

# INSTITUTE OF MEDICINE

*Shaping the Future for Health*

## A SHARED DESTINY

### EFFECTS OF UNINSURANCE ON INDIVIDUALS, FAMILIES, AND COMMUNITIES

**T**he more than 41 million Americans who are uninsured are not isolated individuals. They are members of communities. Being uninsured adversely affects individuals and families. These effects also spill over to the whole community and include reduced availability of services, poorer population health, and possibly a less robust local economy.

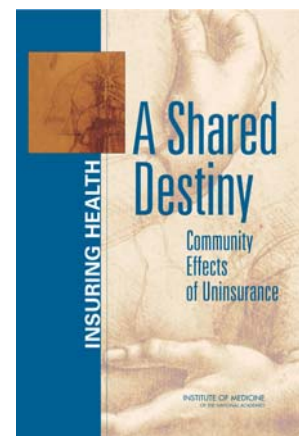
#### CONSEQUENCES OF UNINSURANCE FOR INDIVIDUALS AND FAMILIES

In its first three reports, the Committee on the Consequences of Uninsurance documents the health and financial repercussions of being uninsured for individuals and families.

- *Coverage Matters: Insurance and Health Care* (2001) looks at who is uninsured and why,
- *Care Without Coverage: Too Little, Too Late* (2002) examines the effects of being uninsured on adult health, and
- *Health Insurance Is a Family Matter* (2002) looks at the impact of uninsurance on families and children.

The following section highlights the major findings of these reports and how these effects on individuals and families set the stage for problems at the community level.

***Who Is Uninsured And Why?*** Over eighty percent of uninsured persons under age 65 are members of working families. Their jobs do not provide insurance and buying individual coverage is frequently too costly. Two-thirds of uninsured families earn less than 200 percent of the federal poverty level [FPL] (roughly \$35,000 for a family of four). Purchasing a policy can exceed 10 percent of family income in this bracket. Only 59 percent of persons with household incomes less than 150 percent of the FPL are able to cover the entire family. In contrast, 90 percent of families with incomes above 200 percent



**One in five families has at least one uninsured member. More than 58 million people in America are uninsured or live with someone who is uninsured.**

**About 32.4 million working age adults and 8.5 million children are uninsured.**

of FPL have all family members insured. However, this still means that 10 percent of these families have one or more uninsured members. Insured people face the risk of losing their insurance with changing family circumstances---when they become unemployed, change jobs, or become widowed or divorced. When a worker with employment-based coverage reaches age 65, retires and qualifies for Medicare, a younger spouse may be left without coverage. Usually when a child turns 19 years old, he or she reaches the age limit for coverage as a dependent.

***What Happens To Your Health If You Do Not Have Insurance Coverage?*** Uninsured people are more likely to receive too little medical care and to receive it too late, to be sicker and to die sooner. They are reluctant to use health services, often waiting until there is a crisis. They receive fewer preventive services, less regular care for chronic disease, and poorer care in the hospital. For example,

- Uninsured adults more often go without recommended cancer screening tests, delaying diagnosis until the cancer is advanced and more likely to be fatal.
- Uninsured adults with serious chronic problems, such as hypertension or HIV infection, lack regular access to medications that help control these conditions.
- Twenty-five percent of adults with diabetes who are uninsured for a year or more go without a health checkup for two years and miss timely eye, foot and blood pressure exams that help prevent blindness, amputation and cardiovascular disease.
- Uninsured women and their newborns receive less prenatal care and are more likely to have poor outcomes during pregnancy and delivery, including more maternal complications, infant death, and low birth weight.
- Uninsured children use fewer medical and dental services and are less likely to receive routine preventive check-ups and immunizations. Half of uninsured children have not had a doctor's visit in the past year, more than twice the rate of privately insured children. Readily treatable childhood conditions such as ear infections that can affect hearing and language development are more likely to go undetected in uninsured children.

***Does Having Health Insurance Eliminate Racial And Ethnic Disparities In Health?*** African Americans are two times and Hispanics three times as likely as non-Hispanic whites to be uninsured. Health insurance facilitates access to preventive services, a regular source of care, and better quality care, although it does not erase all disparities in morbidity and mortality. Studies show, for example, that health insurance lessens disparities in access to cardiovascular procedures like angiography and revascularization.

***Does Having Health Insurance Matter?*** Yes. Health insurance enhances access to a full range of preventive, chronic and acute care services that meet professional guidelines. It improves the likelihood of having a regular provider of care.

