The Cost of Care for the Uninsured:

What Do We Spend, Who Pays, and What Would Full Coverage Add to Medical Spending?

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Questions

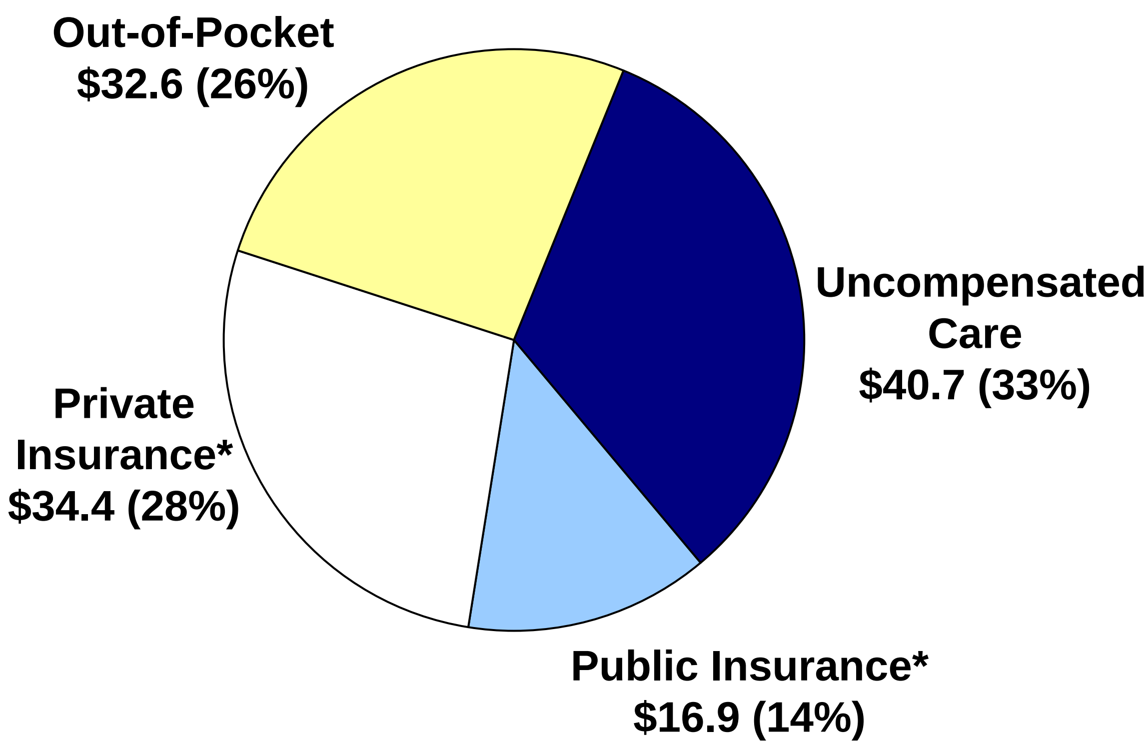
- How much care do the uninsured receive and how much is uncompensated?
- Who “pays for” uncompensated care?
- Does uncompensated care “compensate” fully for the lack of insurance?
- How much more would it cost to cover the uninsured?
- How do the costs of expanded coverage compare to the benefits?

Definition: Uncompensated Care

- Uncompensated care is medical care received by the uninsured, but not paid for either out-of-pocket or by insurance for people who have coverage for part of the year. It includes charity care, reduced-fee care, and bad debts.

