

# Limited Health Care Access: Economic Impacts

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# The Economic Importance of Health Care Access

Everyone agrees--Health Care Access is an important issue that needs attention!

From the Right:

American Enterprise Institute. (Satal 2008)

From the Left:

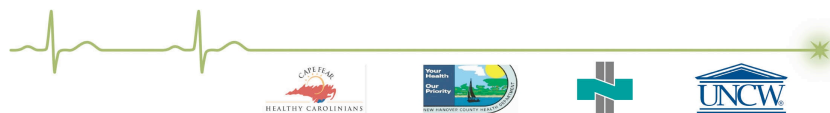
Brookings Institution. (2008)

Urban Institute. (2006, 2007a, 2007b)

From the Center:

National Bureau of Economic Research (NBER 2008)

U.S. Government Accountability Office (2007)



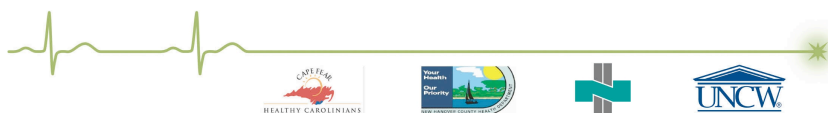
## Health Care Is Important to Business

According to McKinsey & Company, as of 2008, "The average Fortune 500 company will spend as much on health care as they make in profit. How can we possibly compete in the global economy with that kind of burden?"

Source: Wall Street Journal, July 16, 2006

General Motors (GM) estimates it pays \$1,500 per car produced in health care coverage costs to employees and retirees (more than it pays for steel), and these costs are passed onto the consumer.

Source: San Francisco Chronicle, June 8, 2005



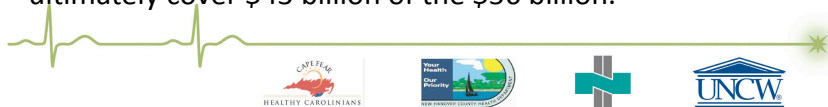
## National Health Care Expenditures

Estimated total health expenditures in US in 2008: \$2.404 trillion. 50% is spent on either hospital or physician's services.

Estimated total private insurance expenditures in US in 2008: \$830 billion.

Medicare/Medicaid: \$600.7 billion

Uninsured spend \$30 billion out-of-pocket and receive additional \$56 billion in uncompensated care. Govt may ultimately cover \$43 billion of the \$56 billion.



## National Health Care Cost Drivers

National health care costs are rising rapidly, typically 2 to 4 times the general rate of inflation.

Major Cost Drivers: New Technology, New Drugs, Decline in HMOs, Provider consolidation, Increased consumer demand

Minor Costs Drivers: Malpractice/litigation, Aging of population

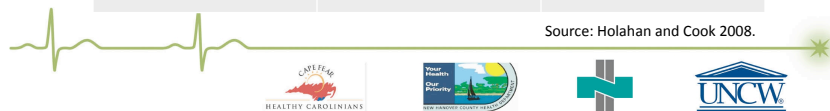
(Sources: Greene, S.B. 2005., Pricewaterhouse Coopers 2002s)



## Trends in Health Insurance and the Uninsured

Civilians less than 65 yrs old	2000	2006
US Population	245 million	260 million
Employer	67.8%	63.0%
Medicaid	8.8%	11.3%
Medicare	2.1%	2.3%
Private	5.1%	5.5%
Uninsured	16.1%	17.9%

Source: Holahan and Cook 2008.



## Trends in Insurance Premiums

	1996	2006
Annual Premium--Family	\$4,954	\$11,381
Annual Premium—Single	\$1,992	\$4,118
Annual Premium—Family Employer Share	74%	75%
Annual Premium—Single Employer Share	83%	81%
Annual Premium—Family Worker Share	26%	25%
Annual Premium—Single Worker Share	17%	19%