If parents do not have health insurance for themselves, it affects care seeking for their children. In states that have expanded Medicaid coverage to include low-income parents as well as children, enrollment of eligible children is higher.

The best health outcomes are possible when health insurance coverage:

- Is continuous
- Ensures adequate provider participation
- Includes preventive and screening services, outpatient prescription drugs, and specialty mental health care
- Covers whole families
- Covers the entire uninsured population rather than only those persons who are already seriously ill

***How Is The Financial Stability Of Families Affected By Lack Of Health Insurance?*** The current patchwork of health insurance programs makes it common for people to go without coverage at some point in their lives. If an uninsured family member has serious health problems, such as a major trauma from a car crash, the resulting bills can shake the economic stability of the entire family. Uninsured families are more likely to have large out-of-pocket medical expenses relative to income and often must borrow money to pay medical bills. Medical bills are a factor in nearly half of all personal bankruptcy filings.

Even though uninsured families are often poor, they pay, on average, up to 40 percent of their medical costs by themselves. Uninsured families pay 88 percent of their prescription drug costs, 47 percent of their ambulatory care costs, but only 7 percent of hospital costs. Despite these attempts by the uninsured to pay for their own care, providers frequently incur a high level of unreimbursed expenses when they take care of uninsured persons.

**More than half of all working age adults who are currently or were recently uninsured have problems paying medical bills, compared to just a quarter of insured adults.**

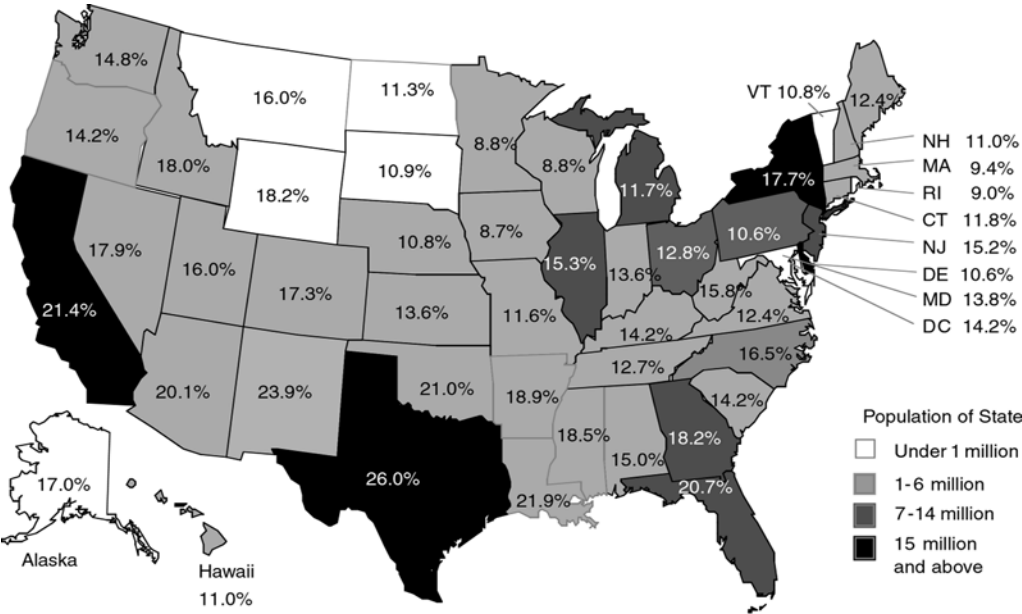
## **CONSEQUENCES OF UNINSURANCE FOR COMMUNITIES**

As we have seen, there are adverse health and economic consequences for uninsured persons and their family members. Ripple or spillover effects of these consequences can spread to the community. For example, a hospital outpatient department that sees rising numbers of uninsured patients without increased financial support may trim its hours or stop offering services that are costly to provide. The fourth report of the Committee on the Consequences of Uninsurance, *A Shared Destiny*, establishes a framework for thinking about spillover effects on community access to care, the local economy, and the public's health; assesses the limited evidence that exists; and proposes a research agenda to learn more about these effects. The community effects of uninsurance are often hard to see at a national level but can be quite vivid at the state and local level.

The national uninsured rate, 16.5 percent among persons under age 65, is an average that does not reflect the substantial variation among communities in uninsured rate, the length of time that residents are uninsured, or the relative concentration of uninsured persons in certain geographic areas.

