INSTITUTE OF MEDICINE
OF THE NATIONAL ACADEMIES

AMERICA'S UNINSURED CRISIS: CONSEQUENCES FOR HEALTH AND HEALTH CARE

Statement of

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Chairman Pallone, Representative Deal, and members of the Committee, my name is Jack Ebeler. I am honored to present to you today the findings and recommendations of the Institute of Medicine (IOM) Committee on Health Insurance Status and Its Consequences, as detailed last month in our report, *America's Uninsured Crisis: Consequences for Health and Health Care* (http://www.iom.edu/CMS/3809/54070/63118.aspx).

Our Committee was convened in 2008 with funding from the Robert Wood Johnson Foundation to update the six prior IOM reports on the consequences of uninsurance that were issued from 2001 through 2004. Our 14-member Committee included health economists, physicians, a nurse, and experts in health policy and public health with substantial leadership experience in state and federal government, private-sector corporations, health-care delivery, and medical research.

I will review the findings of our most recent report concerning three key questions: First, what are the dynamics driving downward trends in health insurance coverage? Second, is being uninsured harmful to the health of children and adults? Third, are insured people affected by high rates of uninsurance in their community?

Caught in a Downward Spiral: Health Insurance Coverage is Declining

A number of signs point to a continuing decline in health insurance coverage. Health care costs and insurance premiums have been growing substantially faster than the economy and family incomes. Rising health care costs and a severely weakened economy threaten not only employer-sponsored insurance, the cornerstone of private health coverage in the United States, but also threaten recent expansions in public health insurance through Medicaid and the Children's Health Insurance Program.

Employment-based health benefits have served as the primary source of health coverage for several generations of workers and their families. However, in the years 2000 through 2007 that our Committee examined, rates of employer-sponsored coverage declined by 9 percentage points for children (from 66 percent to 57 percent) and by 5 percentage points for non-elderly adults (from 69 percent to 64 percent).

The principal cause of declining rates of private health insurance coverage is the ever-rising cost of health care. Between 1999 and 2008, family health insurance premiums rose 119 percent, more than triple the 34 percent increase in workers' earnings in the same time period. Employers are finding it more difficult to sponsor coverage and their employees are increasingly unable to afford the premiums if offered coverage, particularly those workers with lower wages.

Fundamental changes in the workplace are also contributing to the decline in coverage. Jobs in the U.S. have shifted away from industries with traditionally high rates of health coverage, such as manufacturing, to service jobs, such as wholesale and retail trade, with historically lower rates of coverage. In some industries, employers are relying more heavily on jobs without health benefits, including part-time and short-term employment, as well as contract and temporary jobs. Early retirees are also less likely to be offered retiree health insurance benefits than in the past.

Many more low-income Americans would be uninsured today were it not for state and federal efforts to expand coverage in the past decade. By expanding eligibility, conducting outreach to people already eligible, and expediting enrollment in Medicaid and SCHIP (now CHIP), which has been reauthorized and expanded, states and the federal government have substantially increased health coverage among low-income children and to a lesser degree among adults. The net result of eroding employment-based coverage and improved public programs is that the portion of children

who are uninsured has remained at about 11 percent from 2000-2007, while the portion of adults under age 65 who are uninsured has increased from 17 percent to 20 percent.

For those Americans without access to employer-sponsored or public insurance, acquiring health insurance in the non-group health insurance market can be very difficult if not impossible. In most states, insurers may deny applicants for nongroup coverage completely; impose either a permanent or temporary preexisting condition limitation on coverage; or charge a higher premium based on health status, occupation, and other personal characteristics. As a result, nongroup insurance policies are often unaffordable, particularly for those with preexisting conditions. Individual medical insurability also depends on how recently one has been covered by a group health plan. Applicants with recent group coverage have some protections under the federal Health Insurance Portability and Accountability Act (HIPAA). However, HIPAA coverage can also be expensive, include high cost-sharing requirements, and offer only limited benefits. Moreover, HIPAA's rules do not protect individuals from future increases in premiums. As a consequence, someone who suffers a serious medical condition or trauma may be charged extremely high premiums.

