

Source: K. N. Lohr et al., “Use of Medical Care in the RAND Health Insurance Experiment: Diagnosis- and Service-Specific Analyses in a Randomized Controlled Trial,” Medical Care 24 (Sept. 1986 Suppl.):S1–S87.
Cost-Sharing Reduces Use of Both Essential and Less Essential Drugs and Increases Risk of Adverse Events

Percent reduction in drugs per day

Percent increase in incidence per 10,000

People with Capped Drug Benefits Have Lower Drug Utilization, Worse Control of Chronic Conditions

- **Benefits Not Capped**
- **Benefits Capped**

### Percent of Drug Nonadherence
- Anti-HBP drugs: 14.6 vs. 18.1
- Lipid-lowering drugs: 26.5 vs. 31.4
- Antidiabetic drugs: 21.2 vs. 26.2

### Percent of Poor Physiological Outcomes
- High BP: 38.5 vs. 39.5
- High cholesterol: 19.6 vs. 21.3
- High blood glucose levels: 17 vs. 19.7

### Rate* of Medical Services Use
- ED visits: 45.2 vs. 49.2
- Nonelective hospitalizations: 16.6 vs. 18.7

* Rate per 100 person-years.

Lack of Insurance Undermines Preventive and Chronic Care

Receipt of Recommended Screening and Preventive Care,* 2005

- Total: 50%
- Uninsured all year: 32%
- Uninsured part year: 46%
- Insured all year: 53%

Chronic Disease Under Control: Diabetes and Hypertension, 1999–2004

- Diabetics under control**: Insured: 81%, Uninsured: 63%
- Hypertensives under control***: Insured: 41%, Uninsured: 21%

* Recommended care includes: blood pressure, cholesterol, Pap, mammogram, fecal occult blood test or sigmoidoscopy/colonoscopy, and flu shot within a specific time frame given age and sex. ** Refers to diabetic adults whose HbA1c is <9.0 *** Refers to hypertensive adults whose blood pressure is <140/90 mmHg.

Cost-Related Access Problems Among the Chronically Ill, in Eight Countries, 2008

Base: Adults with any chronic condition
Percent reported access problem due to cost in past two years*

* Due to cost, respondent did NOT: fill Rx or skipped doses, visit a doctor when had a medical problem, and/or get recommended test, treatment, or follow-up.

Ambulatory Care–Sensitive (Potentially Preventable) Hospital Admissions, by Race/Ethnicity and Patient Income Area, 2004/2005*

Adjusted rate per 100,000 population

Heart failure

Diabetes**

Pediatric asthma


Patient Income Area=median income of patient zip code. NA=data not available.


Mortality Amenable to Health Care

Deaths per 100,000 population*

* Countries’ age-standardized death rates before age 75; including ischemic heart disease, diabetes, stroke, and bacterial infections.
Data: E. Nolte and C. M. McKee, London School of Hygiene and Tropical Medicine analysis of World Health Organization mortality files (Nolte and McKee 2008).
# Medical Bill Problems and Accrued Medical Debt, 2005–2007

**Percent of adults ages 19–64**

<table>
<thead>
<tr>
<th>In the past 12 months:</th>
<th>2005</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Had problems paying or unable to pay medical bills</td>
<td>23%</td>
<td>27%</td>
</tr>
<tr>
<td></td>
<td>39 million</td>
<td>48 million</td>
</tr>
<tr>
<td>Contacted by collection agency for unpaid medical bills</td>
<td>13%</td>
<td>16%</td>
</tr>
<tr>
<td></td>
<td>22 million</td>
<td>28 million</td>
</tr>
<tr>
<td>Had to change way of life to pay bills</td>
<td>14%</td>
<td>18%</td>
</tr>
<tr>
<td></td>
<td>24 million</td>
<td>32 million</td>
</tr>
<tr>
<td>Any of the above bill problems</td>
<td>28%</td>
<td>33%</td>
</tr>
<tr>
<td></td>
<td>48 million</td>
<td>59 million</td>
</tr>
<tr>
<td>Medical bills being paid off over time</td>
<td>21%</td>
<td>28%</td>
</tr>
<tr>
<td></td>
<td>37 million</td>
<td>49 million</td>
</tr>
<tr>
<td>Any bill problems or medical debt</td>
<td>34%</td>
<td>41%</td>
</tr>
<tr>
<td></td>
<td>58 million</td>
<td>72 million</td>
</tr>
</tbody>
</table>

