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WHY DOES HEALTH INSURANCE MATTER?

By Sarah Axeen and Elizabeth Carpenter**

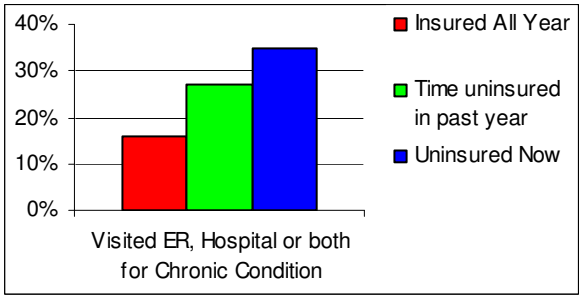
According to the Census Bureau, there are 47 million uninsured Americans. *But why does health insurance matter?* Lack of health insurance negatively affects the overall productivity of society, the stability of emergency care, and the health and financial well-being of individuals. †

Why insurance matters to society…	**Why insurance matters to the individual…**
Costs to society as a result of the uninsured include: • Uncompensated Emergency Department costs and staffing strains. • Higher insurance premiums because of cost-shifting. • Declines in workplace productivity.	*The uninsured are more likely to:* • Remain sick longer and die prematurely. • Forgo preventative treatment and be diagnosed with late stage illnesses. • Receive substandard care or go without care. • Experience financial hardships while seeking medical care.

SOCIETY

Uninsured individuals place an additional burden on already over-taxed Emergency Departments (EDs). They are twice as likely to visit an ED for a chronic condition like diabetes.[1]

Figure 1: ER or Hospital Visits for Chronic Conditions by Insurance Status



Source: Commonwealth Fund, in "Biennial Health Insurance Survey," 2005

The uninsured are more likely to report problems paying their medical bills, which leads to financial and staffing strains for hospitals. The costs associated with uncompensated care for the uninsured and underinsured cause many EDs to close or reduce the amount of emergency beds. Between 1993 and 2003, 425 emergency departments closed nationwide.[2] As a result, median ED waiting times increased by 36% over the period between 1997 and 2004.[3]

Additionally, 75% of EDs report difficulty finding necessary specialists. Understandably, specialists are less willing to serve as "on-call" physicians in a financially uncertain environment.[4]

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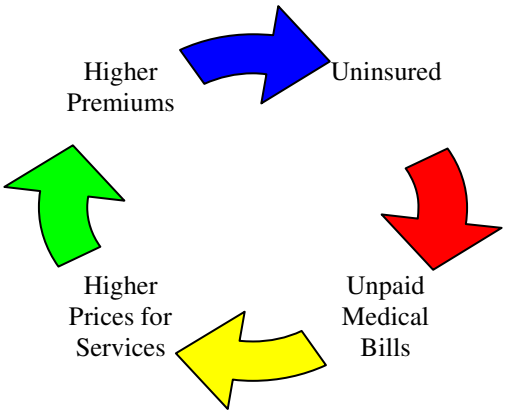
† Note: If not otherwise stated, all data is based on the non-Medicare population.

The economic cost of caring for the uninsured is ultimately shifted to the insured in the form of higher premiums. Estimates vary, but there is little doubt that families across America pay a "hidden tax" to provide uncompensated health care to the uninsured.[5]

Figure 3: Cost Shifting Due to Uncompensated Care



Source: New America Foundation, 2008.

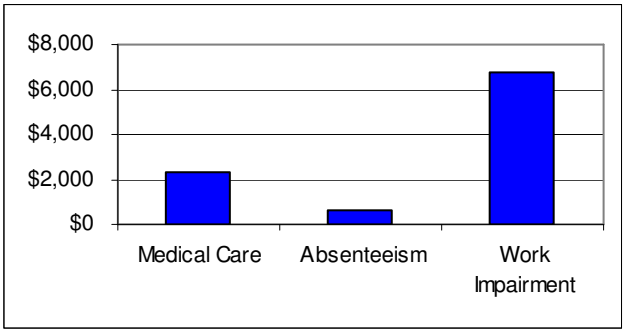
The uninsured are more likely to have problems paying medical bills or incur medical debt. When medical bills go unpaid, providers attempt to recoup the lost revenues by raising the rates for services. As a result, insurers raise premiums. This vicious cycle inextricably links the uninsured to health care costs and premium rates.