The Committee concluded that there is no evidence that the trends will reverse without concerted action by policymakers. Current economic conditions and rising unemployment will only exacerbate the problem as more individuals and families lose employment-based benefits and many of them turn to public insurance programs in an exceptionally challenging fiscal time for state and local governments. The Administration and Congress have already taken recent steps beyond the reauthorization of the CHIP program to deal with the impact of the recession. To mitigate the effects of expected private-sector coverage losses and increased costs to state programs, short-term financing for some of the cost of COBRA benefits has been provided for workers who have lost

their jobs, and supplemental federal matching has been extended to hard-pressed state Medicaid programs. However, net losses in overall coverage rates are still expected in the near term.

Coverage Matters: Health Insurance is Integral to Personal Well-Being and Health

Important new research has emerged since 2002 when the IOM last studied the health consequences of being uninsured for children and adults, including nearly 100 new studies that our Committee reviewed. These new studies have confirmed and extended the evidence regarding the harms of being uninsured that were featured in earlier IOM reports. Furthermore, rigorous new research in the past six years has demonstrated the benefits of gaining health insurance for both children and adults.

Uninsured Americans frequently delay or forgo doctors' visits, prescription medications, and other effective treatments, even when they have serious disease or life-threatening conditions. Uninsured children are 20 to 30 percent more likely to lack immunizations, prescription medications, asthma care, and basic dental care. Uninsured children with conditions requiring ongoing medical attention, such as asthma or diabetes, are 6 to 8 times more likely to have unmet health care needs. Uninsured children are also more likely than insured children to miss school due to health problems and to experience preventable hospitalizations.

Among working-age uninsured adults, 40 percent have one or more chronic health conditions such as asthma, hypertension, depression, diabetes, chronic lung disease, cancer, or heart disease. Uninsured adults with such chronic conditions are two to four times more likely than their insured counterparts to have received no medical attention in the prior year. Because uninsured adults seek health care less often than insured adults, they are often unaware of health problems such as high blood pressure, high cholesterol, or early-stage cancer. Uninsured adults are also much less likely to

receive vaccinations, cancer screening services such as mammography and colonoscopy, and other effective preventive services.

These deficits in care have important consequences for uninsured adults. Middle-aged adults with chronic conditions such as diabetes or hypertension experience more rapid declines in health than insured adults with these conditions. Uninsured adults are also more likely to be diagnosed with later-stage cancers compared to their insured peers. If hospitalized for a serious acute condition, such as a heart attack, stroke, or major trauma, uninsured adults are more likely to die after admission to a hospital. Uninsured adults are 25 percent more likely to die prematurely than insured adults overall, and with serious conditions such as heart disease, diabetes or cancer, their risk of premature death can be 40 to 50 percent higher.

Fortunately, our Committee also found *good* news to report: when uninsured people acquire health insurance they can experience both immediate and long-term improvements in their health. Since 2002, numerous well designed studies have focused on what happens to uninsured people after they gain health insurance. For children, this research shows substantial benefits for previously uninsured children after enrolling in SCHIP or Medicaid, particularly if they have special health needs. Once enrolled in a public insurance program, children experience numerous health benefits. They are more likely to have serious health problems identified early, have fewer avoidable hospital stays, enjoy better asthma outcomes, have fewer missed days of school, and receive more appropriate preventive services such as immunizations and basic dental care.

For previously uninsured adults, the health benefits of becoming eligible for Medicare at age 65 are substantial. Once enrolled in Medicare, these adults are much more likely to receive appropriate cholesterol testing, cancer screening tests such as mammograms, physician services, and hospital care. Recent evidence shows that acquiring Medicare coverage improves the health of

uninsured adults and prevents costly complications such as hospitalizations for heart failure, particularly for adults with cardiovascular disease or diabetes. The risk of death when hospitalized for serious conditions, such as stroke, respiratory failure, or hip fractures, is also reduced after uninsured adults become eligible for Medicare.