The size and characteristics of a community's uninsured population matter because of the relationship between local coverage levels and the availability of health services. Over the past twenty-five years, public policies to control health care costs and increasingly competitive health care markets have constrained payment rates. As a result, public support and private cross-subsidies for uncom-

**Uninsured rates vary across the states from 8.7 percent in Iowa to 26 percent in Texas.**



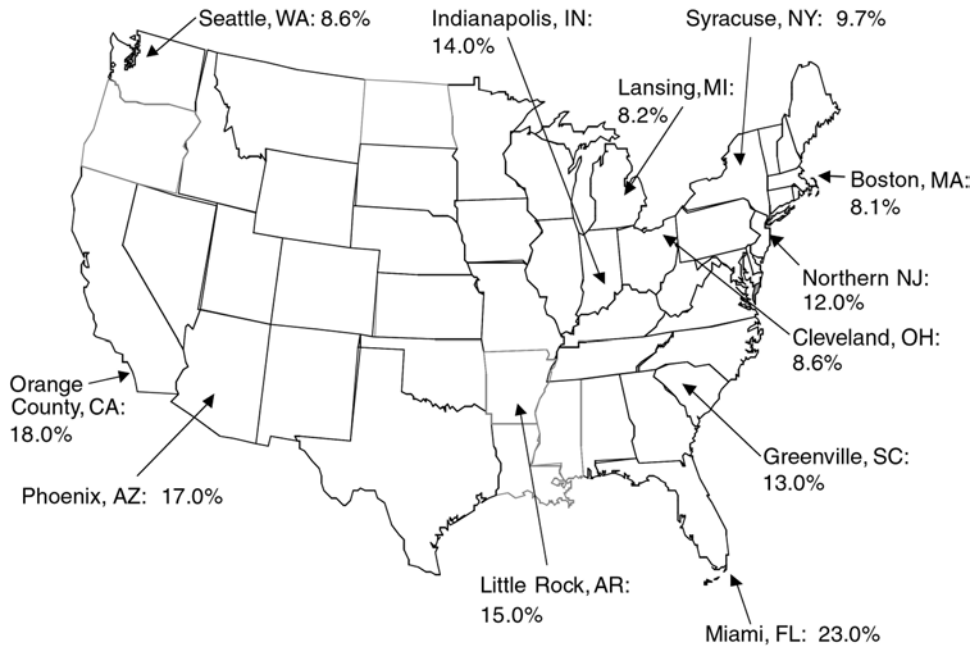
**Probability of Being Uninsured for Population Under Age 65, By State, 2001**

Source: Fronstin, Paul. 2002. Sources of Health Insurance and Characteristics of the Uninsured: Analysis of the March 2002 Current Population Survey. Issue Brief 252. Washington, DC: Employee Benefit Research Institute.

pensated care have eroded. A community's particular safety-net arrangements and its effectiveness in caring for uninsured persons influence how uninsurance affects the community. These effects have been felt most strongly in communities with large or growing uninsured populations, particularly in central urban neighborhoods and in smaller rural areas, and in parts of the health care system such as public hospitals that serve many uninsured persons.

**Who Pays For Care For Uninsured Persons?** We all do. Our taxes pay for services provided in public hospitals and clinics as well as for public insurance programs. Responsibility for paying for and providing health care to uninsured persons is fragmented and ill-defined. Although the mainstream health care system delivers most of the services that uninsured persons receive, the uninsured rely disproportionately on safety net providers and on public payment for their care.

***What Do We Know About The Effect Of Uninsurance On A Community's Access To Care?*** A community's high uninsured rate has adverse consequences for its health care institutions and providers. These consequences reduce access to clinic-based primary care, specialty health services, and hospital-based care, particularly emergency medical services and trauma care, and may also result in lessened availability of other primary and preventive care and the closure or privatization of community hospitals. The Committee thinks that uninsurance affects ac-



**Probability of Being Uninsured for Population Under Age 65, for Selected Urban Areas, 2000-2001**

Source: Estimates from the Community Tracking Study, 2000-2001. Washington, DC: Center for Studying Health System Change.

cess through providers' responses to lower revenues. In aggregate, providers' revenues in areas with high uninsured rates are lower because uninsured persons on average use fewer services than do the insured and the care that uninsured persons do receive is typically not paid for in full by the uninsured.