Source: AHRQ, Medical Expenditure Panel Survey

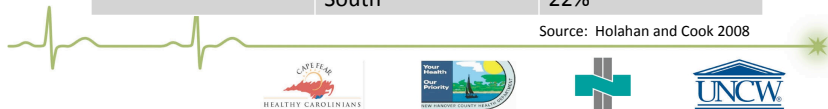


## The Uninsured by Employer Size and Geographic Region

Employer Insurance by Firm Size, 2006	Percentage with Employer Insurance	Percentage Uninsured
Self-employed or small firm	52%	31%
Medium firm	76%	17%
Large firm	82%	11%

Uninsured by Region, 2006	Region	Percentage Uninsured
	Midwest	13%
	Northeast	14%
	West	20%
	South	22%

Source: Holahan and Cook 2008



## The Uninsured—Costs and Who Pays?

A new study (Hadley et al. 8/2008) addresses three key questions about the uninsured:

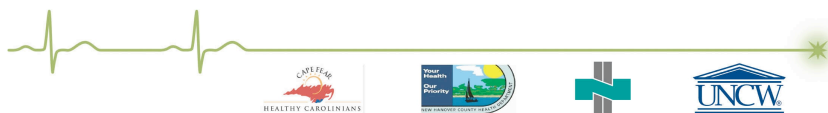
- 1) How much care do the uninsured receive?
- 2) Who pays for that care?
- 3) If the uninsured were insured, how much more care would they use?



## Cost of Care for Uninsured

Civilians less than 65 yrs old	Full-Year Private Insurance	Full-Year Uninsured	Medicaid
US Population	156 million	41 million	24 million
Medical Spending per capita	\$3,915	\$1,686	\$4,813
Out-of-Pocket	\$681	\$583	\$175
Private Insurance	\$2,976	\$0	\$462
Medicaid	\$0	\$0	\$3,880
Uncompensated	\$0	\$536	\$0

Aggregate Cost of US Uncompensated (full-year and part-year uninsured) Care in 2008: \$57.4 billion.



## Who Pays for Uninsured Care?

Ultimate funding sources for \$57.4 billion in uncompensated care:

Hospitals:	\$35.0 billion
Other community-based providers:	\$14.6 billion
Office-based physicians:	\$7.8 billion

But, govt indirectly pays for much of Hospital and Comm/Prov portions through Medicaid/Medicare supplemental pmnt programs, and state and local pmnts to providers. Perhaps \$14.1 billion financed by cost-shifting to private insurance, but this would be small fraction of \$830 billion in private insurance expenditures (1.7%)

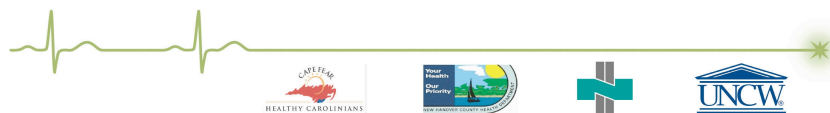


## Cost of Insuring the Uninsured

(both full-year and part-year uninsured)

	Per Capita	Aggregate
Current Cost	\$2,290/yr	\$176 billion/yr
Estimated Cost	\$3,885/yr	\$299 billion/yr
Change in Cost	+\$1,595/yr	+\$123 billion/yr

\$123 billion/yr is about a 5% increase in total 2008 national health expenditures.



## National Health Care Trends

- \* \$123 billion/yr is about a 5% increase in total 2008 national health expenditures (or 0.8% of GDP).
- \* However, this assumes no cost savings from changes in behavior such as:
  - \* Using more preventive care
  - \* Using more routine care to catch/treat illnesses earlier
  - \* Using less emergency care
  - \* Reduced absenteeism at work due to better health
  - \* Using less government program care (Medicare) later in life
- \* The Institute of Medicine (2004) estimated that \$65-130 billion/yr is lost due to poorer health and premature deaths of uninsured.



## The Uninsured in North Carolina

In 2005/2006: 1.5 million North Carolinians under age 65 were uninsured. The percentage increased from 15.3 % in 2000 to 17.2% in 2005.

Approximately \$1.3 billion was spent in NC on uninsured in 2005. (NCIOM 2006c)

Many uninsured are working . . .

Of the 1.5 million uninsured, 626,000 (52%) worked full-time. 18.1% of all full-time workers were uninsured.

From 2001/2002 to 2005/2006, 150,000 more full-time workers became uninsured.

