

HEALTH CARE REFORM | SEPTEMBER 9, 2009

The Health Care Insecurity Index

By David B. Kendall, Stephen J. Rose, and Anne Kim

Half of all working-age Americans don't have health care they can count on. 52% of Americans ages 18-64 have experienced one or more of the following risk factors that make their health care insecure:

- **46 million** Americans have a serious pre-existing condition, such as diabetes or a heart problem, which can make it harder or more expensive to get coverage.
- **37 million** had a gap in their insurance during the last year, meaning that they lacked a stable source of coverage or were uninsured.
- **23 million** had high premiums that consumed more than 1 out of every 8 dollars earned, or had high out-of-pocket costs.
- **20 million** skipped a doctor's visit due to costs.

Wealthy or poor, Hispanic, black or white, male or female, older or younger, 88 million Americans share a common trait when it comes to health care: the risk of insecurity.

While the vast majority of Americans currently have health insurance, many Americans have one or more characteristics that put their current and future health care at risk. The most common of these is a serious pre-existing condition.

Based on our analysis of data from the Center for Disease Control's 2008 National Health Interview Survey of 74,000 Americans,¹ 52% of all working-age Americans ages 18-64 have experienced one or more of four risk factors that make their health care less secure: (1) they have a serious pre-existing condition that could jeopardize their ability to obtain future coverage or result in higher premiums; (2) they experienced a spell without insurance coverage sometime in the last 12 months (or were uninsured the whole period); (3) they spend more than 1 in every 8 dollars they earn on premiums or have high out-of-pocket costs; or (4) they skipped a doctor's visit or other medical care due to costs.

While lower-income Americans are more likely to be insecure, the risk of insecurity cuts across all income brackets, all races and both genders. The risk factors described above affect, alone or in combination:

- 79% of Americans with annual household incomes below \$35,000, 56% of Americans with incomes between \$35,000 and \$70,000 and 34% of Americans with incomes over \$100,000;²
- 71% of high-school non-completers and 40% of graduates with a four-year college degree or higher;
- 58% of African-Americans, 59% of Hispanics and 53% of Whites;
- 55% of women and 53% of men; and
- 56% of 18-29 year-olds, 49% of 30-49 year-olds and 60% of 50-64 year-olds.

Moreover, 55 million Americans (or 32%) are affected by two or more of these factors, and even among Americans who are currently problem-free, there is no predicting when someone may fall ill.

Health insurance reform will bring all Americans the stability and security they don't currently have in their health care. It will prevent insurers from denying people coverage if they have a pre-existing condition. It will protect people from paying more than their neighbors simply because they've been sick before. And it will provide help to people who are over-burdened by the high cost of health care.

FINDING # 1

46 million Americans have a serious pre-existing condition that could jeopardize their access to coverage.

One in four working-age adults (27% of Americans) has a serious pre-existing condition such as diabetes, heart disease or cancer.³

Under current law, insurance companies can deny coverage to someone with a pre-existing condition if he or she has a lapse in coverage that exceeds 63 days. Insurers in most states can also deny coverage due to a pre-existing condition anytime a person applies for coverage as an individual instead of through an employer. As many as 36% of Americans who apply for coverage in the individual market (instead of through their employer) are denied a policy because of a pre-existing condition.⁴

Pre-existing conditions are common:

| | Number of Working-Age Americans Affected |
|--------------------|--|
| Heart disease | 10 million |
| Had a heart attack | 3 million |
| Diabetes | 11 million |
| Cancer | 9 million |
| Stroke | 3 million |
| Epilepsy | 4 million |

Pre-existing conditions are also equal opportunity problems that afflict all races, income and education levels. Pre-existing conditions affect:

- 33% of people with less than \$35,000 of income, 27% of Americans with incomes between \$35,000 and \$70,000 and 21% of people with \$100,000 or more in income;
- 33% of high-school non-completers and 22% of four-year college graduates;⁵
- 30% of women and 24% of men;
- 26% of African-Americans, 24% of Hispanics and 28% of Whites; and
- 13% of 18-29 year-olds, 24% of 30-49 year-olds and 42% of 50-64 year-olds.

What health insurance reform offers: Guaranteed issue and community rating

As a part of health care reform, insurers have agreed to “guaranteed issue,” which means that they must issue a policy to anyone who applies so long as that person pays his or her premiums, and they can’t use a pre-existing condition to deny someone coverage. In addition, insurers have agreed to “community rating,” which means they cannot increase premiums for anyone who is sick.

These reforms could provide a great deal of stability to middle class Americans who might have trouble getting insurance if they’ve had a serious illness or are switching insurers because of a change in jobs. In exchange for this benefit, all Americans will be required to obtain coverage so that there are enough healthy people in the overall pool, and Americans who can’t afford coverage will be provided help with their premiums.