Persons in lower-income families (less than 250 percent of FPL), nearly one-third of whom are uninsured, delay seeking care or go without needed care more often in communities with higher uninsured rates than in communities with lower rates. Hospitals in urban areas with higher uninsured rates have less total inpatient capacity, offer fewer services for vulnerable populations (such as AIDS care), and are less likely to offer trauma and burn care. Hospitals in rural areas with higher uninsured rates have lower financial margins and fewer intensive care unit beds, offer fewer psychiatric inpatient services, and are less likely to offer high-technology services (such as radiation therapy).

***What Do We Know About The Effect Of Uninsurance On The Economic Health Of Communities?*** State and local government capacity to finance health care for uninsured persons is weaker during time periods when the demand for such care is likely to be highest. Starting in 1999, states have experienced hard times with economic recession and reductions in federal Medicare and Medicaid payments. There is a longstanding public resistance to raising taxes. The unreimbursed costs of caring for uninsured Americans are ultimately paid for by higher taxes and higher prices for services and insurance. Local communities tend to bear the main economic burden of subsidizing service delivery, while the costs of public insurance are more broadly spread across state and federal budgets. Federal support can alleviate some of the financial demands that uninsurance places on communities.

The Committee hypothesizes that financial pressures on state and local governments related to uninsurance may hurt the community economically. Responses of government to these pressures, together with associated economic consequences, are likely to include the following:

- Public subsidy of care delivered to uninsured persons, requiring that additional public revenues be raised through higher local taxes, new federal dollars, or budget cuts elsewhere. During economic downturns, when there is an increased demand by more uninsured persons for services, budget cuts that decrease state and local public spending on health care may reduce the flow of federal dollars (such as Medicaid matching funds) into a community.
- Increases in the local costs of health care and health insurance resulting from providers' attempts to spread their unreimbursed costs across all patients. When health insurance costs go up, employers find insurance less affordable to offer and fewer employees purchase it.
- The closure of local health services institutions and medical practices because they have been inadequately reimbursed, particularly in rural areas. This can weaken the community's economic base and reduce local availability of health care.

***What Do We Know About The Effect Of Uninsurance On The Physical Health Of A Community?*** The sheer number of uninsured persons in an area can add to the community burden of disease and disability. The Committee hypothesizes that this may result both from the poorer health of uninsured residents and from spillover effects on other residents. These spillover effects can happen through the spread of communicable disease from unvaccinated or ill individuals, shortages of health care providers and the loss of local capacity to deliver essential health care services.

In urban areas with high uninsured rates, persons in lower-income families are more likely to report fair or poor health status than are their counterparts in areas with lower uninsured rates. With certain conditions, people can avoid hospitalization if they have good preventive care or timely ambulatory treatment. Rates for these potentially avoidable hospitalizations are higher in communities that include

**Of the \$34 to \$38 billion in care delivered to uninsured persons in 2001 that was not paid for by the uninsured themselves, the public sector is estimated to have financed up to 85 percent.**

proportionally more lower-income and uninsured residents, indicating both access problems and greater severity of illness.

The Committee believes that the competing demands on state and local health departments as providers of last resort and as guardians of public health may have several adverse effects. These include:

- Reduction of public discretionary spending for public health functions that serve the community overall (e.g., disease surveillance)
- Weakening of a community's emergency preparedness and capacity to respond to mass casualty events and bioterrorism (e.g., delays in detecting and treating infectious disease)
- Higher levels of vaccine-preventable and communicable disease because of less adequate prevention, detection, and treatment for uninsured persons

## CONCLUSIONS

In its first three reports, the Committee shows that the lack of health insurance is widespread and enduring in the United States and that there are adverse health and economic impacts for uninsured individuals and members of families with at least one uninsured member. In *A Shared Destiny*, the Committee finds that the adverse effects of uninsurance have spillover effects on the community. The Committee believes it both mistaken and dangerous to assume that the persistence of a sizable uninsured population in the United States harms only those who are uninsured. Although the Committee calls for further research to examine the likely effects of uninsurance at the community level, it believes that the evidence available justifies the immediate adoption of policies to address the lack of health insurance in the nation.



### For More Information...

Visit the Committee's website at [www.iom.edu/uninsured](http://www.iom.edu/uninsured).

Copies of *A Shared Destiny: Community Effects on Uninsurance* are available for sale from the National Academies Press; call (800) 624-6242 or (202) 334-3313 (in the Washington metropolitan area), or visit the NAP home page at [www.nap.edu](http://www.nap.edu).

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