Problems with Medical Bills or Accrued Medical Debt Increased, 2005–2007

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

Note: Low income is <$20,000, moderate income is $20,000–$39,999, middle income is $40,000–$59,999, and high income is $60,000+.


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.
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


* 2007 and 2008 NHE projections.
Table 1. Medicare Advantage Plan Choices in Milwaukee County, Wisconsin, 2006

<table>
<thead>
<tr>
<th>Plans</th>
<th>1 Local PPO</th>
<th>2 HMO-POS</th>
<th>3 Local HMO</th>
<th>4 Local HMO</th>
<th>5 HMO-POS</th>
<th>6 PFFS</th>
<th>7 Reg PPO</th>
<th>8 Reg PPO</th>
<th>9 Reg PPO</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Humana</td>
<td>H5216-1</td>
<td>H5234-6</td>
<td>H5234-6</td>
<td>H5234-21</td>
<td>H1804-3</td>
<td>R5826-4</td>
<td>R5826-23</td>
<td>R5826-37</td>
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<tr>
<td>Premium</td>
<td>$37</td>
<td>$0</td>
<td>$58</td>
<td>$28.15</td>
<td>$28.15</td>
<td>$35</td>
<td>$97</td>
<td>$0</td>
<td>$35</td>
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<tr>
<td>In-Network OOP Max</td>
<td>$0-$50</td>
<td>$0-$50</td>
<td>$4,200</td>
<td>$4,200</td>
<td>$4,800</td>
<td>$5,000</td>
<td>$5,000</td>
<td>$5,000</td>
<td>$5,000</td>
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<tr>
<td>Primary Care Office Visit</td>
<td>$10</td>
<td>$20</td>
<td>$15</td>
<td>$20</td>
<td>$25</td>
<td>$30</td>
<td>$35</td>
<td>$35</td>
<td>$35</td>
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<tr>
<td>Specialist Office Visit</td>
<td>$35</td>
<td>$35</td>
<td>$25</td>
<td>$20</td>
<td>$25</td>
<td>$30</td>
<td>$35</td>
<td>$35</td>
<td>$35</td>
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<tr>
<td>Mammography Services</td>
<td>$35-$50</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>X-ray Services</td>
<td>$0-$10</td>
<td>$0-$10</td>
<td>$0-$10</td>
<td>$0-$10</td>
<td>$0-$10</td>
<td>$0-$10</td>
<td>$0-$10</td>
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<td>Clinical Lab Services</td>
<td>$0-$50</td>
<td>$0-$50</td>
<td>$0-$50</td>
<td>$0-$50</td>
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<td>$0-$50</td>
<td>$0-$50</td>
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<tr>
<td>Radiation Therapy</td>
<td>$35-$50</td>
<td>$0-$50</td>
<td>$0-$50</td>
<td>$0-$50</td>
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<td>$0-$50</td>
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<tr>
<td>Outpatient Hospital Services</td>
<td>$35-$100</td>
<td>$0-$100</td>
<td>$20</td>
<td>$20</td>
<td>$20</td>
<td>$20</td>
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<tr>
<td>Ambulatory Surgical Center Services</td>
<td>$100</td>
<td>$100</td>
<td>$20</td>
<td>$20</td>
<td>$20</td>
<td>$20</td>
<td>$20</td>
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<tr>
<td>Home Health Services</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
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<td>$0</td>
</tr>
<tr>
<td>Emergency Department Services</td>
<td>$50</td>
<td>$50</td>
<td>$50</td>
<td>$50</td>
<td>$50</td>
<td>$50</td>
<td>$50</td>
<td>$50</td>
<td>$50</td>
</tr>
<tr>
<td>Inpatient Hospital OOP Max</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Inpatient Hospital Copay per Stay</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>Inpatient Hospital Daily Copays</td>
<td>$175/day,</td>
<td>$295/day,</td>
<td>$250/day,</td>
<td>$275/day,</td>
<td>$265/day,</td>
<td>$180/day,</td>
<td>$165/day,</td>
<td>$165/day,</td>
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<tr>
<td></td>
<td>days 1-17</td>
<td>days 1-17</td>
<td>days 1-17</td>
<td>days 1-11</td>
<td>days 1-18</td>
<td>days 1-5</td>
<td>days 1-5</td>
<td>days 1-5</td>
<td>days 1-5</td>
</tr>
<tr>
<td>Skilled Nursing Facility Services OOP Max</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>SNF Copay per Stay</td>
<td>$0/day,</td>
<td>$150/day,</td>
<td>$125/day</td>
<td>$150/day</td>
<td>$150/day</td>
<td>$150/day</td>
<td>$150/day</td>
<td>$150/day</td>
<td>$150/day</td>
</tr>
<tr>
<td></td>
<td>days 1-13;</td>
<td>days 1-32;</td>
<td>days 1-34</td>
<td>days 1-31</td>
<td>days 1-3</td>
<td>days 1-3</td>
<td>days 1-3</td>
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<tr>
<td>SNF Daily Copays</td>
<td>$75/day,</td>
<td>$75/day,</td>
<td>$75/day</td>
<td>$75/day</td>
<td>$75/day</td>
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<td>$75/day</td>
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<td>$75/day</td>
</tr>
<tr>
<td></td>
<td>days 14-100</td>
<td>days 4-100</td>
<td>days 11-100</td>
<td>days 11-10</td>
<td>days 11-10</td>
<td>days 11-10</td>
<td>days 11-10</td>
<td>days 11-10</td>
<td>days 11-10</td>
</tr>
</tbody>
</table>