Sources: NCIOM 2007, Holmes and Ricketts 2006



## Who is Uninsured in NC?

Many uninsured in North Carolina in 2005/2006 either worked for small firms or had incomes less than 200% FPG or both. (14% White, 21% Af/Amer, 53% Hispanic)

Firm Size	Percentage Uninsured	% Fed. Poverty Guidelines (FPG)	FPG in 2005 for Family of 4	Percent Uninsured	Number Uninsured
1000+	9%	300%+	\$58,000 +	10%	348,000
100-999	14%	201-300%	\$38,700	20%	295,000
25-99	18%	101-200%	\$19,300	33%	515,000
<25	35%	<100%	\$19,300 or less	33%	360,000

Source: NCIOM 2007

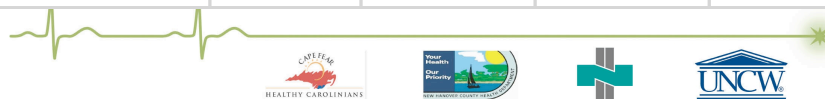


## Why Uninsured in NC?

Primary reason for lack of insurance is rising cost of healthcare and insurance premiums (Chernew et al. 2005; Greene 2006):

Per-capita Health Expenditures in NC:

		1990	2000	1990-2000
Hospital	Care	\$5,905	\$12,060	104.20%
Physician	Services	\$3,748	\$8,025	114.10%
Dental	Services	\$662	\$1,508	127.80%
Prescription	Drugs	\$1,110	\$3,882	249.70%
Nursing Home	Care	\$1,115	\$2,524	126.40%
Home	Healthcar	\$288	\$1,150	299.30%



## Why Uninsured in NC?

Most Important Reason: Rapid Growth of Insurance Premiums

National Averages	1996	2006
Annual Premium--Family	\$4,954	\$11,381
Annual Premium—Single	\$1,992	\$4,118

Source: AHRQ, Medical Expenditure Panel Survey

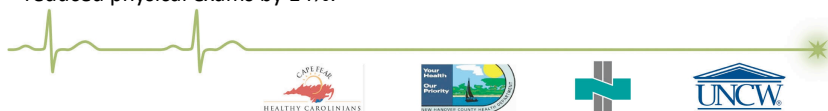
Employers find it harder to offer coverage (Holmes 2005):

2000: 66% offered coverage, 2004: 58% offered coverage

For employers who offer coverage, relatively small increases in premiums reduce employee participation (Feder et al. 1999):

Premium:	\$0	2% of income	10% of income
Participation:	79%	43%	23%

Similarly, Cherkin, Grothaus and Wagner (1990) found that a \$5 copay reduced physical exams by 14%.



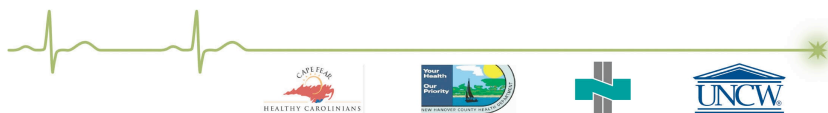
## Small Business Challenges

- In 2003, 74% of private-sector firms in North Carolina were small businesses with less than 50 employees, and 55% were very small businesses with less than ten employees (Majure-Rhett and Dubay 2006).

- Small business owners can't afford a benefits manager and must spend considerable time completing the administrative tasks associated with health insurance.

- A serious health event can increase premiums for the group, making it difficult to continue to offer insurance.

\*Small businesses also face minimum participation requirements, under which at least 50-75% of eligible employees must participate.



## Why Uninsured in NC?

It's not entirely due to "Immigrants:"

\* Although Hispanic immigrants have a 38% higher rate of uninsurance, 2/3 of the difference is simply due to age, gender, income, firm size, etc. (Holmes 2006).

It's not entirely due to "Loss of Manufacturing:"

\* Changes in NC industrial structure (loss of 160,00 manufacturing jobs 1999-2003) do not explain loss of insurance; coverage has fallen in almost every industry (Holmes 2008, NCIOM 2006).



