

HOW MUCH MEDICAL CARE DO THE UNINSURED USE AND WHO PAYS FOR IT?

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The Urban Institute
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"Cost of Not Covering the Uninsured" Project

Why Are These Questions Important?

- **Answers have implications for debate over expanding health insurance**
 - Distinguish new costs from cost transfers
 - Identify how much government money is "already in the system" and could potentially be reallocated to expanded health insurance
- **Does uncompensated care make up for the lack of insurance?**

Hypothetical Changes in Financing Medical Care for the Uninsured

(1) Payment Source	(2) Current Financing	(3) New Financing with Expanded Coverage	(4) Difference in Cost
The Uninsured	\$20	\$15	-\$5
Private Sources (surplus, philanthropy)	\$10	\$0	-\$10
Governments	\$20	\$85	+\$65
Total	\$50	\$100*	+\$50

* Assumes that the newly insured would use roughly the same amount of care as the currently insured.

Definition: “Uncompensated” Care

Uncompensated care is medical care the uninsured receive but do not pay for fully themselves. It includes charity care, reduced-fee care, and bad debts.

Definition: “Cost” of Uncompensated Care

- From providers’ perspectives, the “cost” of uncompensated care is the difference between the cost of the resources used to provide the care and whatever the uninsured pay themselves.
- These costs are paid for from providers’ other sources of revenue, e.g., government payments, financial surplus, philanthropy

Two Approaches to Determining Uncompensated Care Costs

- **Data from the uninsured**
 - Household survey data from the Medical Expenditure Panel Survey (MEPS), 1996-1998
- **Data from providers**
 - Hospitals - annual financial data
 - Clinics, health centers, government providers (VA, IHS) – budgets and expenditure reports
 - Physicians – surveys of practicing physicians

First Approach: Data from the Uninsured MEPS Estimate

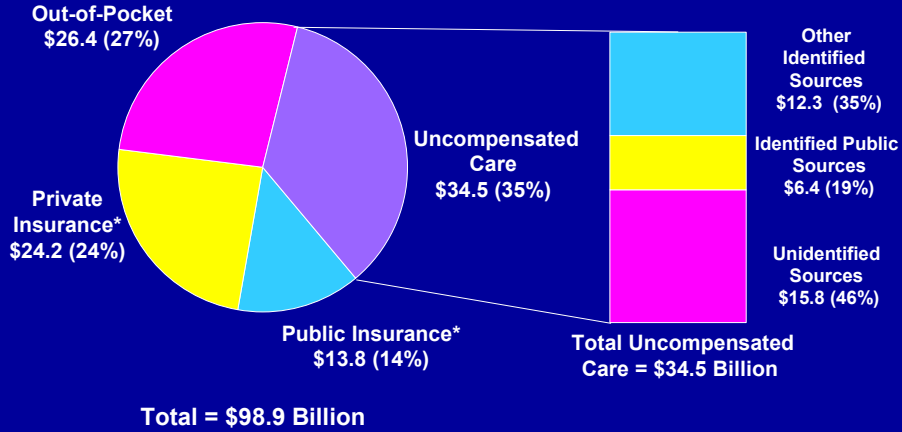
- **Prices updated to 2001 Dollars.**
- **Tabulate payments from identified sources other than insurance programs and the uninsured themselves**
- **Estimate value of care from private providers paid by unidentified sources (payments not linked to a specific patient, e.g., tax appropriations, Medicare and Medicaid DSH payments)**

Identified Sources of Uncompensated Care in the MEPS

- **Identified public programs other than Medicare, Medicaid, or state insurance programs – VA, IHS, local welfare programs, public hospitals and clinics**
- **“Other” identified sources: private charity, employers, auto insurance, other liability coverage, other source-unknown/unclassified**

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

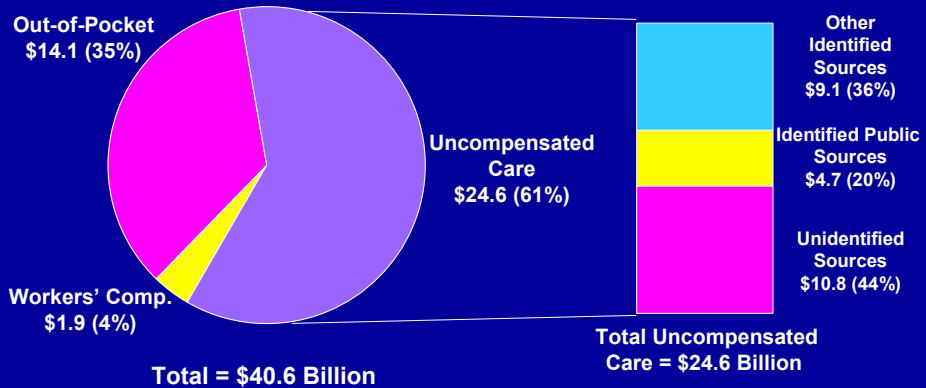
In Billions of Dollars (2001)



