

PRESSCRIPTION FOR CHANGE

Costs of Caring for Kentucky's Uninsured
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Classification of costs consequent to uninsurance

	Internal Costs (for individuals, families, and firms)	External Costs (to society)
Health Care Service Costs	<ul style="list-style-type: none">■ Out-of-pocket expenditures for health care services	<ul style="list-style-type: none">■ Expenditures for uncompensated care (primarily transfer costs)
Other Costs	<ul style="list-style-type: none">■ Greater morbidity and premature mortality■ Workplace productivity losses■ Family financial uncertainty and stress, depletion of assets■ Developmental losses for children■ Diminished sense of social equality and of self-respect■ Lost income of uninsured breadwinner in ill health	<ul style="list-style-type: none">■ Diminished quality and availability of personal health services■ Diminished workforce productivity■ Diminished public health system capacity■ Diminished population health■ Higher taxes, budget cuts, loss of other uses for public revenues diverted to uncompensated care■ Higher public program costs connected with worse health

Source: *Institute of Medicine, 2003*

The uninsured receive fewer health care services and are sicker...

	Full-Year Uninsured	Full-Year Insured
Never went to a doctor in past year	25%	6%
Didn't fill a prescription because of cost	50%	24%
Sick, but didn't see a doctor because of cost	71%	20%
Health is fair or poor	35%	22%

The uninsured suffer greater financial risk...

	Full-Year Uninsured	Full-Year Insured
Problems paying medical bills	67%	25%
Contacted by collection agency for medical bills	48%	21%
Changed life to pay medical bills	44%	18%
Unable to pay for basic necessities due to high medical bills	23%	7%
Used all or most of savings to pay medical bills	31%	14%

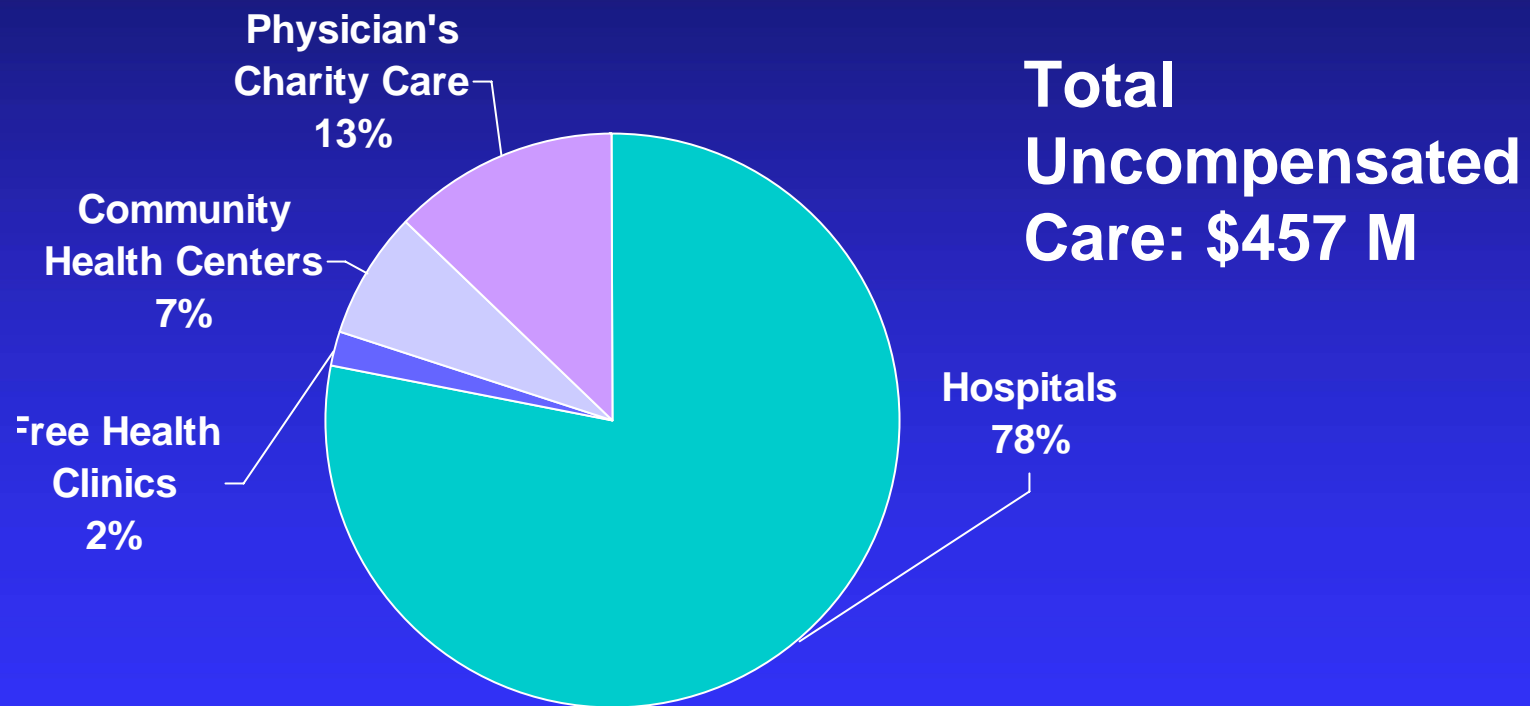
Uncompensated Care Costs by Component in Kentucky, 2004

