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Study Estimates That Coverage of the Uninsured Would Add Up To \$69 Billion in Overall Health Care Spending

*Article in Health Affairs Indicates That Newly Insured Would Use
Additional Care Amounting to a 3-6 Percent Increase in Health Spending*

WASHINGTON— If the country provided universal coverage under the current health system, the cost of additional medical care provided to the newly insured would increase health spending's share of gross domestic product by less than one percentage point—or about 3 to 6 percent of total health care spending, according to a new report prepared for the Kaiser Commission on Medicaid and the Uninsured and published today by Health Affairs.

Urban Institute researchers Jack Hadley and John Holahan conclude that this range—\$34 billion to \$69 billion per year, depending on the approach taken—would mean the “cost of expanding insurance coverage may be a relatively small or at least a very worthwhile investment when considered against the benefits of improved health, increased longevity, and potentially greater national income.” The researchers estimate the cost of expansion to universal coverage would increase health spending from 14.1 percent to between 14.5 and 14.9 percent of GDP.

“This study shows that the direct cost of providing care to the 41 million uninsured would be less than annual inflation in health spending—8.7 percent in 2001, but still would require a commitment of new resources in a time of fiscal deficits,” said Diane Rowland, executive director of KCMU.

The study measures the direct cost of care if all the uninsured were provided coverage and they increased their use of the health system to the same rate as the insured population. It therefore reveals the potential increase in overall health spending, and not what federal legislation would cost. Federal legislation would likely have additional objectives and could use a variety of approaches. Depending on the legislative approach, the Congressional Budget Office would estimate a governmental cost for a proposal, which would be distinct from the estimate in this study.

“While it won't be inexpensive to cover the uninsured, this paper shows that a major coverage expansion would only be a small fraction of what the United States already spends on health care,” said John Iglehart, founding editor of *Health Affairs*.

Starting with the well-documented premise that having health insurance increases health care use, the authors set out to calculate the cost of new care that would be used if the uninsured population had coverage. The goal was to establish benchmarks that could be used to test the efficiency of future proposals for expanding insurance coverage by comparing them to the cost of an “average” private or public insurance plan.

The two alternative approaches assessed by the study:

- 1) One assumed the newly insured's spending would be similar to that of either lower- or middle-income people covered by the "average" private insurance policy,
- 2) The other assumed coverage would resemble people covered by the "average" public insurance policy (predominantly the Medicaid or State Children's Health Insurance Program).

The study findings show that spending for new medical care under a public coverage expansion could cost half as much as under a private coverage approach. Expanding coverage to the entire uninsured population would increase spending by \$34 billion under the public coverage standard and \$69 billion under the private coverage standard. Including the \$99 billion in medical care already used by the uninsured, the total cost of expanding to universal coverage would range from \$133 billion to \$168 billion.

The two approaches were chosen because of their prevalence in the current system and their distinctive features. Private insurance typically includes cost sharing, a range of covered services, and access to a broad set of medical providers with varying payment rates. Public insurance typically includes limited patient cost sharing, a broad range of services, but limits access to a set of medical providers who are willing to accept lower payment rates.

The *Health Affairs* article is available at http://www.healthaffairs.org/WebExclusives/Hadley_Web_Excl_060403.htm. The research was supported by KCMU's Cost of Not Covering the Uninsured project. The Commission convened an expert advisory group to work on developing new information and analyses on the uninsured problem in America. The project has previously released work reporting on the consequences of being uninsured and the amount the nation already spends on care for the uninsured. Work will continue on the financial burden borne by the uninsured when seeking care and the implications of insurance expansions to the near-elderly.

A webcast of today's policy briefing releasing the article in Washington, D.C., and a video interview with the authors of the study can be viewed after 5 p.m. EDT at the following link <http://www.kaisernetwork.org/healthcast/kff/04jun03>.

Health Affairs, published by Project HOPE, is a bimonthly multidisciplinary journal devoted to publishing the leading edge in health policy thought and research.

The Kaiser Commission on Medicaid and the Uninsured (KCMU) serves as a policy institute and forum for analyzing health care coverage and access for the low-income population and assessing options for reform. The Commission is a major initiative of the Henry J. Kaiser Family Foundation and is based at the Foundation's Washington, DC office. The Henry J. Kaiser Family Foundation is a non-profit, independent national health care philanthropy dedicated to providing information and analysis on health issues to policymakers, the media and the general public. The Foundation is not associated with Kaiser Permanente or Kaiser Industries.

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