Despite the availability of some safety net services for uninsured Americans, these new research findings demonstrate that lacking health insurance reduces access to effective health care services and is thus hazardous to the health of children and adults. Most importantly, based on numerous new published studies, our Committee determined that gaining health insurance provides substantial health benefits to uninsured Americans

High Levels of Uninsurance May Undermine Health Care for the Insured Population

National trends in uninsurance rates mask the tremendous variation in uninsurance across the country among states, counties, and even areas within counties. For example, across zip codes in Los Angeles County, uninsurance rates for the nonelderly population ranged from 6 percent to 45 percent in 2005.

As the size of the local uninsured population grows, even those who have health insurance become vulnerable. While more research is needed on this topic, a growing body of evidence since the last IOM report suggests that when community-level rates of uninsurance are relatively high, worrisome "spillover" effects are experienced by the *insured* population. Rigorous surveys of 60 communities across the United States over the last decade suggest real risks to living in communities with high rates of uninsurance. The Institute of Medicine commissioned a special study by economists Mark Pauly and Jose Pagan to explore this issue further.

When rates of uninsurance in communities are relatively high, *insured* adults in those communities are more likely to report difficulty obtaining needed health care and to be less

satisfied with the care they receive. Privately insured, working-age adults in higher uninsurance areas, for example, are significantly less likely to report having a place to go when sick, having a doctor's visit or routine preventive care (including mammography), and seeing a specialist when needed. They are also less likely to be satisfied with their choice of primary care and specialty physicians or to trust their doctor's decisions.

Our Committee also examined widespread vulnerabilities in local health care delivery. These vulnerabilities are not necessarily attributable to uninsurance but they are sensitive to financial pressures and may be exacerbated by higher rates of uninsurance in local communities:

- Health care providers and capital investment tend to locate in well-insured areas (and away from communities of high rates of uninsurance). It is common for hospitals to focus major investments in more affluent locations with well-insured populations.
- Physicians and other health care providers are drawn to newer facilities with the most up-to-date technologies. This phenomenon makes it challenging for financially stressed hospitals in communities with high uninsurance rates to recruit on-call specialists for emergencies.
- A range of problems with hospital-based emergency services — including limits on inpatient bed capacity, outpatient emergency services, and the availability and timeliness of trauma care — have serious implications for the quality of care for insured as well as uninsured patients in need of these services.

These community effects of uninsurance are complex and not fully defined, in part because empirical data to inform the issue are limited. Nonetheless, weaknesses in local health care delivery are intensified by high rates of uninsurance, and these problems have potentially grave consequences for the quality and timeliness of care for everyone in the community, both insured and uninsured.

Conclusions and Recommendation of the Institute of Medicine

Our Committee determined the evidence on the adverse health consequences of being uninsured is stronger than ever before. This evidence makes a compelling case for urgent action, because health insurance coverage matters for the health of children, adults, and communities. Expanding health coverage to all Americans is essential and should be done as swiftly as possible. Without such action, preventable suffering due to the lack of health insurance will persist. Our Committee also concluded that steps to reduce the costs of health care and the rate of increase in health care spending are of paramount importance if coverage for all is to be achieved and sustained. In the Committee's consensus view, however, action to expand coverage should not be delayed pending the development of a long-term solution to curbing underlying health care costs. Given the demonstrated harms of lacking health insurance for children and adults, the Committee determined that action to achieve coverage for all should proceed immediately, coupled with concerted attention to addressing the long-term underlying trends in health care costs to assure sustainability of the system for all.

Therefore, the Institute of Medicine recommends that the President work with Congress and other public and private sector leaders on an urgent basis to achieve health insurance coverage for everyone and, in order to make that coverage sustainable, to reduce the costs of health care and the rate of increase in per capita health care spending.

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