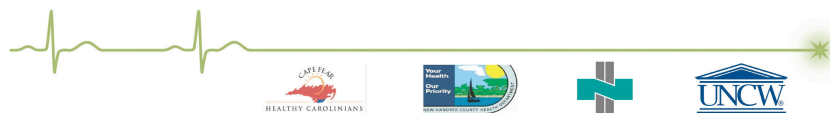
## Lack of Insurance Raises Costs

Hadley (2002) for the US, and Holmes (2005) and NCIOM (2006) for NC, found that the uninsured are less likely to have a regular doctor (Insured 87%, Uninsured 48%), get preventive screenings, or receive ongoing care for chronic conditions (Unable to obtain diabetes meds: Ins 8%, Unins. 34%).

Uninsured are more likely to be hospitalized for preventable conditions and severe, late-stage conditions.

Had a mammogram: Insured 72%, Uninsured 52%

Had a colonoscopy: Insured 58%, Uninsured 30%

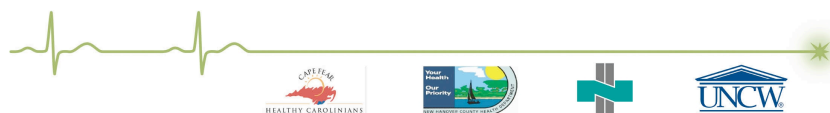


## Lack of Insurance Raises Costs

The uninsured in NC are 4 times more likely (44% vs. 11%) than people with insurance to report times in the last 12 months when they needed to see a doctor but couldn't because of costs (Holmes 2005).

Uninsured North Carolinians are about 35% more likely to be hospitalized for preventable conditions than those with insurance. (Holmes 2005)

Example: Uninsured are 50% more likely to be hospitalized for asthma.

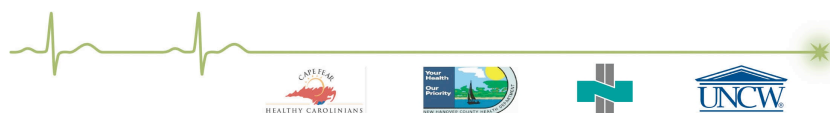


## Lack of Insurance Raises Costs

Hadley (2002) found that providing insurance to the uninsured boosts annual earnings by 10-30%.

Gilleskie (1998) found that insured workers have 10% fewer sick days annually and have shorter episodes of illness.

Medical costs account for 17-54% of household bankruptcies in the US, and lack of insurance contributes to the bankruptcy problem (Himmelstein et al. 2005, 2006; Dranove and Millenson 2006a, 2006b).



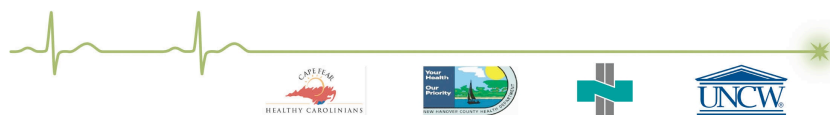
## New Hanover County

\* Estimated Number of Uninsured in New Hanover County 2006: 30,000 (18.1% of pop under age 65) (Holmes and Ricketts 2006.)

\* The Emergency Medical Treatment and Active Labor Act (42 USC S1395dd) requires hospitals that participate in Medicare to screen and stabilize anyone who requests treatment at the emergency room, regardless of ability to pay.

\* The NCIOM Task Force found that in 2005 only 25% of uninsured in NC were able to access health care through non-emergency safety-net providers (public health depts., community health centers, free clinics, rural health clinics, etc.).

\* Hence, many of the uninsured currently end up relying on the hospital emergency department (ED) for care.



## Hospital ED Visits Climb

Annual number of ED visits jumped from 90.3 million in 1996 to more than 119 million in 2006

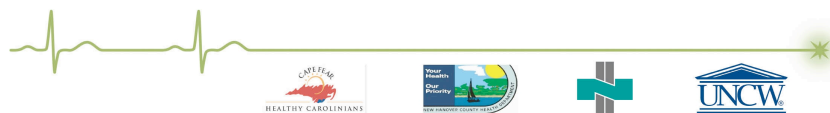
Patients with Medicaid use the ED more frequently than patients with private insurance

Time of illness

Lower income patients are more likely to use the ED for primary medical care services

63 percent of ED visits occurred after normal business hours

Source: CDC National Center for Health Statistics National Health Care Survey, 2008.