Finally, poor health reduces an individual's capacity to work which negatively affects workplace productivity. The Institute of Medicine estimated that the economic cost of the diminished health and shorter lifespan of the uninsured was between $65-130 billion in 2000.[6] Peer-reviewed studies estimate that on the job productivity loss (work impairment) stemming from poor health may reduce total, productive work hours by as much as one-fifth.[7]

The uninsured are less likely to see a physician, and more likely to remain sick longer and be diagnosed with a late-stage, untreatable illness. Over 63% of the uninsured are members of families with full-time, year-round workers.[8] Their increased likelihood of poor health has a tangible effect on employers' bottom line.

A case study of the Dow Chemical Company suggests that work impairment because of chronic health conditions costs an employer more than actual medical costs and the cost of absent workers combined. Moreover, at Dow Chemical, work impairment from depression was greater than the total loss (including medical care, absenteeism, and work impairment) for all other chronic conditions.[9]

Figure 2: Cost of Absenteeism, Medical Care, and Work Impairment, Dow Chemical Company 2002



Source: James J. Collins, et al., in *Journal of Environmental and Occupational Medicine*, 2005.

INDIVIDUAL

The uninsured are more likely to remain sick longer and die prematurely. Controlling for other factors like race, age, income, and geography, the uninsured are 25 percent more likely to die than the insured.[10] Based on this finding, the Institute of Medicine estimates that 18,000 uninsured people died in 2000 simply because they did not have access to the care that health insurance affords. The Urban Institute recently updated the 2000 data:

Table 5: Estimates of Preventable Deaths Due to Lack of Insurance, 2000-2004

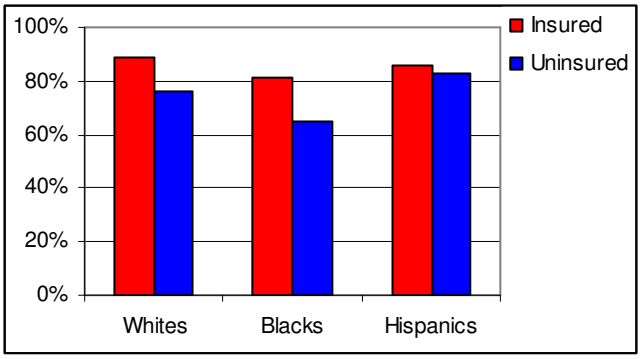
Year	US population (age 20-64)	Percent uninsured	Preventable deaths
2001	147.8 Million	16.1%	18,000
2002	150.3 Million	17.1%	19,000
2003	151.5 Million	17.7%	20,000
2004	153.4 Million	17.6%	20,000

Source: Stan Dorn, for Urban Institute, 2008.

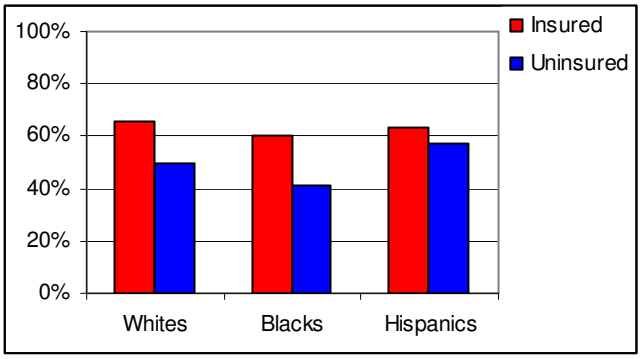
According to research published by the American Cancer Society, uninsured patients are more likely to die within five years following a cancer diagnosis.[11]

Figure 1: Five Year Survival Rates by Insurance Status and Race/Ethnicity

1a: Breast Cancer



1b: Colorectal Cancer



Source: Elizabeth Ward, et al., in *CA: A Cancer Journal for Clinicians*, 2008.

The uninsured often forgo preventive screening, which leads to a higher probability of late stage, untreatable diagnoses. The uninsured are far less likely to have a colonoscopy, mammogram or pap smear than the insured.[12] They are also more likely to be diagnosed with late-stage melanoma, breast, cervical, colorectal, and prostate cancers.