Amount and Sources of Payment for Care Received by Full-Year and Part-Year Uninsured

In Billions of 2004 Dollars



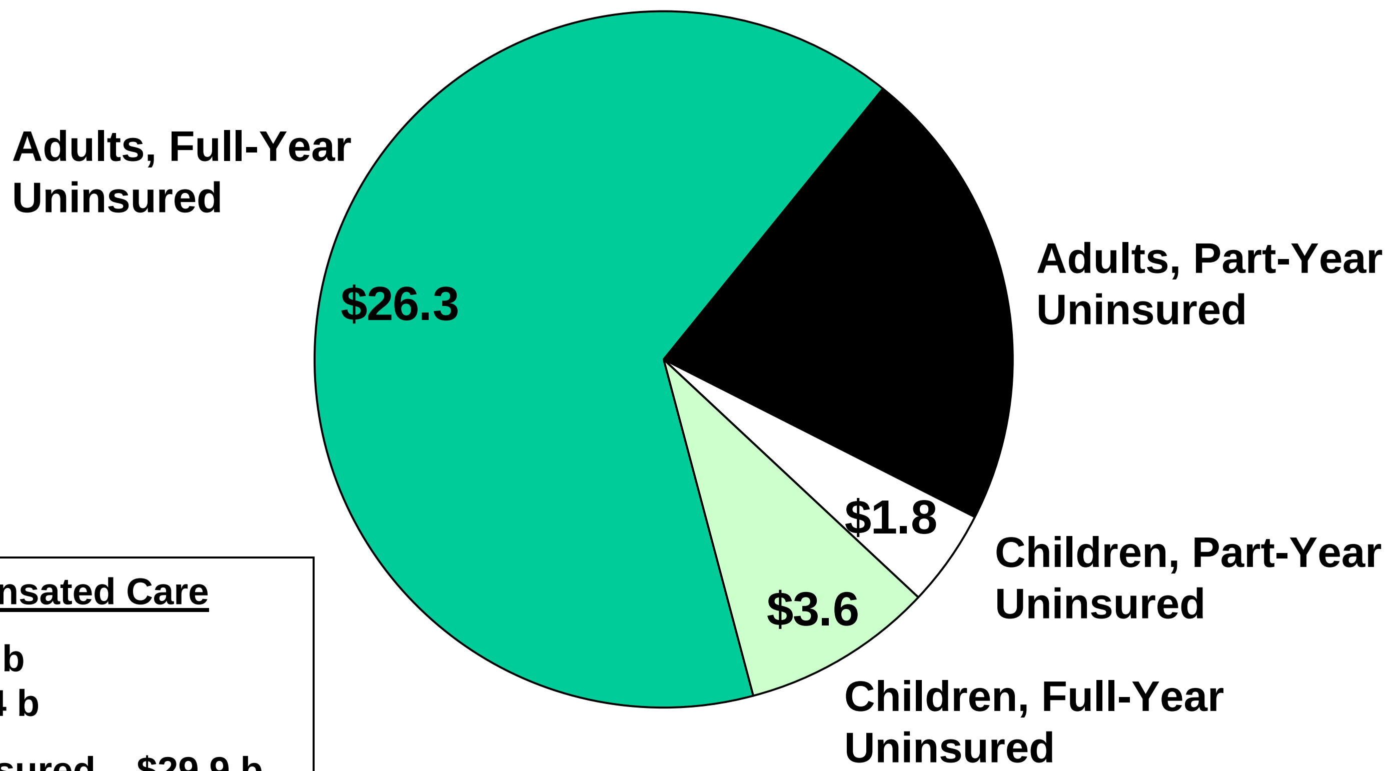
Total = $124.5 Billion

Note: Includes payments for people uninsured all-year and for only part of the year.
* Payments for part of year when part-year uninsured have coverage

SOURCE: Hadley and Holahan, 2004.

Total Uncompensated Care in 2004

(in billions)