## New Hanover Regional Medical Center Outpatient Emergency Dept (ED) Data, 2007

	Cases	Total Payments	Total Cost	Loss
<b>Day 7am-7pm</b>	13,665	\$394,834	\$2,757,911	-\$2,363,077
<b>Night 7pm-7am</b>	8,479	\$234,637	\$1,861,027	-\$1,626,390
<b>Grand Total</b>	22,144	\$629,471	\$4,618,938	-\$3,989,467



## The Twenty Most Costly Conditions for New Hanover Outpatient ED

Cost Rank	Diagnosis	Number of Cases	Total Payment Received	Total Costs	Loss
1	Sprain of Neck	264	\$35,699	\$65,618	\$29,919
2	Contusion Face/Scalp/Nck	127	\$17,225	\$61,489	\$44,264
3	Sprain of Neck	131	\$41,991	\$55,826	\$13,834
4	Contusion Face/Scalp/Nck	114	\$14,629	\$51,028	\$36,399
5	Alcohol Abuse	97	\$589	\$42,930	\$42,341
6	Dental Disorder	410	\$800	\$38,869	\$38,069
7	Painful Respiration	132	\$2,163	\$35,932	\$33,770
8	Lumbago	194	\$1,114	\$35,234	\$34,120
9	Headache	172	\$640	\$35,158	\$34,518
10	Sprain of Neck	81	\$9,508	\$33,537	\$24,029
11	Abdominal Pain Unspcf Site	132	\$4,243	\$32,969	\$28,727
12	Urinary Tract Infection	173	\$2,893	\$32,269	\$29,376
13	Painful Respiration	94	\$2,008	\$30,768	\$28,760
14	Chest Pain	103	\$2,295	\$30,458	\$28,163
15	Alcohol Abuse	79	\$50	\$29,399	\$29,349
16	Urinary Tract Infection	140	\$2,989	\$28,018	\$25,028
17	Sprain of Ankle	88	\$1,344	\$27,742	\$26,398
18	Contusion of Chest Wall	61	\$18,198	\$26,580	\$8,381
19	Fem Genital Symptoms	88	\$961	\$26,420	\$25,459
20	Asthma w (Ac) Exac	88	\$354	\$26,259	\$25,905



## Cost Comparison

Medical Treatment	Cost of Office Visit	Cost of ER Visit
A common cold	\$80	\$181
Sore throat	\$109	\$406
Ear ache	\$78	\$151
Alcohol/Drug Related	\$76	\$375
Dental	\$72	\$111
Female Issues	\$155	\$331
Asthma	\$160	\$292

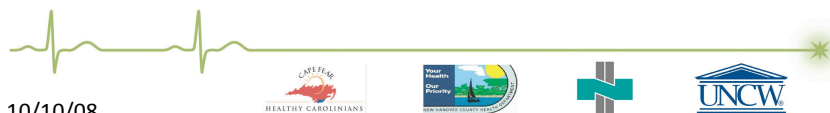
Source: AHRQ, Medical Expenditure Panel Survey



## Dental Health

The estimated annual dental bill in the US to restore children's decayed teeth exceeds \$12 billion, making it one of the single most expensive uncontrolled diseases of childhood.

Source: Lee 2006



## Outpatient Dental ED Visits

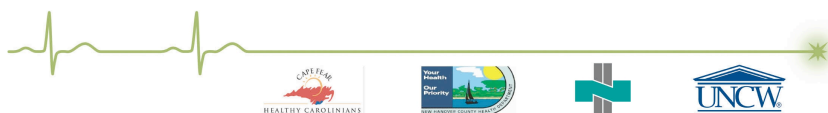
1,040 total dental cases

5 percent of total outpatient ED visits

3 percent of total outpatient ED losses

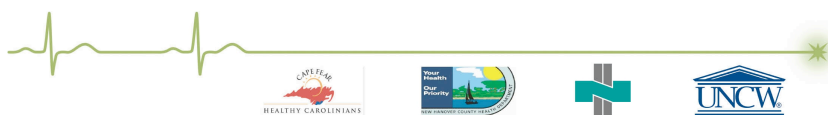
40 percent occur in the night

Dental Disorder was the most frequent diagnosis in a sample with over 500 diagnoses