Table 4: Receipt of Preventative Measures by Insurance Status

	Percent of adults (over 50) who receive a scope procedure	Percent of women (40-64) who receive a mammogram	Percent of adult women who receive a pap smear
Full-Year Insured	45.7%	73.1%	85.8%
Full-Year Uninsured	18.6%	32.9%	62.0%
Part-Year Uninsured	n/a	51.3%	81.3%

Source: National Center for Health Statistics, in *Health, United States, 2007: with Chartbook on Trends in the Health of Americans*, 2007.

Table 5: Late stage diagnosis by Insurance Status

	Melanoma diagnosis[13]	Breast cancer diagnosis	Cervical cancer diagnosis*[14]	Colorectal cancer diagnosis	Prostate cancer diagnosis
Insured	18.0%	34.2%	11.4%	65.5%	20.5%
Uninsured	31.9%	42.6%	15.4%	76.5%	27.4%

Source: Institute of Medicine, in *Care Without Coverage: Too Little, Too Late*, 2002.

* Findings are not statistically significant when adjusted for sociodemographic characteristics

The uninsured are less likely to seek and receive medical care, especially appropriate and quality care. They are less likely to receive the recommended course of treatment, especially for chronic conditions like diabetes.

Table 1: Receipt of Appropriate Services for Diabetes Patients

	Percent with foot exam within 1 year	Percent with eye exam within 2 years	Percent with cholesterol measurement within 1 year	Percent with flu vaccine within 1 year
Insured	60%	73%	87%	43%
Uninsured for more than 1 year	36%	56%	70%	27%

Source: John Z. Ayanian, et al., in *Journal of the American Medical Association*, 2000.

The uninsured are as much as 1.2 to 3.2 times more likely to die in the hospital.[15] In addition, uninsured car accident victims receive 20% less care and have a 37% higher mortality rate than insured victims.[16]

The uninsured are five times more likely than the insured to be without a source of primary care, and three times more likely to have no health care visits of any kind. In addition, the uninsured are less apt to know when they have a treatable chronic condition like elevated blood pressure or high cholesterol. In a study of adults who tested positive for high blood pressure and/or cholesterol, the uninsured were less likely to have been previously diagnosed than the insured.[17]

Table 1: Receipt of Medical Care by Insurance Status and Age

Adults	Percent of population with no health care visits	Percent of population with no usual source of care	Percent of population with 1 or more emergency room visits
Full-Year Insured	12.4%	8.9%	19.4%
Full-Year Uninsured	43.6%	57.4%	18.0%
Part-Year Uninsured	18.9%	34.0%	28.0%
Children	Percent of population with no health care visits	Percent of population with no usual source of care	Percent of population with 1 or more emergency room visits
Full-Year Insured	9.6%	2.7%	20.5%
Full-Year Uninsured	39.4%	38.2%	14.4%
Part-Year Uninsured	14.1%	13.8%	26.0%

Source: National Center for Health Statistics, in *Health, United States, 2007: with Chartbook on Trends in the Health of Americans*, 2007.

Lack of insurance is a financial burden for the uninsured and their families. On average the uninsured are nine to ten times more likely to forgo medical care because of cost and twice as likely to have medical debt.[18]

Table 2: Percent who Forgo Medical Care Because of Cost by Insurance Status

	Percent below 100% FPL who forgo medical care because of cost	Percent between 100% and 200% FPL who forgo medical care because of cost	Percent above 200% FPL who forgo medical care because of cost
Full-Year Insured	3.5%	4.1%	1.5%
Full-Year Uninsured	24.5%	20.1%	15.3%
Part-Year Uninsured	24.8%	23.0%	16.7%

Source: National Center for Health Statistics, in *Health, United States, 2007: with Chartbook on Trends in the Health of Americans*, 2007.

Table 3: Percent who Forgo Prescription Drugs Because of Cost by Insurance Status

	Percent below 100% FPL who forgo prescription drugs because of cost	Percent between 100% and 200% FPL who forgo prescription drugs because of cost	Percent above 200% FPL who forgo prescription drugs because of cost
Full-Year Insured	7.4%	6.7%	2.9%
Full-Year Uninsured	27.0%	22.2%	19.9%
Part-Year Uninsured	26.9%	23.0%	16.7%

Source: National Center for Health Statistics, in *Health, United States, 2007: with Chartbook on Trends in the Health of Americans*, 2007.