Notes: Two specialty-needs plans are excluded from this list; premiums cited are the full premiums (including any premium for Part D benefit); OOP = out-of-pocket; "-" means the plan has no copay in that category.
Source: Medicare Personal Plan Finder data, downloaded March 9, 2008.

Insurance Reforms: Goals and Design Principles

• Goals:
  – Access, financial protection and risk pooling
  – Focus competition on value: better health & effective care

• Benefit floor: a standard benefit available to all
  – Broad scope of benefits
  – Prohibit limits by disease or spending by specific benefits
  – If deductible, exempt preventive care and essential medications
  – Annual out-of-pocket maximums
  – High life-time maximum (or no ceiling)

• Limit range of variation and standardize (actuarial equivalent?)
  – Enable informed comparison
  – Provide consumer protection
  – Limit risk-segmentation
  – Lower administrative costs

• Income-related premium assistance to assure affordability

• Low-income: low-cost sharing and limit total cost exposure

• Insurance market reforms – guarantee offer and renewal; premiums
  same for same benefits, not vary with health (no underwriting)

• Mechanism to risk-adjust premiums: align incentives with value
Path to High Performance: Trend in the Number of Uninsured, 2009–2020, Projected and Path Policies

Note: Assumes reforms start in 2010 and take-up occurs over 2 years. Remaining uninsured mainly non-tax-filers.
Data: Estimates by The Lewin Group for The Commonwealth Fund.
Total National Health Expenditures (NHE), 2009–2020
Current Projection and Alternative Scenarios

NHE in trillions

Cumulative reduction in NHE through 2020: $3 trillion

Current projection (6.7% annual growth)
Path proposals (5.5% annual growth)
Constant (2009) proportion of GDP (4.7% annual growth)

GDP = Gross Domestic Product.
Data: Estimates by The Lewin Group for The Commonwealth Fund.