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THE COSTS AND CONSEQUENCES OF BEING UNINSURED

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Lack of health coverage takes an enormous toll on the uninsured—in thousands of avoidable deaths each year, poorly managed chronic conditions, undetected or untreated cancer, and untried life-saving medical procedures. According to emerging research, being uninsured has multiple economic consequences as well. There are costs for individuals, in terms of poorer quality of life and reduced productivity; for businesses, whose employees miss work or retire early for health reasons; for the health care system, which is burdened by bad debt and inefficient care for the uninsured; and for society at large, which forgoes the economic benefits of a healthy, productive population.

The June 2003 supplement to *Medical Care Research and Review* focused on work by Jack Hadley of the Urban Institute on relationships between health insurance, use of medical services, health status, worker productivity, and income. In an invited commentary in the same issue, Commonwealth Fund president Karen Davis examined the health and economic costs incurred by the 41 million uninsured in the United States.

Costs Borne by the Uninsured

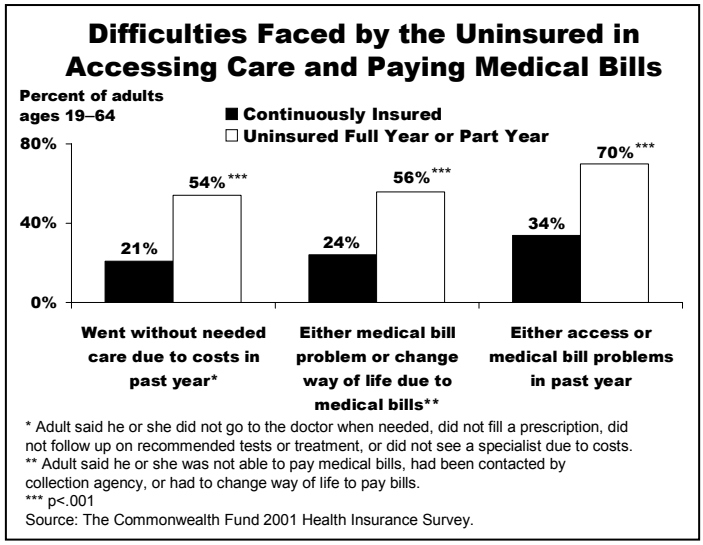
The Institute of Medicine estimates that lack of health insurance leads to 18,000 deaths a year. That makes it the sixth-leading cause of death among people ages 25 to 64—after cancer, heart disease, injuries, suicide, and cerebrovascular disease, but before HIV/AIDS or diabetes. Being uninsured exposes individuals to risks in addition to a greater probability of death. Often it means receiving poor-quality care. The uninsured are less likely than the insured to have a regular source of care, less likely to receive preventive care, and less likely to benefit from early detection of medical problems. Furthermore, the uninsured are more likely to face burdensome medical bills.

Costs Borne by Employers

It is clear that an individual's earnings are lower as a result of being uninsured, largely because of reduced workforce participation and productivity. But employers incur costs as well—when their employees miss work, leave their job, or retire early for health reasons. The Commonwealth Fund's 2001 Health Insurance Survey found, for example, that 16 percent of the uninsured were absent from work during the year because of a dental problem, compared with 8 percent of those with health insurance. Further research is needed to better understand the toll on businesses from lost productivity, employee turnover, and absenteeism.

Costs Borne by the Health System

The costs to the health system of treating uninsured patients have not been systematically documented. A recent analysis concluded that the uninsured received approximately $34.5 billion in uncompensated care in 2001. But there are many hidden costs as well. Adults lacking coverage make inefficient use of the health care system, relying on costly emergency rooms, for example, when care could have been



provided in lower-cost primary care settings. One study found that of 2 million emergency room visits a year, 33 percent were for health conditions that did not require immediate care or could have been treated during a physician visit. When an uninsured patient sees a primary care physician but is unable to follow through with recommended care—by filling a prescription or undergoing tests—the initial investment in the medical consultation is squandered.

The instability of the health insurance system—in which about half of the 41 million uninsured lose their coverage in a given year—generates administrative costs as well. When individuals move between public and private coverage, they often change their sources of medical care. As a result, medical records often need to be updated or transferred and insurance eligibility needs to be verified. The interruptions to care experienced by the uninsured may also contribute to higher health care costs: one study found that Medicare beneficiaries who had the same physician for 10 years or longer had fewer hospitalizations and lower medical expenses.

Costs Borne by Taxpayers

Taxpayers pay some of the hidden costs associated with the uninsured. Federal, state, and local governments support care of uninsured patients through public health clinics and through payments to safety net hospitals that care for the poor and uninsured. A recent study documented that these governmental expenditures total approximately $30.6 billion a year. Moreover, fewer taxpayers are shouldering the costs of financing government services when these patients are forced by their illness or injury to work reduced hours, or to stop working temporarily, and thus no longer have earnings on which they pay taxes.

Costs Borne by the General Public

Inadequate health care for the uninsured also generates hidden costs that fall upon the American public. Contagious diseases that go untreated because the carrier lacks insurance threaten the health of the entire population. Teaching hospitals and major medical centers that are strained financially from providing uncompensated care are less able to provide high-level burn or cancer care. And emergency rooms that fill with uninsured, non-emergency patients are often compelled to divert patients requiring immediate care to other institutions.

Conclusion

More research is needed to tally the multitude of direct and indirect costs of not providing health insurance to one-seventh of the population. But there is already accumulating evidence that this policy failure is exacting heavy costs for the insured, for employers, for taxpayers, and for the health system and general public. Clearly, the time has come for immediate action to ensure a healthier, more productive society.

Facts and Figures

- The Institute of Medicine estimates that 18,000 U.S. adults ages 25 to 64 die each year as a result of lacking health insurance.
- In a 2001 survey, 13 percent of uninsured Americans had not received any medical care in the past two years, compared with 5 percent of the insured. Forty percent of the uninsured had no regular doctor, compared with 18 percent of the insured.
- A 2001 study in Maryland found that among uninsured children under age 6, 50 percent of their emergency room visits were for problems that did not require emergency care. Among uninsured adults ages 13 to 34, 40 percent of visits did not require immediate care.