Uncompensated Care

Adults – $35.1 b
Children – $5.4 b

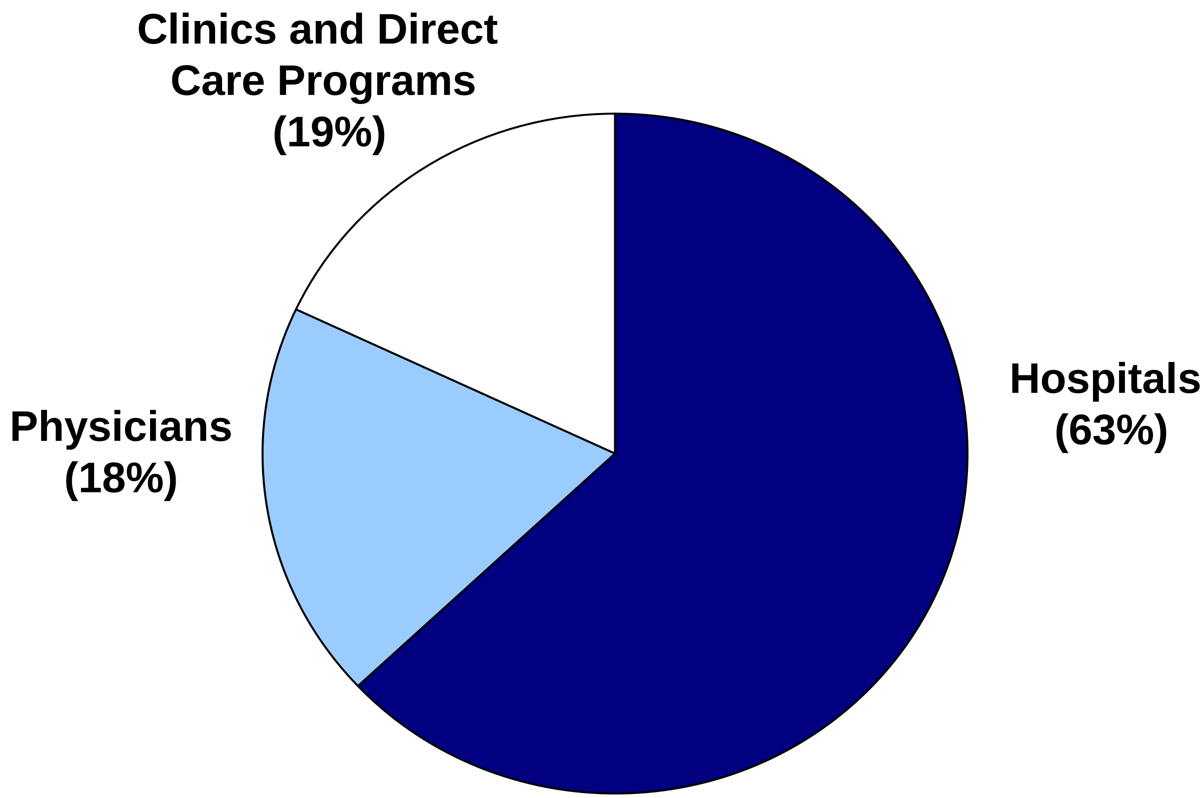
Full-Year Uninsured – $29.9 b
Part-Year Uninsured – $10.6 b

Total = $40.7 billion

Data may not total due to rounding.
SOURCE: Hadley and Holahan analysis of 1998 – 2000 MEPS data, 2004.

