



The Impact of Rising Health Care Costs on the Economy

EFFECTS ON WORKERS AND FAMILIES

Employment-based health insurance is a critical element of jobs in the United States and can make the difference between working families having access to affordable health insurance coverage and families in which some or all members are uninsured. Health insurance coverage provides families with the financial means to access needed medical care services, as well as protecting them against devastating financial losses due to illness.

But the connection between employment and health insurance -- a voluntary benefit provided by companies -- is a link at risk, due to rapidly rising health care costs and health insurance premiums.

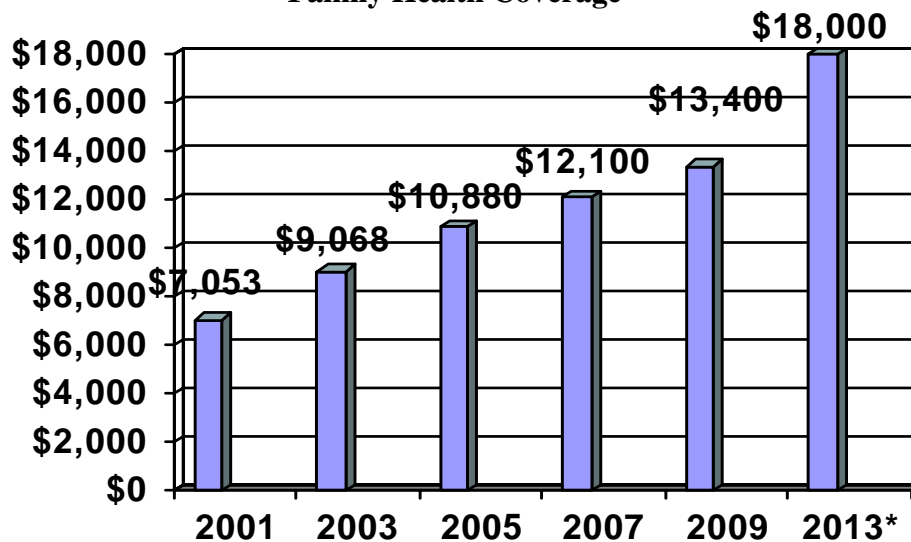
The impact of rising costs is already being felt in many ways by workers and their families:

- **Due to high health insurance premiums, millions of workers have no health insurance coverage because many employers cannot afford to provide health benefits.**

Only 60 percent of all employers in the United States offered health insurance coverage to at least some of their employees in 2008 (down from nearly 70 percent in 2000) -- and only 46 percent of small employers (under 10 employees) provide coverage¹. The average annual premium for an employer-sponsored family policy reached \$13,400 in 2009 (for many large companies the average premium is \$14,000), and based on health insurance trends, will increase 60 percent by the end of 2013². (See Figure 1)

Figure 1

Average Annual Premiums for Employee-Sponsored Family Health Coverage



SOURCE: Adapted from Henry E. Simmons and Mark A. Goldberg, *Charting the Cost of Inaction*, National Coalition on Health Care, 2003, p.4.

*projected

- **Even if employers provide health insurance, the employees' share of insurance premiums is unaffordable for many working families.**

Growth in health insurance premiums is far outstripping inflation and wages. Many employers have been forced to pass on premium increases to workers. Workers on average pay 27 percent of the premium⁴. If workers continue to pay that percentage, by the end of 2010, employees, on average, will pay nearly \$4,000 annually for their share of health insurance premiums³.

The average employee contribution for family health insurance premiums increased 128 percent between 1999 and 2008 to \$3400 annually. And average out-of-pocket expenses for deductibles, coinsurance and co-payments have increased 115 percent over the same period⁵. Salaries have only increased 38 percent during this period.

- **The cost of employment-based health insurance is rising significantly and forcing companies to delay wage increases.**

According to Ben Bernanke, Chairman of the Federal Reserve, rapid increases in health spending also portend increasingly difficult access to health services for people with lower incomes. As health spending continues to outpace income, health insurance and out-of-pocket payments will become increasingly unaffordable. One way that society has addressed this problem in the past has been to expand government subsidies for health spending⁶.

- **Many families are experiencing medical bill problems.**

The proportion of working-age Americans who have medical bill problems or who are paying off medical debt climbed from 34 percent to 41 percent between 2005 and 2007, bringing the total to 72 million, according to recent survey findings from The Commonwealth Fund⁷. In addition, 7 million adults age 65 and over also had problems paying medical bills, for a total of 79 million adults with medical bill problems or medical debt⁸.

Families in medical debt and who have family members with chronic conditions also report delaying needed care and not filling prescription medications due to high medical costs.

