



The Impact of Rising Health Care Costs on the Economy

EFFECTS ON LOCAL COMMUNITIES

When an individual is uninsured due to unaffordable health insurance premiums and cannot afford their medical bills, a significant financial burden falls on providers of services and the broader community and society.

The economic vitality of a community affects health insurance coverage rates, and health insurance coverage rates can affect the economic fortunes of a given community. The dynamics of high premiums for health coverage and the impact on coverage rates play out in different ways:

The costs of health insurance and health care and the clustering of uninsured persons in a community can affect its economic foundations:

- **An increasing or high uninsured rate, and the attendant high public costs, may discourage employers from locating or continuing to operate in a given locale.**

The costs of treating patients with little or no health insurance (known as uncompensated care) are passed on to employers and taxpayers. It is estimated that \$32 billion in uncompensated care was provided to uninsured patients in 2006 (that number is expected to be much higher in 2007 and 2008 as the uninsured numbers have climbed)^{1,2}.

These costs are passed on to private sector patients in the form of higher hospital bills resulting ultimately in higher premiums for employers in the community with high uninsurance rates.

- **A higher than average uninsured rate and the corresponding burden of uncompensated care on the local hospital(s) may threaten the survival of such institutions and reduce the viability of the economic base of the community³.**

Hospitals may be the largest employer in a given community (especially in rural areas) so the closure of an institution especially a long-standing one, would have a significant impact on the local economy.

High health insurance premiums resulting in a greater number of uninsured people in the community financially affect health care providers and hospitals:

- **The tenuous financial viability of local health care providers due to high uninsurance affects both service delivery and jobs.**
This process places financial stress on communities that end up trying to maintain services through higher local prices for health care services and higher local taxes. Alternately, eliminating community support can result in more uninsured people in the area and reduced service availability for all community residents.
- **Communities with relatively high numbers of uninsured people may experience economic difficulties when uninsurance places new financial demands on local health care providers who make significant contributions to the local economy.**

Due to this dynamic, communities most in need of tax-subsidized assistance to health care providers and hospitals may be the least likely to have sufficient tax revenues and be able to afford to finance care for uninsured and underserved persons.

Unreimbursed expenditures for health services delivered to uninsured persons are borne by private and public payers, employers, and by federal taxpayers as well as state and local residents.

Providing affordable health insurance to all Americans would alleviate substantial financial demands on communities, especially those local areas disproportionately affected by high uninsurance rates. Local community officials and health care providers should be part of a national discussion to develop solutions to address the impacts of uninsurance.

In order to address the issues of uncompensated care and uninsurance affecting communities, we need comprehensive health care reform where all Americans have health insurance which includes equitable health insurance financing in order to reduce cost shifting from payer to payer and patient to patient.

Notes

1. Institute of Medicine. Hidden Costs, Value Lost – Uninsurance in America. *The National Academies Press*, 2003.
2. AHA Health and Hospital Fact Sheets. www.aha.org/aha/research-and-trends/health-and-hospital-trends/2007.html.

3. Institute of Medicine. *A Shared Destiny – Community Effects of Uninsurance*.
The National Academies Press, 2003.

11-07-07