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How Many Are Underinsured?

Trends Among U.S. Adults, 2003 And 2007

Growing numbers of adults with insurance find that they are not adequately protected from the rising cost of health care.

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Abstract

With health insurance moving toward greater patient cost sharing, this study finds a sharp increase in the number of underinsured people. Based on indicators of cost exposure relative to income, as of 2007 an estimated twenty-five million insured people ages 19-64 were underinsured -- a 60 percent increase since 2003. The rate of increase was steepest among those with incomes above 200 percent of poverty, where underinsurance rates nearly tripled. In total, 42 percent of U.S. adults were underinsured or uninsured. The underinsured report high levels of access problems and financial stress. The findings underscore the need for policy attention to benefit design, to assure care and affordability.

Study Results

Including those uninsured during the year, the share of nonelderly adults with adequate health insurance declined from 65 percent to 58 percent between 2003 and 2007. An estimated 14 percent of all nonelderly adults were underinsured in 2007, and more than one in four adults (49.5 million) were uninsured all or part of the year. Adding uninsured and underinsured adults together, an estimated seventy-five million adults -- 42 percent of the under-sixty-five adult population -- had either no or inadequate insurance in 2007, up from 35 percent in 2003.

Although adults with very low incomes (below poverty, or \$20,000 annual income) were at the highest risk of being uninsured or underinsured in both time periods, insurance erosion has spread up the income distribution well into the middle-income range. The percentage underinsured reached double digits for those with annual incomes of \$40,000-\$59,999. The proportion insured, not underinsured, dropped ten percentage points for adults earning \$40,000-\$59,999 and \$60,000-\$99,999.

By 2007 barely half of those with incomes of 200-299 percent of poverty were insured all year with adequate coverage. Nearly one-third had a time uninsured, and 16 percent were underinsured.

Controlling for income, health status, and other characteristics, underinsured and uninsured adults were significantly more likely to go without care because of costs than were those with more protective insurance and no time uninsured.

About half of uninsured and nearly half of underinsured adults reported difficulty paying bills, being contacted by collection agencies for unpaid bills, or changing their way of life to pay their medical bills.

Adults classified as underinsured were more likely to report benefit limits, including limits on the total dollar amount a plan would pay for medical care and on the number of yearly visits to doctors, and were less likely to report dental or prescription drug benefits. Underinsured adults were also far more likely to report high deductibles.

Reflecting their lower incomes, underinsured adults allocate much higher shares of their incomes to premiums. An estimated two in five underinsured adults spent 5 percent or more, and one-fifth spent 10 percent or more, of family income on premiums -- more than three times the premium-to-income pattern in the comparison group.

Discussion

This study indicates that the trend toward greater cost sharing in benefit design in recent years is putting millions of insured adults under age sixty-five at risk of spending large shares of their incomes on health care. The number of adults who are underinsured increased by 60 percent from 2003 to 2007, based on cost relative to income indicators. Risks of being underinsured have moved up the income ladder: adults with incomes above 200 percent of poverty accounted for 75 percent of the increase in the number underinsured -- rates underinsured nearly tripled in this group. Including those without coverage during the year, an estimated seventy-five million adults under age sixty-five (42 percent) were either underinsured or uninsured during 2007.

Health care costs are highly concentrated among the sickest patients each year, with 10 percent of patients accounting for 64 percent of all spending. The healthiest half of the population accounts for only 3 percent of total spending. To the extent that higher cost sharing, particularly deductibles, is intended to create more prudent care decisions, the skewed distribution suggests that such a strategy will have little overall impact on spending.

The clear impact will be to increase the share of families at risk for medical debt and loss of savings for retirement, college, or other long-term needs.

Dr. Don McCanne, Senior Health Policy Analyst at PNHP (Physicians for a National Health Program, comments that "The current trend to address the issue of affordability through innovative private insurance product design is driving the dramatic increase in the incidence of underinsurance. Because of the skew in rates of illness, these efforts have had little impact in reducing overall health care spending, but they have impaired health care access, and they have had a major negative impact on family finances."

"There are a whole lot of ways to be underinsured that the report does not capture," said Dr. Steffie Woolhandler, an associate professor of medicine at Harvard Medical School

and co-founder of PNHP. "The deductible is only a fraction of the total amount one has to pay out-of-pocket. In addition to the deductible, there are issues such as co-insurance and the issue of uncovered services, which are not part of the deductible," she said.

Woolhandler also noted that many people lose their job and their health insurance when they become disabled. "At least 25 percent of employers terminate employment the day you become disabled," she said.

As we listen to candidates' debates about how they will provide better access to affordable health care, we need to think about how to address the problems of increased cost-sharing and rising premiums not just for the poor but for all except the most wealthy Americans.