An international survey has found that 50 percent of sicker adults in the U.S. said they did not see a doctor when sick, did not get recommended treatments, or did not fill a prescription because of cost considerations. On each access/cost question, the U.S. rate was 1.5 to double the forgone care rates reported in the next-highest country. Despite these high rates of care forgone, 33 percent of U.S. patients spent more than \$1,000 out of pocket in the past year, a level rare in the other countries. Insured and uninsured U.S. patients were about equally likely to report expenditures this high (34 percent insured and 32 percent uninsured)⁹.

- **Quality of life and security for families are threatened due to rising health care costs.**

High health insurance premiums and health care costs that result in uninsured individuals and families place an increased burden of financial risk and uncertainty as a consequence. The psychological and behavioral implications of living with financial and health risks and uncertainty can be significant.

Families in which all members have coverage do not experience the financial concerns, worries, demands, and indignities that accompany medical illness without health insurance.

But a recent survey of consumers conducted by the Iowa Department of Public Health found that the influence of health insurance cost is exerting pressures on consumers who are insured. The survey showed that high and rising health care costs and insurance premiums for those with coverage are affecting decision making in individual and family life choices such as when and if to get married and start a family, seeking another job, and workforce entry and retirement. Health insurance costs are also dampening the entrepreneurial spirit of consumers¹⁰.

- **Uninsured children can suffer development losses.**

Uninsured children are at greater risk than children with health coverage of suffering delays in development that could affect their educational achievements and career prospects later in adulthood. Good health and meeting developmental milestones in infancy and childhood affect an individual's educational attainment, job prospects, earning capacity, and long-term health.

Americans are very worried about health care.

Paying for healthcare ranks among Americans' top personal economic problems (some even marry for health insurance) - up there with filling the gas tank and finding a well-paying job or receiving a salary increase¹¹.

Nearly three in 10 Americans (28%) report that they or their families have had a serious problem paying for healthcare and health insurance as a result of recent changes in the economy, behind paying for gas (44%) and about tied with getting a good-paying job or raise in pay (29%).

Reports of families facing serious economic problems extend up into middle-income families, with almost three in 10 (28%) of those earning between \$30,000 and \$75,000, reporting a serious problem paying for healthcare or health insurance as a result of recent changes in the economy.

Health insurance must be made affordable to allow families and individuals to obtain needed protection. There is an urgent need for relief from rapidly rising costs which involves implementing comprehensive reform that provides coverage to all Americans and slowing down the rate of escalation in health care costs and health insurance premiums. Health care reform that includes these elements can save families billions of dollars annually.

For more information on how to solve the uninsured problem and manage health care costs, please see the Coalition's reports *Building a Better Health Care System: Specifications for Reform* and *Impacts of Health Care Reform: Projections of Costs and Savings*. They can be found on our website at www.nchc.org.

Notes

1. The Henry J. Kaiser Family Foundation. *Employer Health Benefits: 2009 Annual Survey*. September 2009.
2. National Coalition on Health Care estimate.
3. National Coalition on Health Care estimate.
4. The Henry J. Kaiser Family Foundation. *Employer Health Benefits: 2009 Annual Survey*. September 2009.

5. The Henry J. Kaiser Family Foundation. *Employer Health Benefits: 2009 Annual Survey*. September 2009
6. Challenges for Health-Care Reform. Chairman Ben S. Bernanke at the Senate Finance Committee Health Reform Summit, Washington, D.C., June 16, 2008.
7. S. R. Collins, J. L. Kriss, M. M. Doty, and S. D. Rustgi, *Losing Ground: How the Loss of Adequate Health Insurance is Burdening Working Families: Findings from the Commonwealth Fund Biennial Health Insurance Surveys, 2001?-2007*, The Commonwealth Fund, August 2008.
8. S. R. Collins, J. L. Kriss, M. M. Doty, and S. D. Rustgi, *Losing Ground: How the Loss of Adequate Health Insurance is Burdening Working Families: Findings from the Commonwealth Fund Biennial Health Insurance Surveys, 2001-2007*, The Commonwealth Fund, August 2008.
9. Schoen, et al., "Taking the Pulse of Health Care Systems: Experiences of Patients with Health Problems in Six Countries," *Health Affairs Web Exclusive* W5-509, 03 November 2005.
10. Selzer and Company Inc. *Department of Public Health 2005 Survey of Iowa Consumers*, September 2005.
11. April Kaiser Health Tracking Poll: Election 2008, the seventh in a series tracking voters' views about where health care fits as an issue in the 2008 presidential election, as well as their views on potential approaches to health reform.

10-09-09