## Outpatient ED Visits with Zero Payment

- Alcohol, Drug, and Mental Health cases were the most frequent and costly to ED
- 50 percent of Alcohol and Drug cases occurred at night
- 40 percent of Mental Health cases occurred at night



## Preventative Measures

Three quarters of health-care spending goes toward chronic diseases such as heart disease and cancer.

Source: Omish 2004.

Less than four cents of every health dollar is spent on prevention and public health.

Source: Journal of the American Medical Association, May 28, 2008



## Preventative Measures

Community based disease prevention programs designed to improve nutrition and prevent smoking.

Includes:

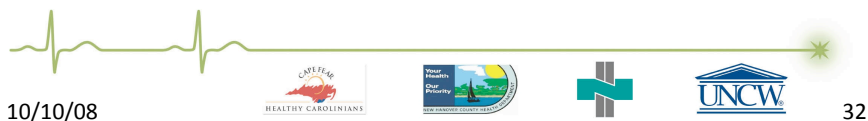
Shape-up Approve Restaurants

School Nurse Education

Food Stamp Program Incentives

Removing unhealthy foods from vending machines

Increasing number of community parks and sidewalks



## Preventative measures yield significant savings

North Carolina ROI of \$10 per person	1-2 years	5 years	10-20 years
Total NC Savings	\$166,000,000	\$559,000,000	\$613,800,000
NC Net Savings=(Total savings-intervention cost)	\$80,600,000	\$473,700,000	\$528,500,000
ROI for NC	0.95:1	5.55:1	6.20:1

- In 2004 dollars. Total Annual Intervention Costs (at \$10 per person): \$85,310,000.
- Source: Trust for America's Health, 2008.

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## Options for Improvement

- \* Publicize existing options: [www.NCHealthCareHelp.org](http://www.NCHealthCareHelp.org) connects uninsured with reduced cost health care
- \* Increase enrollment and expand coverage of Medicaid  
Dumas, Hall and Garrett. 2008. NC J. Medicine.
- \* Subsidize group health insurance premiums for sm. busi.
- \* Develop low-cost, limited-benefit insurance for low-income individuals and families.
- \* Establish a "high-risk pool" for those with pre-existing conditions
- \* Other options? . . .



## Thank You

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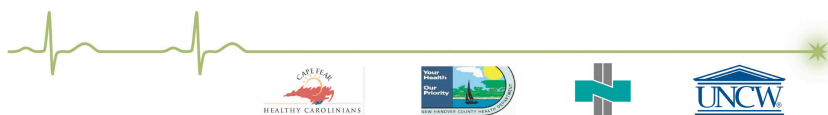
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<http://www.meps.ahrq.gov/mepsweb/>

The Healthcare Cost and Utilization Project (HCUP, pronounced "H-Cup") is a family of health care databases and related software tools and products developed through a Federal-State-Industry partnership and sponsored by the Agency for Healthcare Research and Quality (AHRQ) of the US Dept. of Health and Human Services.

<http://www.ahrq.gov/data/hcup/>

UNC Cecil G. Sheps Center for Health Services Research

<http://www.shepscenter.unc.edu/>

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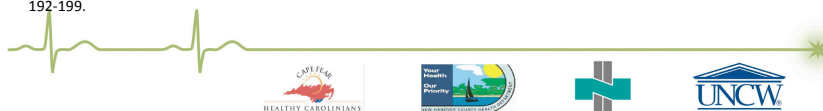
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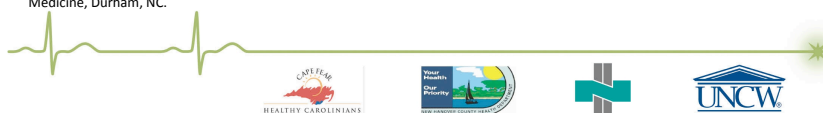
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