Provider-Based Estimate of Uncompensated Care

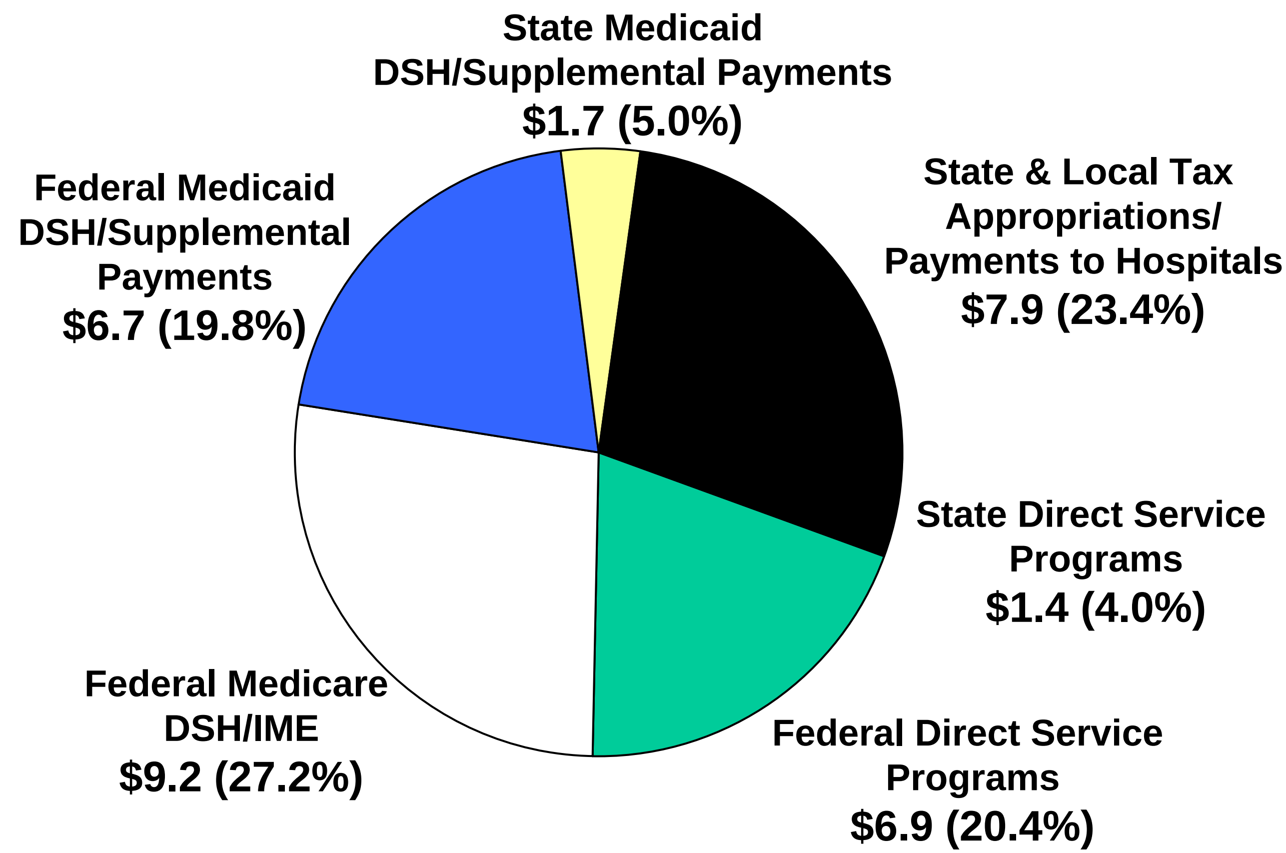
(2001 Shares)



SOURCE: Hadley and Holahan, *Health Affairs* (Feb. 2003)

Total Government Spending Available for the Uninsured, 2004

(In Billions of Dollars)

