



NEW AMERICA
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Health Insurance & Family Budgets

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Overview

- Role of health insurance
- High cost medical events
- Health insurance & assets
- Health insurance & family budgets
- Policy solutions



Role of Health Insurance

- A means to guarantee access to high quality health care providers
- Protection against the full cost of catastrophic medical events



Utilization of health care, 2005

	Average # of Doctors visits	Median total health spending	Average # of ER visits
Privately Insured Adults (19-64)	2.9	\$860	0.15
Privately Insured Kids (0-18)	2.1	\$400	0.13
Publicly Insured Adults	5.3	\$2126	0.34
Publicly Insured Kids	1.7	\$191	.020
Uninsured Adults	1.0	\$20	0.15
Uninsured Kids	0.8	\$0	0.07

Source: Author's calculations based on 2005 MEPS Household Component



Uninsured & Access

- The uninsured are more likely to be diagnosed with late-stage, untreatable cancers—controlling for demographic factors.
- The uninsured are far less likely to have a usual source of care and are 9 to 10 times more likely to forgo necessary treatment because of cost.
- The uninsured are 25% more likely to die prematurely than the insured for a total of 22,000 deaths per year.



Role of Health Insurance

- A means to guarantee access to high quality health care providers
- Protection against the full cost of catastrophic medical events



Adults with High Cost Medical Events

	Percent with a High Cost Event	Average Total Expenditures	Average Expenditures by Self/Family	Percent funded by Self/Family
Private Insurance	7.15%	\$22,323	\$2,510	11.24%
Public Insurance	19.05%	\$24,919	\$2,450	9.83%
Uninsured	1.57%	\$24,499	\$6,795	27.74%

Source: Author's calculations based on 2005 MEPS Household Component



Children with High Cost Medical Events

	Percent with a High Cost Event	Average Total Expenditures	Average Expenditures by Self/Family	Percent funded by Self/Family
Private Insurance	1.75%	\$26,119	\$2,032	7.78%
Public Insurance	2.75%	\$32,676	\$793	2.43%
Uninsured	1.11%	\$38,600	\$9,923	25.71%

Source: Author's calculations based on 2005 MEPS Household Component



Uninsured & Assets

- While less likely to have a high cost medical event, the uninsured shoulder a much larger portion of the cost (pay 3-4 times as much!)
- Uninsured accumulate fewer assets
 - 61.8% of uninsured rent compared to 33.4% of insured
 - Insured have higher total wealth, housing wealth, and savings in IRAs, stocks, bonds, and liquid assets
- But, health insurance isn't a panacea
 - Medical debt / Underinsurance
 - Asset limits in public programs

Source: Helen Levy, "The Economic Consequences of Being Uninsured," October 2002.



Asset Limits in Medicaid & SCHIP

- SCHIP:
 - 2 states have asset tests
 - Limits are both \$10,000
- Medicaid for Children:
 - 4 states have asset tests
 - Limits range from \$2,000 to \$30,000
- Medicaid for Parents:
 - 28 states have asset tests
 - Limits range from \$1,000 to \$30,000



Uninsured & Family Budgets

- Average household income for uninsured = \$35,000; for the insured = \$65,000
 - High cost event costs family an average of \$6,795 (or roughly 20% of their income)
 - Assuming a family saves at 10%, this wipes out 2 years of savings
 - If, instead, they save at 5%, this wipes out 4 years of savings!

Sources: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement, 2008



Average Total Medical Costs as a Percentage of Income, 2001-03

	Single, non-group coverage	Family, non-group coverage	Single ESI	Family ESI
All Incomes	18.1%	16.7%	4.4%	6.7%
100-199%	29.3%	32.6%	9.9%	16.2%
200-299%	16.6%	20.6%	5.8%	10.0%
300-499%	11.5%	12.5%	3.7%	6.9%
500%+	5.7%	6.7%	2.3%	3.8%

Source: Blumberg, Holahan, Hadley, & Nordhal, "Setting a Standard of Affordability for Health Insurance Coverage," *Health Affairs*, 2007.



Policy Solutions

- Responsibly and sustainably cover everyone
 - Cost of doing nothing is too high
 - Set affordability standards that include out-of-pocket limits (costs between 2-10% of income based on a sliding income scale)
 - Uninsured likely to be subsidized, so it should be affordable for them
 - Those who won't be subsidized can afford to purchase
 - Reduces the out-of-pocket burden on the uninsured and uncompensated care costs on safety net providers



What can states do?

- State policy = state politics
 - We cover kids up to ~200% FPL
 - Pregnant women up to ~133% FPL
 - Non-parent adults up to ~50% FPL
- States can be partners, but without federal tax revenues, they can't solve these problems alone
- Work on disparities in eligibility and asset tests in public programs like SCHIP and Medicaid



What can you do?

- Emergency “help” funds
 - Funds for the truly sick, uninsured who can’t afford to finance their medical care
 - Provides support for the local safety net hospitals who bear the brunt of the burden on uncompensated care



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Methods

- Unless otherwise noted, all calculations utilize the 2005 MEPS Household Component survey.
- Population studied is the non-institutionalized, non-elderly (0-64), and non-disabled representative sample surveyed by AHRQ.
- A high cost medical event was defined as a person's total expenditures being in the top 10% of the sample for 2005.

