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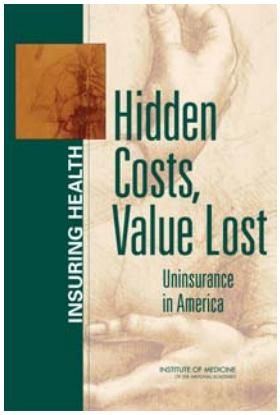
INSTITUTE OF MEDICINE

Shaping the Future for Health

HIDDEN COSTS, VALUE LOST
UNINSURANCE IN AMERICA



Americans value health care highly, as demonstrated by our society's substantial investment in it. Our nation invests in the health of its people by directly providing health insurance for some (e.g., Medicare for people over age 65) and by offering tax subsidies to support health insurance for others. About 85 percent of the U.S. population benefits from these financial supports for health insurance. At the same time, 41 million people lack coverage every year.

The federal, state, and local governments spend substantial sums—about $30 billion annually—to compensate hospitals and clinics for services provided to the uninsured. Doctors donate services valued at another $5 billion. Despite these efforts, uninsured Americans are more likely to have poorer health and die prematurely than those who are insured.

Health care accounts for roughly 14 percent of the nation's annual gross domestic product (GDP).

WHAT DOES THE LACK OF HEALTH INSURANCE COST SOCIETY?

In its fifth report, *Hidden Costs, Value Lost: Uninsurance in America,* the IOM Committee on the Consequences of Uninsurance tallies some of the economic and social losses to the country of maintaining so many people without health insurance. It also explores the potential economic and societal benefits that could be realized if everyone had health insurance on a continuous basis, as people over age 65 currently do with Medicare.

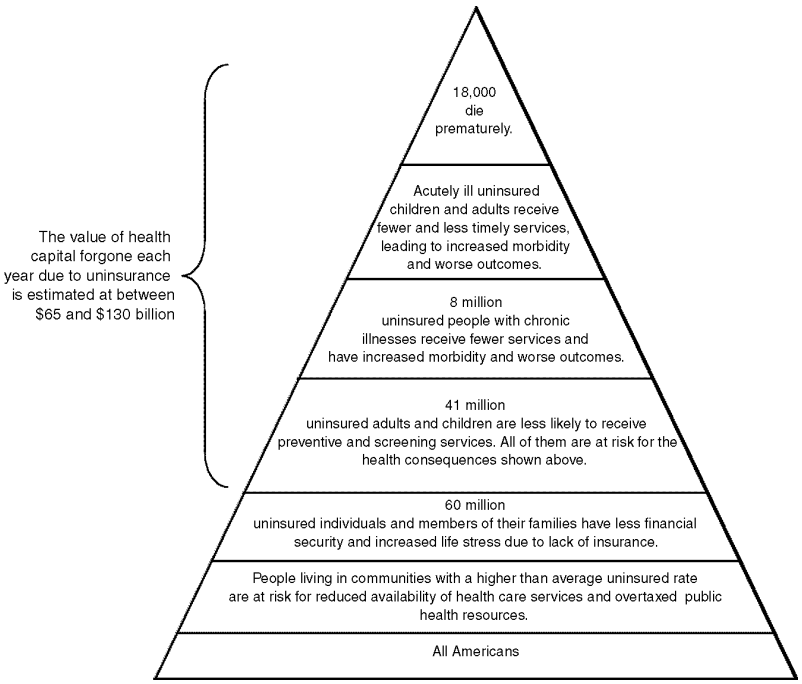
Forty-one million people are uninsured each year. 80 million Americans experience some period without coverage over 2 years.