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: MEPS

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Estimates of Per Capita Spending (includes uncompensated care)

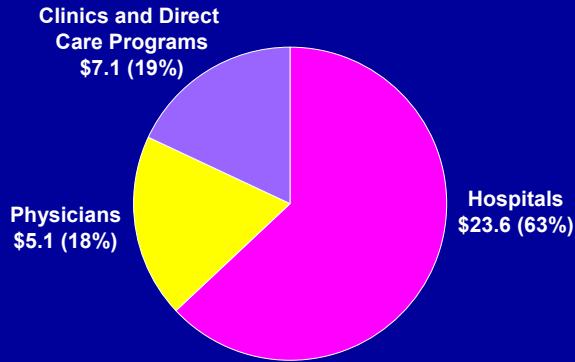
- **Full-year uninsured**
\$1,253
- **Part-year uninsured**
\$1,950
- **Full-year privately insured**
\$2,484

Second Approach: Provider-Based Estimates

- Hospital uncompensated care data from American Hospital Association Annual Survey
- Clinics and government programs from budget reports and agency data systems
- Physician data from physician surveys of time spent providing charity and reduced-fee care

Provider-Based Estimate of Uncompensated Care

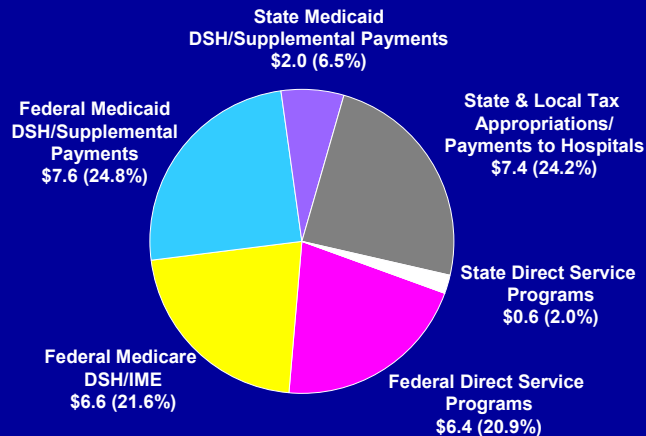
In Billions of Dollars (2001)



Total = \$35.8 Billion

Total Government Spending Programs and Payments for the Uninsured, 2001

(In Billions of Dollars)



Total = \$30.6 Billion

Funds Available to Pay for Hospital Uncompensated Care

Medicaid	(in billions of dollars, 2001)
<i>Federal share of DSH payments</i>	6.7
<i>State share of DSH payments</i>	1.7
<i>Federal share of supplemental provider payments</i>	0.9
<i>State share of supplemental provider payments</i>	0.3
Medicare	
<i>DSH payments</i>	5.0
<i>Share of IME payments</i>	1.6
State and Local Governments	
<i>Tax appropriations to hospitals</i>	\$3.1
<i>Payments to hospitals from indigent care programs</i>	4.3
Private	
<i>Philanthropy</i>	0.8-1.6
<i>Share of surplus from care to privately insured</i>	1.5-3.0
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All Funds	\$25.9-28.2
Cost of Hospital Uncompensated Care	\$23.6

Government Expenditures for Direct Service Programs

(In Millions of Dollars, 2001)

Community Health Centers	\$730
Maternal and Child Health	290
Ryan White Programs (HIV/AIDS)	680
National Health Service Corps	120
Veterans Health Programs	3,890
Indian Health Service	690
Local Health Departments	580
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Total	\$6,980

Summary

- **Total medical care received by people uninsured**
 - any part of the year \$98.9 billion
 - full year \$40.6 billion
 - part year \$58.3 billion
- **Full year uninsured pay for 35% of the care they receive**
- **Even counting uncompensated care, full-year uninsured spend half as much per person as full-year privately insured: \$1,253 vs. \$2,484**

Summary

- **Total uncompensated care**
 - \$34.5-35.8 billion (2.8%) of total personal health care spending
- **Total government spending**
 - \$30.6 billion (two-thirds federal)
 - 80-85% of cost of “uncompensated” care
- **Current government spending on other health care programs (2001)**
 - Medicare: \$247 billion
 - Medicaid: \$226 billion
 - Tax subsidy for private insurance: \$138 billion

Implications

- **Government funds are potentially available if insurance expansion is broad.**
- **Broad coverage expansion would benefit:**
 - The Uninsured
 - Hospitals and Physicians
 - State and Local Governments (if Federally Financed)
 - Medicaid and Medicare Payment Policy