[1] Commonwealth Fund, "Biennial Health Insurance Survey," *Commonwealth Fund*, (2005).
[2] Institute of Medicine, *Hospital-Based Emergency Care: At the Breaking Point*, (Washington, D.C.: National Academy Press, 2006).
[3] Andrew P. Wilper, et al., "Waits to See an Emergency Department Physician," *Health Affairs* 27 (2008).
[4] Institute of Medicine, *Hospital-Based Emergency Care: At the Breaking Point* (Washington, D.C.: National Academy Press, 2006).
[5] For more information, see: Nichols and Harbage, "Estimating the Hidden Tax," *New America Foundation*, (2007); Al Dobson, "The Cost-Shift Payment Hydraulic," *Health Affairs*, (2006); Kenneth Thorpe, "Paying a Premium, the Added Cost of Care for the Uninsured," *Families USA*, (2005); Holahan and Hadley, "The Cost of Care for the Uninsured" *Kaiser Family Foundation*, (2004).
[6] Indexing this number to 2007 dollars raises the economic cost estimate to $87 to $174 billion.
[7] James J. Collins, et al., "The Assessment of Chronic Health Conditions on Work Performance, Absence, and Total Economic Impact for Employers." *Journal of Environmental and Occupational Health* 47, no. 6 (2005): Footnote 22 and 23.
[8] Sarah Axeen and Elizabeth Carpenter, "Who are the Uninsured," *New America Foundation*, (2007).
[9] James J. Collins, et al., "The Assessment of Chronic Health Conditions on Work Performance, Absence, and Total Economic Impact for Employers." *Journal of Environmental and Occupational Health* 47, no. 6 (2005). The authors would like to thank Sean Sullivan for his help in finding this information.
[10] Peter Franks, et al., "Health Insurance and Mortality: Evidence from a National Cohort," *Journal of the American Medical Association* 270, no. 6 (1993).
[11] Elizabeth Ward, et al., "Association of Insurance with Cancer Care Utilization and Outcomes," *CA: A Cancer Journal for Clinicians* 58, (2008). The authors controlled for race and ethnicity in calculating these findings.
[12] National Center for Health Statistics, *Health, United States, 2007: with Chartbook on Trends in the Health of Americans*, (Hyatsville, MD: U.S. Department of Health and Human Services, 2007).
[13] Richard G. Roetzheim, et al., "Effects of Health Insurance and Race on Early Detection of Cancer," *Journal of the National Cancer Institute* 91, no. 16 (1999). The authors studied 34,616 cases of colorectal (OR=1.67), breast (OR=1.43), prostate cancer (OR=1.47) and melanoma (OR=2.6) from the 1994 Florida Cancer Data System. The uninsured had a greater, statistically significant chanced of late-stage diagnosis in all of these categories controlled for sociodemographic data.
[14] Jeanne M. Ferrante, et al., "Clinical and Demographic Predictors of Late-Stage Cervical Cancer," *Archives of Family Medicine* 9, no. 5 (2000). The authors studied 852 women with invasive cervical cancer from the 1994 Florida Cancer Data System. The uninsured had a greater, but not statistically significant, chance of having a late-stage diagnosis (OR=1.49) controlled for sociodemographic data.
[15] Jack Hadley, et al., "Comparison of Uninsured and Privately Insured Hospital Patients," *Journal of the American Medical Association* 265, no. 3 (1991). The authors studied a national sample of hospital discharge abstracts in 1987 controlled for admission severity, hospital characteristics, and community type.
[16] Joseph J. Doyle, "Does Health Insurance Affect Treatment Decisions and Patient Outcomes" (PhD diss., University of Chicago, 2001). The author studied 10,962 accident victims under the age of 65 from Wisconsin's Crash Outcome Data Evaluation System, adjusted for the severity of the accident.
[17]National Center for Health Statistics, *Health, United States, 2007: with Chartbook on Trends in the Health of Americans*, (Hyatsville, MD: U.S. Department of Health and Human Services, 2007).
[18] Jessica H. May et al., "Issue Brief 85: Tough Trade-Offs: Medical Bills, Family Finances, and Access to Care," *Center for Studying Health Systems Change*, (2004). The authors found that 23.7% of the uninsured have medical debt and 11.4% of the insured have medical debt. Insurance coverage status was determined on the day of interview. The study excludes families with a mix of insured and uninsured members.

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