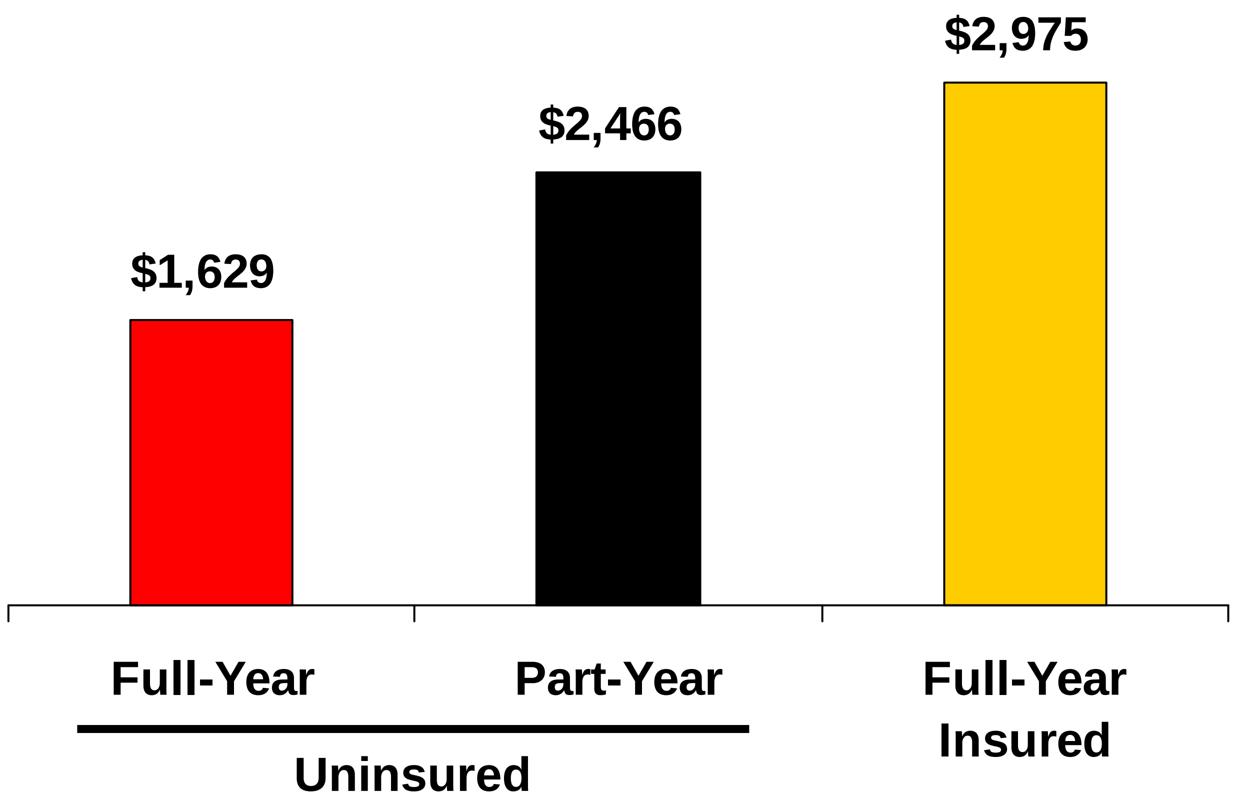


Total = $33.8 Billion

SOURCE: Hadley and Holahan, 2004.

Does Uncompensated Care Compensate for the Lack of Insurance?

Per Capita Spending, 2004 dollars (includes uncompensated care)



SOURCE: Hadley and Holahan, 2004.