FINDING #2

37 million Americans experienced a gap in their insurance or were uninsured in 2008.

Twenty-two percent of working-age adult citizens either lost or never had insurance in 2008. That percentage is higher than more familiar estimates of the uninsured because it includes people who had a lapse in coverage over the course of a year, not just those who were uninsured at a given moment in time.

Third Way's previous analysis of coverage stability, *Checking Up on Harry and Louise*,⁶ found that only 64% of working-age citizens had continuous private coverage over the four-year period from 2003 to 2007. Gaps in coverage are surprisingly common and arise from a variety of reasons—a job loss, a job change, a divorce, or leaving a college or family health policy.

While gaps in insurance are more common for Americans with lower incomes and education levels, or who are minorities or young, a significant percentage of higher-income Americans have also experienced gaps in coverage. Gaps in coverage for all or part of 2008 affected:

- 39% of Americans with annual household incomes below \$35,000, 23% of Americans with incomes between \$35,000 and \$70,000, and 8% of Americans with incomes above \$100,000;
- 35% of high-school non-completers and 11% of four-year college graduates;
- 27% of African-Americans, 32% of Hispanics and 20% of Whites;
- 20% of women and 24% of men; and
- 34% of 18-29 year-olds, 21% of 30-49 year-olds and 14% of 50-64 year-olds.

What health insurance reform offers: The exchange

Health insurance reform will create a health insurance “exchange” or “gateway” that will give individuals a stable source of coverage if they lack it today. Today, cost is the greatest barrier to coverage for those who lose a job or have an employer who doesn't offer insurance. In 2008, the average cost of an individual plan was \$4,704, and for a family plan \$12,608.⁷ Many workers who lose a job have access to coverage through COBRA, but only a small percentage of workers take advantage of COBRA because of its cost.

The exchange will benefit these Americans by providing an online marketplace where people can select a health care plan from a menu of competing

plans. In this respect, it will be similar to what Members of Congress and federal workers get from the Federal Employees Health Benefits program.

The exchange will also be the main vehicle for providing subsidies to make coverage affordable. Anyone receiving unemployment insurance whose family income has fallen to less than four times the poverty rate under the Senate HELP Committee and House Tri-committee proposals (three times poverty under the Senate Finance Committee proposal) would automatically qualify for coverage assistance.

Initially, the exchange will serve people without coverage and small employers that wish to join the exchange. Over time, federal rules might allow larger employers as well as beneficiaries of public programs such as Medicaid to participate in the exchange, making it even more commonplace and stable. The Congressional Budget Office estimates that fully implemented, health insurance reform will cover all but 3% of legal residents.⁸

FINDING #3

23 million Americans spend more than 1 in every 8 dollars they earn on premiums or have high out-of-pocket costs.

Many people get pegged with high medical costs because their coverage at work is too costly or inadequate. Indeed, bankruptcies stemming from medical costs are more common for people with health insurance than for those without it.

People with high out-of-pocket costs are disproportionately low to moderate-income workers. Adults earning under \$35,000 are nearly four times more likely to end up with disproportionately high costs for insurance premiums or high out-of-pocket costs. Workers at small businesses are also nearly twice as likely to have high premiums or high out-of-pocket costs.

The share of working-age Americans with high premiums or high out-of-pocket costs include:

- 37% of Americans with annual household incomes below \$35,000, 6% of Americans with incomes between \$35,000 and \$70,000, and 2% of Americans with incomes above \$100,000;
- 22% of high-school non-completers and 8% of four-year college graduates;
- 16% of African-Americans, 14% of Hispanics and 13% of Whites;
- 14% of women and 12% of men; and
- 15% of 18-29 year-olds, 11% of 30-49 year-olds and 15% of 50-64 year-olds.

What health insurance reform offers: Affordability standards and subsidies

Health insurance reform legislation would provide many people (including almost everyone who loses a job) with subsidies so that their spending on health care premiums doesn't exceed a certain percentage of their annual income (12% in the House bill and 12.5% in the Senate HELP Committee bill).

Both bills also cap out-of-pocket costs so that no individual should face bankruptcy from ruinous health care bills. For example, the House bill also caps out-of-pocket costs by providing subsidies to individuals whose out-of-pocket health care costs exceed certain thresholds based on their annual income as a percentage of the federal poverty line (FPL):

| Annual household income | Maximum out-of-pocket costs as a share of income |
|-------------------------|--|
| Up to 150% FPL | 3% |
| 150%-200% FPL | 7% |
| 200%-250% FPL | 15% |
| 250%-300% FPL | 22% |
| 300%-350% FPL | 28% |
| 350% or more FPL | 30% |

FINDING #4

20 million Americans skipped a doctor's visit due to high costs.

