

ONE MICHIGAN: THE PROBLEM OF THE UNINSURED IS EVERYONE'S PROBLEM

The attached facts and figures describe how uninsurance is everyone's problem since we all feel the impact of uninsurance in numerous ways. Uninsurance is a problem for all individuals, families, employers, and providers whether or not we have insurance. This document also highlights how government and society at large feel the impact that lack of insurance has on its structures and institutions.

IMPACT OF NOT PROVIDING HEALTH CARE TO ALL OF MICHIGAN'S RESIDENTS

According to the Commonwealth Fund, in 2004 health care spending growth slowed to 7.9%, but still amounted to expenditures of \$1.9 trillion, or \$6,280 per American. Health care now consumes 16% of our Gross Domestic Product ¹ despite the fact that nearly 48 million Americans are uninsured.²

The Institute of Medicine found that the potential economic value to be gained in better health outcomes from uninterrupted coverage for all Americans is estimated to be between \$65 and \$130 billion each year. ³ The Kaiser Foundation estimates that the overall impact of universal coverage on total health care costs would be an increase of 3% to 6% in total health care spending in the U.S. which is less than annual inflation in health care spending in the current health care system.⁴

PERSONAL COSTS OF UNINSURANCE

- The uninsured receive less preventive care, are diagnosed at more advanced disease stages, and once diagnosed, tend to receive less care and have higher mortality rates. The uninsured on average receive about half as much care as the insured.⁵
- Uninsured children risk abnormal long-term development if they do not receive routine care; uninsured adults have worse outcomes for chronic conditions such as diabetes, cardiovascular disease, end-stage renal disease, and HIV. Uninsured children are at greater risk than children with insurance of suffering delays in development that may affect their educational achievements, earning capacity and long-term health. ⁶
- Uninsured patients are more likely to experience avoidable hospitalizations than are privately insured patients; studies consistently report substantially higher rates of these hospitalizations in lower-income areas. ⁷
- Uninsured adults have a 25% greater mortality risk than do insured adults, accounting for an estimated 18,000 excess deaths annually.⁸
- The majority of costs due to being uninsured are not health services costs, but rather result from the poorer health outcomes of uninsured individuals.⁹
- Better health would improve annual earnings by 10 to 30% and would increase educational attainment.¹⁰

¹ Washington Health Policy Week in Review, *Health Spending Now 16 Percent of GDP*, January 17, 2006

² Families USA, *Paying a Premium: The Added Cost of Care for the Uninsured*, June 2005

³ Institute of Medicine of the National Academies, *Hidden Costs, Value Lost: Uninsurance in America*, June 2003

⁴ Kaiser Commission on Medicaid and the Uninsured, *The Cost of Not Covering the Uninsured*, June 2003

⁵ Kaiser Commission on Medicaid and the Uninsured, *The Cost of Not Covering the Uninsured*, June 2003

⁶ Institute of Medicine of the National Academies, *Hidden Costs, Value Lost: Uninsurance in America*, June 2003

⁷ Billings et al., 1993; Millman, 1993; Bindman et al., 1995; Pappas et al., 1997, Institute of Medicine of the National Academies, *A Shared Destiny: Community Effects of Uninsurance*, February 2003

⁸ Franks et al., 1993a; Sorlie, et al., 1994; IOM, 2002 a, Institute of Medicine of the National Academies, *Hidden Costs, Value Lost: Uninsurance in America*, June 2003

⁹ Institute of Medicine of the National Academies, *Hidden Costs, Value Lost: Uninsurance in America*, June 2003

¹⁰ Kaiser Commission on Medicaid and the Uninsured, *The Cost of Not Covering the Uninsured*, June 2003

- More than one-third of the total cost of health care services provided to the uninsured is paid out-of-pocket by the recipients of the care.¹¹
- Medical bills are a factor in nearly half of all personal bankruptcy filings.¹²
- The economic value of a healthier and longer life that an uninsured individual forgoes because he or she lacks health insurance ranges between \$1,645 and \$3,280 for each year without coverage. The variation depends on the personal characteristics of the uninsured individual.¹³
- The psychological and behavioral implications of living with financial and health risks and uncertainty may be significant.¹⁴
- Even one uninsured person in a family can put the financial stability and health of the whole family at risk.¹⁵
- The cost of increased financial risk to families caused by non-insurance causes an aggregate financial cost of \$1.6 to \$3.2 billion for uninsured Americans. Increased financial risk is the value to those now lacking coverage, of the financial protection health insurance would provide.¹⁶