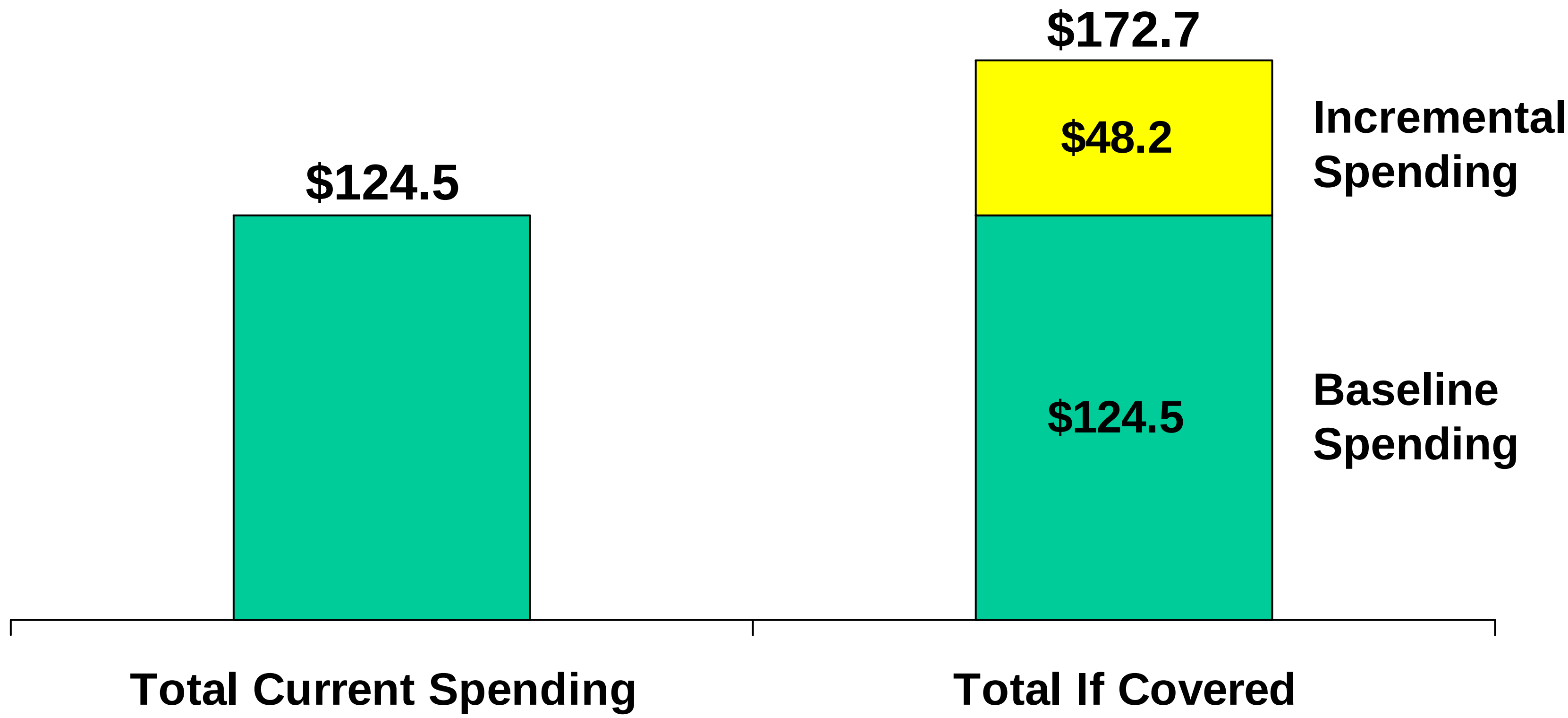
How Much More Would It Cost to Cover the Uninsured?

- Cost of additional medical care used by the uninsured because they obtain coverage

- Does not consider transfer costs
  - People moving from private to public coverage
  - Increased government subsidies for private coverage and payments

- Not tied to a specific proposal – based on average behavior of people with family incomes up to 400% of poverty with full-year insurance coverage.

Total and Incremental Medical Spending if Uninsured Had Coverage
(Billions of 2004 Dollars)



SOURCE: SOURCE: Hadley and Holahan, 2004.

The Consequences of Being Uninsured

Research finds that the uninsured:

- use fewer preventive and screening services;
- are sicker when diagnosed;
- receive fewer therapeutic services;
- have poorer health outcomes (higher mortality and disability rates); and
- have lower annual earnings because of poorer health

SOURCE: J. Hadley. "Sicker and Poorer – The Consequences of Being Uninsured: A Review of the Research on the Relationship between Health Insurance, Medical Care Use, Health, Work, and Income," *Medical Care Research and Review* (60:2), June 2003.

The Value of Lost Health

- The mid-range estimated annualized economic value of the foregone health of 40 million uninsured for each year without insurance coverage was $97.5 billion in 2001.

- Extrapolating to 2004 dollars increases this estimate to $103.2 billion.

SOURCE: Institute of Medicine, *Hidden Costs, Values Lost* (2003)

Summary: By the Numbers

- The estimated cost of uncompensated care received by the uninsured is **$40.7 billion** in 2004.
- Total government spending potentially available for uncompensated care is **$33.8 billion**
- Even counting uncompensated care, full-year uninsured receive 55% as much care per person as full-year insured: **$1,629** vs. **$2,975**
- The cost of extra medical care used by the uninsured if they had coverage is **$48.2 billion.**
- The estimated “value” of lost health due to uninsurance is **$103.2 billion**