Hospitals	\$357 M
Community Health Centers	\$33 M
Free Health Clinics	\$8 M
Physician's Charity Care	\$58 M

Value of Uncompensated Care **\$457 m**

Other possible sources of UC not included here: Rural Health Clinics, Primary Care Centers, Other Charity Care, Local Health Departments

Uncompensated Care in Kentucky by Component, 2004



Estimated Expenditures Related to Uninsurance, 2004 (in millions)

Estimated Uncompensated Care Costs	\$457.4
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Out-of-Pocket Costs of the Uninsured	\$354.0
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Annual spending on the uninsured in Kentucky	\$811.2
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The Cost of Coverage

- Having health insurance increases medical care use.
- The costs of caring for the uninsured are less on average than those associated with the insured.
- *How much more will it cost to insure the uninsured, over and above what is being spent now for their medical care?*

Simulated Medical Spending Per Uninsured Person, 2004 Dollars

Percent Non-Elderly Part-Year Uninsured, Kentucky	22%
Out-of-Pocket Payment Per Uninsured Person for Medical Expenses	\$451
Current Medical Expenses Per Person*	\$1,805
Predicted Full Coverage Medical Expenses	\$2,509
How much more the uninsured would spend were they to receive full coverage:	\$552 M

*assuming out-of-pocket payments are 25% of all medical expenses, Hadley and Holahan, 2004

Source: Hadley and Holahan, 2004; Kentucky Health Insurance Research Project 2005 Household Survey