SOCIETAL COSTS OF UNINSURANCE

- The cost of care for uninsured Americans are passed down to taxpayers and consumers of health care in the forms of higher taxes and higher prices for services and insurance.¹⁷
- The direct costs of uncompensated care provided to the uninsured are largely borne by those who pay taxes. Public support from the federal, state, and local governments accounts for between 75 and 85% of the total value of uncompensated care estimated to be provided to the uninsured each year.¹⁸
- The sheer number of uninsured persons in an area contributes disproportionately to the community's burden of disease and disability, because of the poorer health of uninsured community members and from spillover effects on other residents. The mechanisms for this can be as diverse as the spread of communicable diseases and the paucity or loss of primary care service capacity as a result of physicians' location decision, cutbacks in clinic staffing hours, or outright closure.¹⁹
- A high-uninsured rate and the corresponding burden of uncompensated care on the local health care system may threaten the survival of individual providers or hospitals, reducing the viability of the economic base of the community.²⁰

¹¹ Families USA, *Paying a Premium Premium: The Added Cost of Care for the Uninsured*, June 2005

¹² Institute of Medicine of the National Academies, *Health Insurance is a Family Matter*, September 2002

¹³ Institute of Medicine of the National Academies, *Hidden Costs, Value Lost: Uninsurance in America*, June 2003

¹⁴ Institute of Medicine of the National Academies, *Hidden Costs, Value Lost: Uninsurance in America*, June 2003

¹⁵ Institute of Medicine of the National Academies, *Hidden Costs, Value Lost: Uninsurance in America*, June 2003

¹⁶ Institute of Medicine of the National Academies, *Hidden Costs, Value Lost: Uninsurance in America*, June 2003

¹⁷ Institute of Medicine of the National Academies, *A Shared Destiny: Community Effects of Uninsurance*, February 2003

¹⁸ Hadley and Holahan, 2003; Institute of Medicine of the National Academies, *Hidden Costs, Value Lost: Uninsurance in America*, June 2003

¹⁹ Institute of Medicine of the National Academies, *A Shared Destiny: Community Effects of Uninsurance*, February 2003

²⁰ Institute of Medicine of the National Academies, *A Shared Destiny: Community Effects of Uninsurance*, February 2003

- Efforts to meet the personal health care needs of uninsured residents place considerable demand upon local health department resources and may divert funds from population-based public health activities. This diversion of resources undermines communities' capacity to prepare for emergencies and bioterrorist threats.²¹
- Since the uninsured are less likely to have a regular health care provider and not be well integrated in systems of care, population-level disease surveillance and health monitoring is reduced in communities with large uninsured populations.²²
- If the uninsured are not immunized, it increases the vulnerability of entire communities to outbreaks of preventable diseases.²³
- Medicaid plays a unique role in stimulating state business activity and state economies. For every \$1 million that Michigan spent on Medicaid in 2005, there was a gain in business activity of \$2.6 million, an increase of 25.28 jobs, and an additional \$979,000 in employee wages.²⁴

BUSINESS COSTS OF UNINSURANCE

- In 2005, premium costs for family health insurance coverage provided by private employers in Michigan included an extra \$730 in premiums due to the cost of care for the uninsured; premiums for individual coverage cost \$274 more.²⁵
- GM spends between \$5 billion to \$6 billion every year on health insurance, which is more than it spends on steel. GM says health care costs add about \$1,600 to every car it sells.²⁶
- In 2003, an estimated 18 million adults ages 19 to 64 were not working and had a disability or chronic disease, or were not working because of health reasons. Sixty-nine million workers reported missing days due to illness, for a total of 407 million days of lost time at work. Fifty-five million workers reported a time when they were unable to concentrate at work because of their own illness or that of a family member, accounting for another 478 million days. Together, labor time lost due to health reasons represents lost economic output totaling \$260 billion per year.²⁷
- Researchers found that the economic benefits from increased health spending by citizens, businesses and the government as would be required under a proposal introduced in Massachusetts would outweigh the economic drag resulting from higher taxes and assessments. The Massachusetts proposal combines an individual mandate with an assessment on businesses that do not provide health insurance to their workers. Health

²¹ Institute of Medicine of the National Academies, *A Shared Destiny: Community Effects of Uninsurance*, February 2003