When people lack health coverage, society's costs are substantial:

- The uninsured lose their health and die prematurely. Uninsured children lose the opportunity for normal development and educational achievement when preventable health conditions go untreated.
- Families lose peace of mind because they live with the uncertainty and anxiety of the medical and financial consequences of a serious illness or injury.
- Communities are at risk of losing health care capacity because high rates of uninsurance result in hospitals reducing services, health providers moving out of the community, and cuts in public health programs like communicable disease surveillance. These consequences can affect everyone, not just those who are uninsured.
- The economic vitality of the country is diminished by productivity lost as a result of the poorer health and premature death or disability of uninsured workers.

- Medicare, Social Security Disability, and the criminal justice system probably cost more than they would if everyone had health insurance up to age 65. For example, when an uninsured woman with diabetes turns 65 years old and gains Medicare, her condition is likely to be worse and require more intensive treatment than if she had previously been insured. Similarly, uninsured persons who are mentally ill often do not get appropriate treatment and may end up in the criminal justice system at significant but potentially avoidable costs.

The costs to society of having a large uninsured population are not primarily due to the costs of providing health services free of charge to those without coverage. Most of the cost is in the form of poorer health for the uninsured because they frequently receive too little care, too late. The pyramid illustrates the extent of loss of life, acute and chronic illness, and the pool of uninsured people who are at risk for poorer health and shorter lives. The potential economic value to be gained in better health outcomes from continuous coverage for all Americans is estimated to be between $65 to $130 billion each year, assuming the uninsured will use health care as do those who now have health insurance. It includes, but is not limited to, higher expected lifetime earnings due to improved productivity and educational and developmental outcomes.



HOW IS A VALUE PLACED ON HEALTH AND A LONGER LIFE?

The healthy years that someone expects to have over the course of a lifetime can be thought of as that person's "stock" of "health capital." The differences in health status and length of life between uninsured and otherwise similar people with health insurance represents the value of health capital lost from poorer health over the lifetime by those who lack coverage.

The range in expected annual benefits ($65–$130 billion) of insuring the uninsured comes from different assumptions about the extent to which the disparities in health status between the insured and uninsured would be eliminated by gaining coverage. To

develop these estimates, the Committee adopted an analytic strategy for placing an economic value on life and health similar to that used by public agencies such as the Environmental Protection Agency and the Department of Transportation. When agencies responsible for public health and safety regulate exposures and risks—for example, by setting fuel emissions standards and requiring seat belts and air bags in cars—they implicitly establish the value of these interventions in terms of the improved health and lives extended throughout society.

The lack of health insurance across the United States can be thought of as imposing a risk to the health and longevity of the American population. Likewise, the cost of insuring everyone continuously can be thought of in terms of the value of improved health outcomes gained as a result. The Committee's analysis of the economic benefits of insuring the uninsured is consistent with the approaches used by regulatory agencies in their quantitative analyses of costs and benefits.

HOW MUCH IS NOW SPENT ON HEALTH SERVICES FOR THE UNINSURED?

Ninety-nine billion dollars are now spent on health care services for the uninsured.

People who were uninsured for part or all of 2001 received health care services valued at about $99 billion. This total includes the amount the uninsured paid out of their own pocket, any insurance payments made if they were insured for part of the year, any worker's compensation payments for health care and any charity care received.

Uninsured children and adults are less likely to incur health expenses in a year because they are less likely to seek care than are those with health insurance. When they do receive services, the uninsured are often charged a higher price and pay a higher portion of the total cost themselves than people with coverage. For those who are uninsured for part rather than the whole year, private and public health insurance pays more than half the annual costs of services used. Still, being uninsured just for a short time can put a person at risk for poorer health outcomes and financial losses.

The burden of uncompensated (charity) care amounted to $35 billion in 2001 and is largely borne by taxpayers. The public supports 75 to 85 percent of this care through federal, state and local government programs. For example, public dollars subsidize the hospital in your community when patients are not able to pay their bills.

WILL PEOPLE WHO ARE UNINSURED USE MORE HEALTH CARE IF THEY GAIN COVERAGE?

The uninsured use fewer services and have poorer health outcomes than the insured.