Benefits of Health Insurance

Annual Economic Value of Foregone Health due to Full-Year Uninsurance, 2004	\$2,635
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Annual Economic Value of Costs due to added risk and financial insecurity related to Full-Year Uninsurance, 2004	\$66
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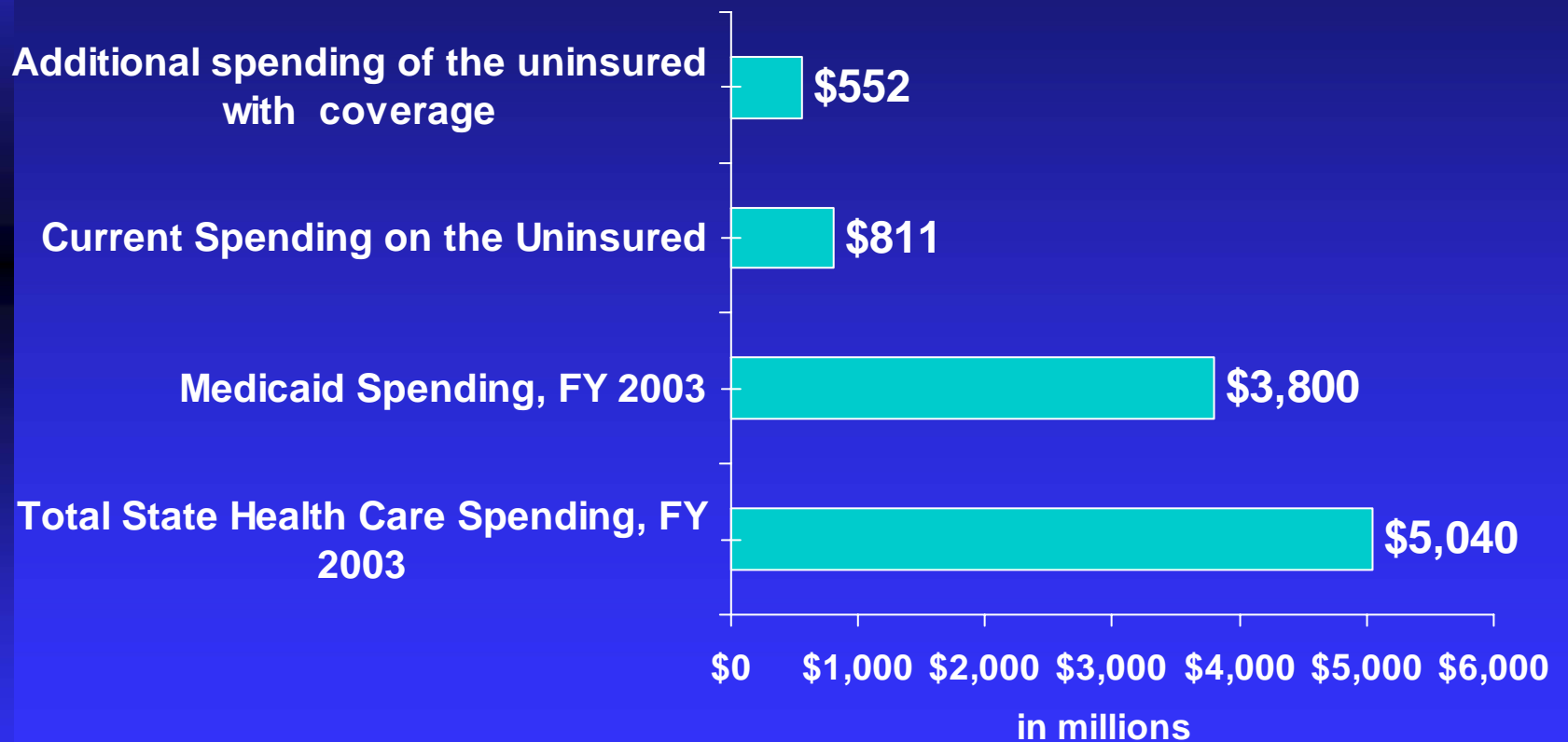
Number of Non-Elderly Full-Year Uninsured in Kentucky	340,000
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Annual Benefits of Health Insurance	\$918 M
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Benefits vs. Costs of Covering the Uninsured

Benefits of Covering the Uninsured	\$918 M
Additional Spending if Uninsured Were Covered (Costs)	\$552 M
Benefits Minus Costs	\$364 M
Ratio of Benefits to Costs	1.7

A Comparison of Health Care Expenditures in Kentucky



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Conclusions

- The uninsured in Kentucky suffer health and economic costs due to lack of health insurance.
- They are more likely to be in fair or poor health, more likely to forego medical services because of cost, and more likely to suffer financial hardship due to medical bills.

Conclusions

- Kentucky spends approximately **\$811 M** annually in uncompensated care costs and out-of-pocket payments on health care for the uninsured.
- Foregone health benefits and costs due to financial risk of the uninsured are estimated to be about **\$918 M**.
- Medical spending by the uninsured would increase approximately **\$552 M** if they had full coverage.
- Benefits of full coverage for the uninsured outweigh costs at a ratio of approximately **1.7 to 1**.

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