Faced with high costs or inadequate coverage, 11% of working-age Americans simply forgo the care they need and hope the problem doesn't get worse. Young adults are the most likely to defer care. 13% of 18-29 year-olds put off care due to costs compared to 11% of 50 to 64 year-olds. Poorly educated adults are also vulnerable to delayed care. People who didn't finish high school are three times more likely to do so than college grads.

The consequences of delaying care can be severe. Cancer can be treated more effectively if it's caught early. An infection on a leg that is left to fester can result in an amputation. Among insured Americans who said they postponed seeking medical care needed at some point in the past year, 36% said it resulted in a temporary disability that included significant pain and suffering, and 14% said it caused a long-term disability.⁹

Among the Americans who missed or delayed care due to costs:

- 25% of Americans with annual household incomes below \$35,000, 12% of Americans with incomes between \$35,000 and \$70,000, and no Americans with incomes above \$100,000;¹⁰
- 20% of high-school non-completers and 5% of four-year college graduates;
- 13% of African-Americans, 14% of Hispanics and 11% of Whites;
- 13% of women and 10% of men; and
- 13% of 18-29 year-olds, 11% of 30-49 year-olds and 11% of 50-64 year-olds.

What health insurance reform offers: A cap on out-of-pocket cost and free preventive care

As noted above, health insurance reform will keep out-of-pocket costs in check through caps and subsidies on what people must pay. In addition, the legislation bans all out-of-pocket costs on preventive services such as cancer screening and vaccinations.

■ CONCLUSION

Much of the debate over health reform in the last three decades has focused on the 13% to 16% of Americans who are uninsured at any given time. But as this analysis shows, the risk of health care insecurity is widespread, even among the largely insured middle class.

Even for those who are insured, anxieties over the cost and continuity of coverage can diminish Americans' freedom to pursue new opportunities and impact their standard of living. "Job lock," for example, traps many people who feel compelled to stay in dead-end jobs simply for the benefits.

The success of reform will deliver an historic benefit to the middle class— it will transform how Americans feel about their health care by delivering to them the security and stability they lack from the status quo.

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■ ENDNOTES

1 National Health Interview Survey, U.S. Centers for Disease Control and Prevention, <http://www.cdc.gov/nchs/nhis.htm>.

2 Unless otherwise specified, all findings from our analysis refer to working-age citizens ages 18-64.

3 For purposes of our analysis, pre-existing conditions include: body mass index of 40+, cancer, cerebral palsy, diabetes, epilepsy, fibromyalgia, heart attack or heart disease, hepatitis, HIV/AIDS, liver condition, lupus, macular degeneration, muscular dystrophy, multiple sclerosis, Parkinson's and other movement disorders, rheumatoid arthritis, seizures and stroke. The evaluation of health conditions in the insurance underwriting process involves more information and a wider variety of conditions than the data in the National Health Interview Survey shows, but these conditions are ones that an insurance company offering private individual coverage might consider in deciding whether to issue a policy.

4 "Coverage Denied: How the Current Health Insurance System Leaves Millions Behind," Health Reform.gov: http://www.healthreform.gov/reports/denied_coverage/index.html.

5 All references in this report to college graduates include people with post-graduate education, too.

6 Anne Kim, Stephen J. Rose and David B. Kendall, *Checking Up on Harry and Louise: The Health Care Coverage Experiences of the Middle Class*, Third Way, May 2009, available at http://www.thirdway.org/data/product/file/209/Third_Way_Report_-_Checking_Up_On_Harry_and_Louise.pdf.

7 "Employer Health Benefits: 2008 Annual Survey," Kaiser Family Foundation & Health Education and Research Trust, 2008: <http://www.kff.org/insurance/7790/>.

8 Douglas W. Elmendorf, "Preliminary Analysis of America's Affordable Health Choices Act of 2009," letter to Rep. Charles Rangel, July 17, 2009: <http://www.cbo.gov/doc.cfm?index=10464&zcz=39262>.

9 "Underinsured in America: Is Health Coverage Adequate?" Kaiser Family Foundation, July 2002: <http://www.kff.org/uninsured/4060-index.cfm>.

10 In the original NHIS survey, 10.1% of households with incomes of \$100,000 or higher reported missing or delaying care due to costs. The results shown in this report assume that some respondents have skipped care not because they couldn't afford it, but for other reasons. For example, they may have thought that the cost of the care was too high and wasn't worth it. The results for all income categories have been lowered from the original NHIS survey by 7.5 percentage points in order to show how much skipped care was likely due to a problem with a more narrow view of cost as an obstacle to care.