²² Institute of Medicine of the National Academies, *Hidden Costs, Value Lost: Uninsurance in America*, June 2003

²³ Institute of Medicine of the National Academies, *A Shared Destiny: Community Effects of Uninsurance*, February 2003

²⁴ Families USA, *Medicaid: Good Medicine for State Economies, 2004 Update*, May 2004

²⁵ Families USA, *Paying a Premium Premium: The Added Cost of Care for the Uninsured*, June 2005

²⁶ ABC News Report, 9/17/05

²⁷ The Commonwealth Fund, *Health and Productivity Among U.S. Workers*, Karen Davis, Ph.D., Sara R. Collins, Ph.D., Michelle M. Doty, Ph.D., Alice Ho, and Alyssa L. Holmgren, August 2005

care would be extended to all residents and provider reimbursement rates would be increased. As a result, total economic activity within the state's borders would increase under the proposal, producing a modest net improvement in the state's economy. Taking both gains and losses into account, Urban Institute analysts concluded that fully-funded coverage expansions would spur growth in the state's economy of approximately \$400 million a year and increase net employment by 7,300 to 8,600 jobs. The business community as a whole would realize net savings that range from a minimum of \$145 million/year to a maximum of \$348 million/year.²⁸

GOVERNMENT COSTS OF UNINSURANCE

- In 2005, there was \$43 billion in uncompensated care for 48 million uninsured in the United States. Michigan had \$1.1 billion in uncompensated care.²⁹
- Public programs including Medicare, Social Security Disability Insurance, and the criminal justice system almost certainly have higher budgetary costs than they would if the U.S. population in its entirety had health insurance up to age 65. It is not possible, however, to estimate the extent to which such program costs are increased as a result of worse health due to lack of health insurance.³⁰
- It is not possible to estimate the potentially reduced costs to the Medicare program for people with pent-up demand for care or health "deficits" as a result of having been without coverage previously.³¹
- Between 600,000 and 700,000 persons with severe mental illness are jailed each year. The costs of less effective or no treatment resulting from the lack of health insurance likely contribute to the costs of incarcerating people with serious mental illness.³²
- An uninsured breadwinner's lack of health care can lead to disability and loss of income that necessitates public support payments.³³

PROVIDER COSTS OF UNINSURANCE

- Nationally, physicians in solo and group practices, in clinics and in hospital settings provide an estimated \$5.1 billion in free or reduced-price charity care to uninsured patients.³⁴
- Reduced access to primary care may increase demand for services in already overcrowded hospital emergency departments. In turn this may reduce access to care and the quality of care received, regardless of insurance status.³⁵

²⁸ Families USA, *Health Reform in Massachusetts*, January 2006

²⁹ Families USA, *Paying a Premium: The*

²⁹ Families USA, *Health Reform in Massachusetts*, January 2006 e Added Cost of Care for the Uninsured, June 2005

³⁰ Institute of Medicine of the National Academies, *Hidden Costs, Value Lost: Uninsurance in America*, June 2003

³¹ Institute of Medicine of the National Academies, *Hidden Costs, Value Lost: Uninsurance in America*, June 2003

³² Institute of Medicine of the National Academies, *Hidden Costs, Value Lost: Uninsurance in America*, June 2003)

³² Institute of Medicine of the National Academies, *A Shared Destiny: Community Effects of Uninsurance*, February 2003

³³ Institute of Medicine of the National Academies, *A Shared Destiny: Community Effects of Uninsurance*, February 2003

³⁴ Hadley and Holahan, 2003, Institute of Medicine of the National Academies, *A Shared Destiny: Community Effects of Uninsurance*, February 2003

- Hospitals treating uninsured patients must contend with the cumulative effects of inadequate care for chronic conditions, exacerbated acute illnesses, and delayed treatment.³⁶
- Financial pressures may motivate a local hospital's governing body to merge, to convert from public to private ownership status, or from private non-profit to for-profit status, or to close.³⁷

³⁵ Institute of Medicine of the National Academies, *A Shared Destiny: Community Effects of Uninsurance*, February 2003

³⁶ Institute of Medicine of the National Academies, *A Shared Destiny: Community Effects of Uninsurance*, February 2003

³⁷ Meyer, et al., 1999; Needleman, 1999, Institute of Medicine of the National Academies, *A Shared Destiny: Community Effects of Uninsurance*, February 2003