Yes; total health costs for those who now lack coverage would be expected to increase from the $99 billion they now incur by an estimated $34 to $69 billion each year. This additional spending includes more appropriate use of health care that can improve health. In the absence of action to expand coverage, we can expect the existing gap in health outcomes to widen as health care interventions become ever more effective in improving health and extending life. Existing disparities between insured and uninsured people in their access to effective care will become increasingly inequitable.

IS IT WORTH IT FOR THE COUNTRY TO MAKE SURE EVERYONE HAS COVERAGE?

First, health insurance for those Americans who now lack it would likely yield dividends in terms of improved health of between $65 and $130 billion annually. Second, knowing health insurance is assured would reduce the stress and uncertainty about future medical care needs and financial demands for all of us. The prospect of losing insurance is a very real fear for most Americans. If having health insurance were a certainty, families' fears would be alleviated about whether they can afford health care and also meet other basic needs like buying groceries and paying the rent. Third, if everyone had cover-

Insuring the uninsured could yield $65-$130 billion in better health each year.

age, the continued viability of community health services and facilities would be more secure because of the greater financial stability of insurance-based financing.

The Committee concludes that the estimated benefits across society in healthy years of life gained by providing health insurance coverage are likely greater than the additional social costs of providing coverage to those who now lack it. Current disparities in access to and the quality of health care between uninsured and insured Americans do not reflect the ethical commitments to equality of opportunity and respect for all members of society that underpin American democracy. We are not getting the best return on our considerable national investment in health because public policies allow tens of millions of Americans to remain uninsured. It is time to insure everyone.

For More Information…

Visit the Committee's website at **www.iom.edu/uninsured**.
Copies of *Hidden Costs, Value Lost: Uninsurance in America* 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.**

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COMMITTEE ON THE CONSEQUENCES OF UNINSURANCE

MARY SUE COLEMAN (Co-chair), President, University of Michigan, Ann Arbor; **ARTHUR L. KELLERMANN** (Co-chair), Professor and Chairman, Department of Emergency Medicine, Emory University School of Medicine, Atlanta; **RONALD M. ANDERSEN**, Chair, Department of Health Services, University of California, Los Angeles; **JOHN Z. AYANIAN**, Associate Professor of Medicine and Health Care Policy, Harvard Medical School, Boston; **ROBERT J. BLENDON***, Professor, Health Policy & Political Analysis, Harvard University; **SHEILA P. DAVIS**, Associate Professor, The University of Mississippi, School of Nursing, Jackson, Mississippi; **GEORGE C. EADS**, Charles River Associates, Washington, D.C.; **SANDRA R. HERNÁNDEZ**, Chief Executive Officer, San Francisco Foundation, California; **WILLARD G. MANNING**, Professor, University of Chicago; **JAMES J. MONGAN**, President and CEO, Partners HealthCare Inc., Boston, Massachusetts; **CHRISTOPHER QUERAM**, CEO, Employer Health Care Alliance Cooperative, Madison, Wisconsin; **SHOSHANNA SOFAER**, Professor of Health Care Policy, Baruch College, New York; **STEPHEN J. TREJO**, Associate Professor of Economics, University of Texas at Austin; **REED V. TUCKSON**, Senior Vice President, UnitedHealth Group, Minnetonka, Minnesota; **EDWARD H. WAGNER**, Director, W.A. McColl Institute, Group Health Cooperative, Seattle, Washington; **LAWRENCE WALLACK**, Director, School of Community Health, Portland State University, Oregon
*** Indicates served from September 2000 to December 2002.**

IOM Staff
Wilhelmine Miller
Dianne Miller Wolman
Lynne Page Snyder
Tracy McKay
Ryan Palugod

Consultants
Hanns Kuttner, University of Michigan
M. Eugene Moyer, Annandale, VA
Elizabeth Richardson Vigdor, Duke University
Cheryl Ulmer, McLean, VA